

**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, 2016**

**Comprehensive Annual
Financial Report**

of the

**Pequannock Township School District
Board of Education**

Pequannock, New Jersey

For the Fiscal Year Ended June 30, 2016

Prepared by

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

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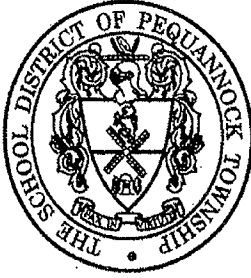
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INTRODUCTORY SECTION



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

538 Newark-Pompton Turnpike
Pompton Plains, New Jersey 07444

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Business Administrator/Board Secretary
Kathy.Bechtels@pequannock.org

November 1, 2016

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, 2016, 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB Circular 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 was 2,165 students, which is 88 students below the previous year's enrollment and represents a decrease of 3.91%.

The Honorable President and Members of
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Pequannock Township School District
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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 2015-2016 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.

Five (5) Year Strategic Plan: The District embarked on creating the Strategic Plan in September, 2015 with NJSBA Representative providing the Board with a presentation on Strategic Planning Services available through their association. The Board approved the hiring of NJSBA at the October 13, 2015 meeting. The State of the Schools and the State of the Community Committees were trained by the NJSBA Rep on December 1, 2015 and began their work updating the 2006 reports. District administration and members of the community chaired the State of the Schools Committee and State of the Community Committee. The Planning Council met on January 22, 2016 and reviewed the reports, the mission statements and established belief statements. Action Plan Committees were formed from the Planning Council members and other interested parties. The Strategic Plan was presented at the June 6, 2016 BOE meeting and centered on communication, green initiatives, and financial goals. The BOE adopted the Strategic Plan at the June 27, 2016 meeting.

Student Achievement: The District continued to implement various benchmarking assessments to monitor and address learning deficiencies using data to improve instruction and curriculum during the 2015-2016 school year. Districtwide professional development was offered to enhance technology integration and proficiency for students and staff as the District began its transition to a one-to-one Chromebook Initiative beginning with the 2016-2017 school year.

Curricula were updated throughout all grades levels and subjects were reviewed and revised to meet the Common Core Standards and Next Generation Science Standards. The curricula was modified to fill the instructional gaps as students’ transition to the one-to-one Chromebook initiative in grades 4-12. Electronic sources and keynote speakers were purchased and secured to provide professional development opportunities for staff in order to increase technology-based instruction and increase student achievement.

The Honorable President and Members of
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Community Relations: The Pequannock Township Board of Education established a goal to enhance community relations. The District published three newsletters that highlighted activities throughout all schools. In addition, the District created an App that is available to I-Phone and Android users. The App pulls information from District and school webpages and provides an opportunity for stakeholders to remain current on District news and events. The District also purchased and installed a digital marquee that will be located at the high school. The marquee provides another opportunity to communicate with members of the community and highlight successes of its students and staff. The Superintendent meets monthly with the Home School Association Leadership from all 5 schools to discuss pertinent issues. Board of Education meeting highlights are published on the District webpage after each meeting and school administration has used this communication platform more frequently.

Finance and Facilities: The Pequannock Township School District continues to upgrade its facilities. Throughout the 2015-2016 school year, the District completed a number of capital projects including roofing projects at North Boulevard and Pequannock Valley Middle School. In addition, new security cameras have been installed at the high school and District paving projects include improvements at the middle school North Boulevard. All three elementary schools had rooms retrofitted into STEM labs to help ensure that Next Generation Science standards are met. Many of these projects were partially funded by the New Jersey Schools Development Authority. Finally, the District constructed a life skills apartment for the SNAPP program. This new educational facility will help transition our special needs students that are ages 18-22. The life skills apartment includes a full kitchen, bathroom, and mock bedroom where students will have the opportunity to learn essential daily tasks needed to be ensure independence upon graduation.

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 a vote of the Board of Education. 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.

The Honorable President and Members of
 the Board of Education
 Pequannock Township School District
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 November 1, 2016

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, 2016.

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

7) RISK MANAGEMENT: 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.

8) 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB Circular 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.

9) 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,



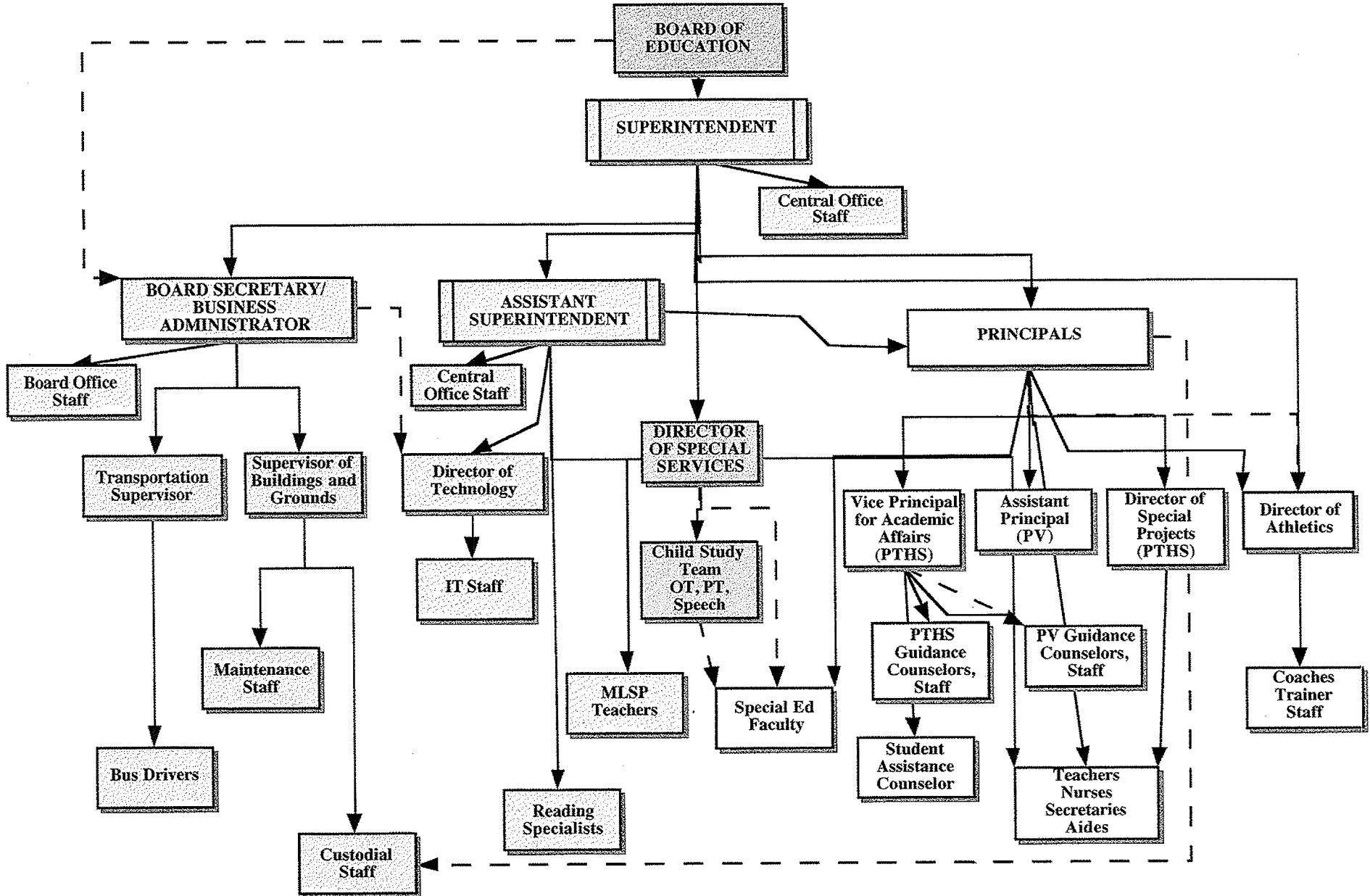
 Brett Charleston
 Superintendent of Schools



 Kateryna W. Bechtel
 Business Administrator/Board Secretary

PEQUANNOCK TOWNSHIP PUBLIC SCHOOLS

ORGANIZATIONAL CHART



**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2016**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Kimberly Quigley, President	2018
Richard Thumann, Vice President	2017
Sam Ciresi	2017
James Farrell	2016
Ann Humphrey Maier	2018
Douglas Muzzio	2017
Tom Salerno	2016
Robert Singer	2016
Vincent Siracusa	2018

Other OfficialsTitle

Brett Charleston	Superintendent of Schools
Rosalie Winning, Ed.D.	Assistant Superintendent
Kateryna W. Bechtel	Business Administrator/Board Secretary
Raymond G. Karaty	Treasurer of School Monies
Isabel Machado, Esq.	Board Attorney (through 6/30/2016)
Stephen Fogarty, Esq.	Board Attorney (from 7/1/2016)

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
Consultants and Advisors

Attorney

Fogarty & Haras, Esqs.
Stephen Fogarty, Esq.
21-00 Route 208 South
Fair Lawn, New Jersey 07410

Audit Firm

Nisivoccia, LLP
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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Pequannock Township School District, in the County of Morris, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report, the pension schedules in Exhibits L-1 through L-3 and the related notes and the budgetary comparison information in Exhibits C-1 through C-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 and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Honorable President and Members
of the Board of Education
Pequannock Township School District
Page 3

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 1, 2016 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 1, 2016

NISIVOCCIA, LLP

Kathryn L. Mantell

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

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

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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, 2016. 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 \$2,109,582 during the year.
- Overall revenue was \$46,840,685 – \$46,222,542 from governmental activities and \$618,143 from business-type activities.
- Overall expenses were \$44,731,103 – \$44,115,719 from governmental activities and \$615,384 from business-type activities.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more* detail than the District-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the District operates like a business, such as food service.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

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**

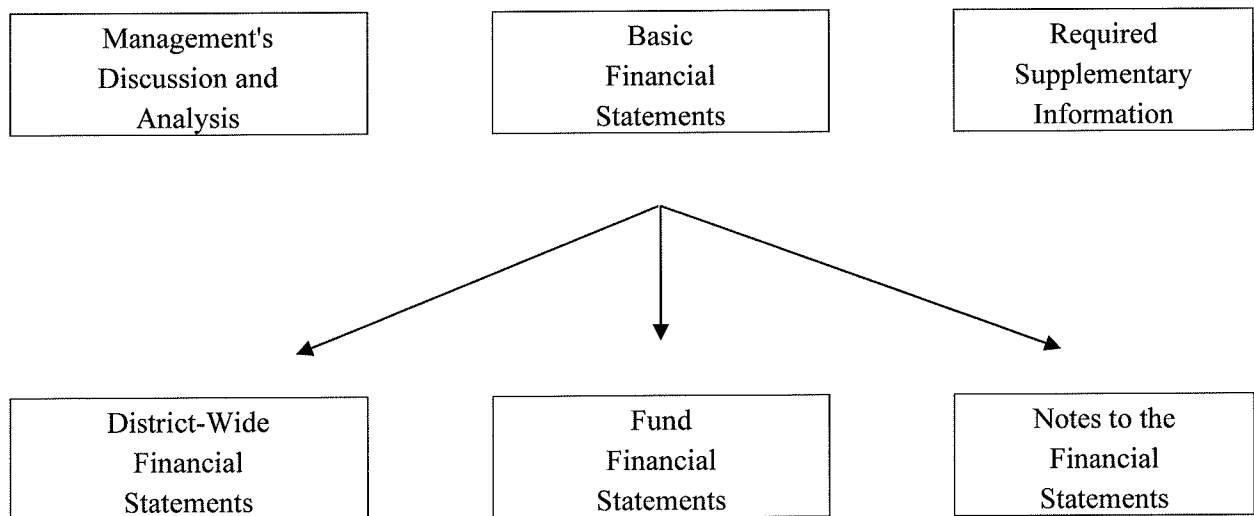


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred inflows and outflows and liabilities. All of the current fiscal year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net position* and how they have changed. Net position – the difference between the District's assets, deferred inflows and outflows and liabilities – is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service is included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

Net Position. The District's combined net position increased by 17.50%. Net position from governmental activities increased \$2,106,823 and net position from business-type activities increased by \$2,759.

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016
Current and Other Assets	\$ 7,282,807	\$ 7,096,550	\$ 55,323	\$ 70,912	\$ 7,338,130	\$ 7,167,462	2.38%
Capital Assets, Net	30,260,523	29,792,450	22,579	11,678	30,283,102	29,804,128	1.61%
Total Assets	37,543,330	36,889,000	77,902	82,590	37,621,232	36,971,590	1.76%
Deferred Outflows of Resources	2,281,710	238,714			2,281,710	238,714	855.83%
Long-Term Debt Outstanding	23,450,531	22,592,014			23,450,531	22,592,014	3.80%
Other Liabilities	1,565,022	1,408,565	5,840	9,376	1,570,862	1,417,941	10.78%
Total Liabilities	25,015,553	24,000,579	5,840	9,376	25,021,393	24,009,955	4.21%
Deferred Inflows of Resources	720,602	1,145,073			720,602	1,145,073	-37.07%
Net Position:							
Net Investment in Capital Assets	16,695,523	15,002,450	22,579	11,678	16,718,102	15,014,128	11.35%
Restricted	4,808,520	6,680,364			4,808,520	6,680,364	-28.02%
Unrestricted/(Deficit)	(7,415,158)	(9,700,752)	49,483	57,625	(7,365,675)	(9,643,127)	23.62%
Total Net Position	\$ 14,088,885	\$ 11,982,062	\$ 72,062	\$ 69,303	\$ 14,160,947	\$ 12,051,365	17.50%

Changes in Net Position. The District's combined net position was \$14,160,947 at June 30, 2016, \$2,109,582 or 17.50% more than it was the year before (See Figure A-3). Net investment in capital assets increased by \$1,703,974 as a result of \$9,460,000 of bonded defeased, \$790,000 of bonds matured and \$1,454,523 of capital acquisitions offset by depreciation expense of \$975,549 and the issuance of refunding bonds of \$9,025,000. Restricted net position decreased by \$1,871,844 due to a \$200,000 increase in the maintenance reserve and a \$1,174 increase in the debt service fund balance, offset by a \$801,571 decrease in the restricted capital projects fund balance, a \$841,160 net decrease in the capital reserve, a \$30,287 decrease in the reserve for mortgage sale of building and a \$400,000 increase in excess surplus.

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Unrestricted net position increased by \$2,277,452 due to a \$311,807 increase in encumbrances, a \$2,620,929 increase in restricted capital projects net position, a \$24,323 decrease in the amount assigned for subsequent year expenditures, a \$17,938 decrease due to the increase in the liability for compensated absences payable, a \$185,380 increase due to the decrease in the liability for accrued interest, a \$621,439 increase in the deferred amount on bond refunding, offset by an increase in net pensions of \$219,551, an increase in bond premiums of \$1,169,632, offset by a decrease in unassigned fund balance of \$22,517 and a \$8,142 decrease 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
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	Change 2015/2016
Revenue:							
Program Revenue:							
Charges for Services	\$ 362,001	\$ 332,878	\$ 538,728	\$ 553,402	\$ 900,729	\$ 886,280	1.63%
Grants and Contributions:							
Operating	11,190,927	10,037,487	79,101	106,463	11,270,028	10,143,950	11.10%
General Revenue:							
Property Taxes	33,102,652	32,585,422			33,102,652	32,585,422	1.59%
Federal and State Aid Not Restricted	1,132,036	1,088,258			1,132,036	1,088,258	4.02%
Other	434,926	455,300	314	140	435,240	455,440	-4.44%
Total Revenue	<u>46,222,542</u>	<u>44,499,345</u>	<u>618,143</u>	<u>660,005</u>	<u>46,840,685</u>	<u>45,159,350</u>	3.72%
Expenses:							
Instruction	28,644,400	27,729,084			28,644,400	27,729,084	3.30%
Pupil and Instruction Services	7,619,466	7,444,569			7,619,466	7,444,569	2.35%
Administration and Business	3,972,469	3,855,329			3,972,469	3,855,329	3.04%
Maintenance and Operations	2,282,507	2,913,546			2,282,507	2,913,546	-21.66%
Transportation	1,236,391	1,160,443			1,236,391	1,160,443	6.54%
Other	360,486	655,717	615,384	630,439	975,870	1,286,156	-24.13%
Total Expenses	<u>44,115,719</u>	<u>43,758,688</u>	<u>615,384</u>	<u>630,439</u>	<u>44,731,103</u>	<u>44,389,127</u>	0.77%
Change in Net Position	<u>\$ 2,106,823</u>	<u>\$ 740,657</u>	<u>\$ 2,759</u>	<u>\$ 29,566</u>	<u>\$ 2,109,582</u>	<u>\$ 770,223</u>	173.89%

Revenue Sources. The District's total revenue for the 2015/2016 school year was \$46,840,685 (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$33,102,652 of the total, or 70.67 percent (See Figure A-5). Another 26.48 percent came from state and federal aid for specific programs and contributions, 1.92 percent came from charges for services and the remaining 0.93% 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
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

**Figure A-5
Sources of Revenue for Fiscal Year 2016 and 2015**

Sources of Income:	2016	Percentage	2015	Percentage
State Formula Aid	\$ 2,425,382	5.18%	\$ 2,115,958	4.69%
Property Taxes	33,102,652	70.67%	32,585,422	72.16%
Federal & State Categorical Grants	9,976,682	21.30%	9,116,250	20.19%
Charges for Services	900,729	1.92%	886,280	1.96%
Other	435,240	0.93%	455,440	1.00%
	<u>\$ 46,840,685</u>	<u>100.00%</u>	<u>\$ 45,159,350</u>	<u>100.00%</u>

The total cost of all programs and services was \$44,731,103. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (83.83 percent) (See Figure A-6). The District's administrative and business activities accounted for 8.88 percent of total costs and maintenance and operations accounted for 2.76 percent of total costs. The remaining 2.19 percent of total costs is comprised of other costs (which is for the interest on long-term debt).

**Figure A-6
Expenses for Fiscal Year 2016 and 2015**

Expense Category:	2016	Percentage	2015	Percentage
Instruction	\$ 28,644,400	64.04%	\$ 27,729,084	62.47%
Pupil and Instruction Services	7,619,466	17.03%	7,444,569	16.77%
Administration and Business	3,972,469	8.88%	3,855,329	8.69%
Maintenance and Operations	2,282,507	5.10%	2,913,546	6.56%
Transportation	1,236,391	2.76%	1,160,443	2.61%
Other	975,870	2.19%	1,286,156	2.90%
	<u>\$ 44,731,103</u>	<u>100.00%</u>	<u>\$ 44,389,127</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.

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

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

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

	Total Cost of Services		Net Cost of Services	
	2015/2016	2014/2015	2015/2016	2014/2015
Instruction	\$ 28,644,400	\$ 27,729,084	\$18,643,239	\$18,617,206
Pupil & Instruction Services	7,619,466	7,444,569	6,735,390	6,702,534
Administration & Business	3,972,469	3,855,329	3,386,101	3,372,177
Maintenance & Operations	2,282,507	2,913,546	2,282,507	2,913,546
Transportation	1,236,391	1,160,443	1,155,068	1,127,143
Other	360,486	655,717	360,486	655,717
	<u>\$ 44,115,719</u>	<u>\$ 43,758,688</u>	<u>\$ 32,562,791</u>	<u>\$ 33,388,323</u>

- The cost of all governmental activities this fiscal year was \$44,115,719.
- A portion of governmental activities was financed with state aid based on the SFRA formula (\$2,425,382) as well as federal and state categorical grants.
- Most of the District's costs, however, were financed by \$33,102,652 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 \$2,759 (Refer to Figure A-4). The increase was attributable to a 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, expenditures during the recent fiscal year increased significantly as a result of an increase in the number of pupils requiring special needs. In addition to the greater numbers, these pupils require more complex educational and related services.

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

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

General Fund Budgetary Highlights

Over the course of the fiscal year, the District revised the annual operating budget several times. These budget amendments were for changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.

Capital Asset and Debt Administration

Figure A-8

Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total School District		Percent
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016
Land	\$ 4,659,600	\$ 4,659,600			\$ 4,659,600	\$ 4,659,600	0.00%
Construction in Progress	630,925				630,925		100.00%
Site Improvements	2,293,128	2,282,529			2,293,128	2,282,529	0.46%
Buildings/Building Improvements	22,011,954	22,149,733			22,011,954	22,149,733	-0.62%
Machinery and Equipment	664,916	700,588	\$ 22,579	\$ 11,678	687,495	712,266	-3.48%
Total	\$30,260,523	\$29,792,450	\$ 22,579	\$ 11,678	\$30,283,102	\$29,804,128	1.61%

The District's capital assets increased \$478,974 or 1.61% during the year. Capital assets acquisitions totaled \$1,454,523 - \$630,925 from capital projects, \$807,650 from budgeted capital outlay - in its governmental activities, and consisted of equipment, site improvements, and building improvements and food service acquisitions totaled \$15,948. These acquisitions were offset by \$970,502 and \$5,047 in depreciation from its governmental and business-type activities, respectively. (More detailed information about the District's capital assets is presented in Note 6 to the financial statements).

Long-term Debt

The District's overall long-term debt increased \$858,517, or 3.80%. At fiscal year-end, the District had \$13,565,000 in general obligation bonds outstanding. The increase from the prior year primarily represents the issuance of \$9,025,000 in refunding bonds offset by \$790,000 of bond maturities and \$9,460,000 of bonds defeased - 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
	2015/2016	2014/2015	Change 2015/2016
General Obligation Bonds (Financed with Property Taxes)	\$ 13,565,000	\$ 14,790,000	-8.28%
Net Pension Liability	9,656,981	7,591,402	27.21%
Other Long-Term Liabilities	228,550	210,612	8.52%
	\$ 23,450,531	\$ 22,592,014	3.80%

- The District's net pension liability increased by \$2,065,579.
- The compensated absences of the District increased by \$17,938.

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Factors Bearing on the District's Future

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

- The imposed legislative "caps" on tax levy increases for New Jersey School Districts at no more than 2%.
- The continuing significant increases in the employee benefits plans exceed the general CPI and budgetary growth "caps" forcing reductions in programs.
- The District's collective bargaining agreements expired with ongoing negotiations 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	\$ 4,934,654	\$ 40,654	\$ 4,975,308
Interfund Receivable	206		206
Receivables from Federal Government	27,330	3,990	31,320
Receivables from State Government	281,551	251	281,802
Receivables - Mortgage Note	32,558		32,558
Receivables - Other	57,279	85	57,364
Inventory		10,343	10,343
Restricted Assets:			
Cash and Cash Equivalents	1,949,229		1,949,229
Capital Assets, Net:			
Sites (Land)	4,659,600		4,659,600
Construction in Progress	630,925		630,925
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	24,969,998	22,579	24,992,577
Total Assets	<u>37,543,330</u>	<u>77,902</u>	<u>37,621,232</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount on Refunding	621,439		621,439
Changes in Assumptions - Pensions	1,037,083		1,037,083
Difference between Expected and Actual Experience - Pensions	230,382		230,382
Changes in Proportion - Pensions	392,806		392,806
Total Deferred Outflows of Resources	<u>2,281,710</u>		<u>2,281,710</u>
LIABILITIES			
Current Liabilities:			
Accrued Interest Payable	59,014		59,014
Payable to State Government	16,183		16,183
Accounts Payable - Vendors	109,819	975	110,794
Unamortized Bond Premiums, Net	1,169,632		1,169,632
Unearned Revenue	10,374	4,865	15,239
Notes Payable	200,000		200,000
Noncurrent Liabilities:			
Due Within One Year	850,000		850,000
Due Beyond One Year	22,600,531		22,600,531
Total Liabilities	<u>25,015,553</u>	<u>5,840</u>	<u>25,021,393</u>
DEFERRED INFLOWS OF RESOURCES			
Investment Gains - Pensions	155,266		155,266
Changes in Proportion - Pensions	565,336		565,336
Total Deferred Inflows of Resources	<u>720,602</u>		<u>720,602</u>
NET POSITION			
Net Investment in Capital Assets	16,695,523	22,579	16,718,102
Restricted for:			
Capital Projects	2,206,770		2,206,770
Debt Service	19,192		19,192
Other Purposes	2,582,558		2,582,558
Unrestricted/(Deficit)	(7,415,158)	49,483	(7,365,675)
Total Net Position	<u>\$ 14,088,885</u>	<u>\$ 72,062</u>	<u>\$ 14,160,947</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, 2016

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	\$ 20,356,850	\$ 331,675	\$ 5,754,891		\$ (14,270,284)		\$ (14,270,284)
Special Education	6,315,970		3,493,411		(2,822,559)		(2,822,559)
Other Special Instruction	712,544		117,036		(595,508)		(595,508)
School Sponsored Instruction	1,259,036		304,148		(954,888)		(954,888)
Support Services:							
Tuition	2,275,185		443,441		(1,831,744)		(1,831,744)
Student & Instruction Related Services	5,344,281		440,635		(4,903,646)		(4,903,646)
General Administrative Services	639,725				(639,725)		(639,725)
School Administrative Services	2,740,609		586,368		(2,154,241)		(2,154,241)
Central Services	508,638				(508,638)		(508,638)
Administration Information Technology	83,497				(83,497)		(83,497)
Plant Operations and Maintenance	2,282,507				(2,282,507)		(2,282,507)
Pupil Transportation	1,236,391	30,326	50,997		(1,155,068)		(1,155,068)
Interest on Long-Term Debt	360,486				(360,486)		(360,486)
Total Governmental Activities	44,115,719	362,001	11,190,927	\$ -0-	(32,562,791)	\$ -0-	(32,562,791)

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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	\$ 615,384	\$ 538,728	\$ 79,101			\$ 2,445	\$ 2,445
Total Business-Type Activities	<u>615,384</u>	<u>538,728</u>	<u>79,101</u>			<u>2,445</u>	<u>2,445</u>
Total Primary Government	<u>\$ 44,731,103</u>	<u>\$ 900,729</u>	<u>\$ 11,270,028</u>	<u>\$ -0-</u>	<u>\$ (32,562,791)</u>	<u>2,445</u>	<u>(32,560,346)</u>
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					32,281,958		32,281,958
Taxes Levied for Debt Service					820,694		820,694
Federal and State Aid Not Restricted					1,132,036		1,132,036
Investment Earnings					19,223	314	19,537
Miscellaneous Income					415,703		415,703
Total General Revenues					<u>34,669,614</u>	<u>314</u>	<u>34,669,928</u>
Change in Net Position					2,106,823	2,759	2,109,582
Net Position - Beginning					<u>11,982,062</u>	<u>69,303</u>	<u>12,051,365</u>
Net Position - Ending					<u>\$ 14,088,885</u>	<u>\$ 72,062</u>	<u>\$ 14,160,947</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, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 2,470,018		\$ 2,454,190	\$ 10,446	\$ 4,934,654
Interfund Receivable	876,174			8,746	884,920
Receivables from Federal Government		\$ 27,330			27,330
Receivables from State Government	281,205	346			281,551
Receivables - Mortgage Note	32,558				32,558
Receivables - Other	57,279				57,279
Restricted Cash and Cash Equivalents	1,949,229				1,949,229
TOTAL ASSETS	\$ 5,666,463	\$ 27,676	\$ 2,454,190	\$ 19,192	\$ 8,167,521
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Interfund Payable		\$ 1,119	\$ 883,595		\$ 884,714
Payable to State Government		16,183			16,183
Notes Payable			200,000		200,000
Accounts Payable - Vendors	\$ 109,819				109,819
Unearned Revenue		10,374			10,374
Total Liabilities	109,819	27,676	1,083,595		1,221,090
Fund Balances:					
Restricted for:					
Excess Surplus - Current Year	1,100,000				1,100,000
Excess Surplus - Prior Year - For Subsequent Year's Expenditures	1,250,000				1,250,000
Capital Reserve Account	1,749,229				1,749,229
Maintenance Reserve Account	200,000				200,000
Mortgage Sale of Building	32,558				32,558
Debt Service Fund				\$ 19,192	19,192
Capital Projects			457,541		457,541

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Fund Balances: (Cont'd)					
Assigned:					
Year-End Encumbrances	\$ 698,570				\$ 698,570
For Subsequent Year's Expenditures					
Unassigned/(Deficit)	526,287		\$ 913,054		1,439,341
Total Fund Balances	5,556,644		1,370,595	\$ 19,192	6,946,431
TOTAL LIABILITIES & FUND BALANCES	\$ 5,666,463	\$ 27,676	\$ 2,454,190	\$ 19,192	\$ 8,167,521

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

Total Fund Balances - Governmental Funds (Above)	\$ 6,946,431
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$50,092,094 and the accumulated depreciation is \$19,831,571.	30,260,523
Long-Term Liabilities, including Bonds Payable and Net Pension Liability for PERS, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(23,450,531)
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	1,037,083
Difference between Expected and Actual Experience - Pensions	230,382
Investment Gains - Pensions	(155,266)
Changes in Proportions - Pensions	(172,530)
Deferred interest costs are not reported as expenditures in the Governmental Funds in the year of the expenditure. The Deferred Interest is \$645,339 and the accumulated amortization is \$23,900.	621,439
Bond Premiums are reported as revenue in the Funds. These premiums total \$1,214,617 and the accumulated amortization is \$44,985.	(1,169,632)
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.	(59,014)
Net Position of Governmental Activities	\$ 14,088,885

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, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources:					
Local Tax Levy	\$ 32,281,958			\$ 820,694	\$ 33,102,652
Tuition	331,675				331,675
Transportation Fees	30,326				30,326
Capital Reserve Interest	5,857				5,857
Investment Income			\$ 2,920	10,446	13,366
Rents and Royalties	101,691				101,691
Budget Appropriation			625,000		625,000
Miscellaneous	314,012				314,012
Total - Local Sources	33,065,519		627,920	831,140	34,524,579
State Sources	6,288,012	\$ 246,557		374,064	6,908,633
Federal Sources		591,506			591,506
Total Revenues	39,353,531	838,063	627,920	1,205,204	42,024,718
EXPENDITURES					
Current:					
Instruction:					
Regular Instruction	11,177,879	263,982			11,441,861
Special Education Instruction	3,376,731	130,640			3,507,371
Other Special Instruction	216,700				216,700
School Sponsored Instruction	771,571				771,571
Support Services and Undistributed Costs:					
Tuition	1,831,744	443,441			2,275,185
Student & Instruction Related Services	3,886,672				3,886,672
General Administration Services	536,175				536,175
School Administration Services	1,490,160				1,490,160
Central Services	401,429				401,429

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

EXPENDITURES	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Current:					
Support Services and Undistributed Costs:					
Administrative Information Technology	\$ 81,672				\$ 81,672
Plant Operations and Maintenance	2,271,828				2,271,828
Pupil Transportation	986,734				986,734
Allocated and Unallocated Benefits	10,364,716				10,364,716
Capital Outlay	213,855		\$ 582,787		796,642
Debt Service:					
Principal				\$ 1,415,000	1,415,000
Interest and Other Charges				566,950	566,950
Total Expenditures	<u>37,607,866</u>	<u>\$ 838,063</u>	<u>582,787</u>	<u>1,981,950</u>	<u>41,010,666</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>1,745,665</u>		<u>45,133</u>	<u>(776,746)</u>	<u>1,014,052</u>
OTHER FINANCING SOURCES/(USES):					
Refunding Bonds Issued				9,025,000	9,025,000
Bond Premium				1,214,617	1,214,617
Serial Bonds Defeased				(9,460,000)	(9,460,000)
Bond Issuance Costs				(134,277)	(134,277)
Deferred Interest				(645,340)	(645,340)
Transfers In			2,552,145	777,920	3,330,065
Transfers Out	(2,552,145)		(777,920)		(3,330,065)
Total Other Financing Sources/(Uses)	<u>(2,552,145)</u>		<u>1,774,225</u>	<u>777,920</u>	
Net Change in Fund Balances	(806,480)		1,819,358	1,174	1,014,052
Fund Balance/(Deficit) - July 1	6,363,124		(448,763)	18,018	5,932,379
Fund Balance - June 30	<u>\$ 5,556,644</u>	<u>\$ -0-</u>	<u>\$ 1,370,595</u>	<u>\$ 19,192</u>	<u>\$ 6,946,431</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, 2016

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2)		\$	1,014,052
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 differ from depreciation during the period.			
	Depreciation Expense	\$ (970,502)	
	Capital Outlays	<u>1,438,575</u>	468,073
In the Statement of Activities, certain operating expenses, e.g., compensated absences (sick days) are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).			
			(17,938)
Proceeds from debt issued for a refunding less the amount of bonds defeased are not recorded in the governmental fund.			
	Refunding Bonds Issued	(9,025,000)	
	Refunding Bond Premium	(1,214,617)	
	Refunding Bond Deferred Interest	645,340	
	School Bonds Defeased	<u>9,460,000</u>	(134,277)
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.			
			790,000
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		(2,065,579)
	Deferred Outflows:		
	Changes in Assumptions		798,369
	Changes in Proportion		392,806
	Difference between Expected and Actual Experience - Pensions		230,382
	Deferred Inflows:		
	Changes in Proportion		297,140
	Net difference between projected and actual investment earnings on pension plan investments		127,331

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, 2016

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 (+).	\$ 185,379
The Governmental Funds report the effect of bond premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities (+)	44,985
The Governmental Funds report the effect of deferred bond interest when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities (-)	<u>(23,900)</u>
Change in Net Position of Governmental Activities (Exhibit A-2)	<u><u>\$ 2,106,823</u></u>

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

Exhibit B-4

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Business-Type Activities: Enterprise Funds</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 40,654
Receivable from Federal Government	3,990
Receivables from State Government	251
Receivables - Other	85
Inventory	<u>10,343</u>
Total Current Assets	<u>55,323</u>
Non-Current Assets:	
Capital Assets	109,446
Less: Accumulated Depreciation	<u>(86,867)</u>
Total Non-Current Assets	<u>22,579</u>
Total Assets	<u>77,902</u>
LIABILITIES:	
Current Liabilities:	
Prepaid Sales	3,161
Unearned Revenue	1,704
Accounts Payable - Vendors	<u>975</u>
Total Liabilities	<u>5,840</u>
NET POSITION:	
Net Investment in Capital Assets	22,579
Unrestricted	<u>49,483</u>
Total Net Position	<u><u>\$ 72,062</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, 2016

	<u>Business-Type Activities: Enterprise Funds</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 229,506
Daily Sales - Non-Reimbursable Programs	306,040
Special Events	3,182
	<hr/>
Total Operating Revenue	538,728
	<hr/>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	156,334
Cost of Sales - Nonreimbursable Programs	82,655
Salaries	184,197
Payroll Taxes	29,387
Employee Benefits	15,455
Purchased Property Services	33,548
Supplies and Materials	33,021
Depreciation Expense	5,047
Miscellaneous Expenditures	75,740
	<hr/>
Total Operating Expenses	615,384
	<hr/>
Operating Loss	(76,656)
	<hr/>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	50,627
Special Milk Program	10,937
Food Distribution Program	13,941
State Sources:	
School Lunch Program	3,596
Local Sources:	
Interest Revenue	314
	<hr/>
Total Non-Operating Revenue	79,415
	<hr/>
Change in Net Position	2,759
	<hr/>
Net Position - Beginning of Year	69,303
	<hr/>
Net Position - End of Year	\$ 72,062
	<hr/> <hr/>

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, 2016

Business-Type
 Activities:
Enterprise Funds

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 558,223
Payments to Food Service Vendor	(638,606)
Payments to Suppliers	32,288
	(48,095)
Net Cash (Used for) Operating Activities	
Cash Flows from Investing Activities:	
Interest Revenue	314
	314
Net Cash Provided by Investing Activities	
Cash Flows from Noncapital Financing Activities:	
Receipt of Federal Reimbursements	61,936
Receipt of State Reimbursements	3,602
	65,538
Net Cash Provided by Noncapital Financing Activities	
Cash Flows from Capital Financing Activities:	
Acquisition of Capital Assets	(15,948)
	(15,948)
Net Cash Used for Capital Financing Activities	
Net Increase in Cash and Cash Equivalents	1,809
Cash and Cash Equivalents, July 1	38,845
Cash and Cash Equivalents, June 30	\$ 40,654
Reconciliation of Operating Loss to Net Cash	
Used for Operating Activities:	
Operating Loss	\$ (76,656)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation	5,047
Federal Food Distribution Program	13,941
Changes in Assets and Liabilities:	
Increase in Prepaid Sales	404
(Decrease) in Interfund Receivable	(474)
(Decrease) in Receivables - Other	19,091
Increase in Inventory	(2,070)
(Decrease) in Accounts Payable	(7,378)
	(48,095)
Net Cash Used for Operating Activities	\$ (48,095)

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$13,467 and \$13,941, respectively, for the fiscal year ended June 30, 2016.

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, 2016

	Agency	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust
ASSETS:				
Cash and Cash Equivalents	\$ 153,592	\$ 291,241	\$ 4,535	\$ 159,625
Total Assets	153,592	291,241	4,535	159,625
LIABILITIES:				
Accrued Salaries and Wages	100			
Interfund Payable - General Fund	206			
Payroll Deductions and Withholdings	642			
Due to Student Groups	152,644			
Total Liabilities	153,592			
NET POSITION:				
Held in Trust for:				
Unemployment Claims		291,241		
Flexible Spending Claims			4,535	
Scholarships				159,625
Total Net Position	\$ -0-	\$ 291,241	\$ 4,535	\$ 159,625

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, 2016

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust
ADDITIONS:			
Contributions - Employee	\$ 22,664	\$ 13,550	
Contributions - District	50,000		
Donations			\$ 10,100
Total Contributions	<u>72,664</u>	<u>13,550</u>	<u>10,100</u>
Investment Earnings:			
Interest	945	49	640
Net Investment Earnings	<u>945</u>	<u>49</u>	<u>640</u>
Total Additions	<u>73,609</u>	<u>13,599</u>	<u>10,740</u>
DEDUCTIONS:			
Unemployment Compensation Claims	50,136		
Flexible Spending Claims		13,536	
Scholarships Awarded			16,050
Total Deductions	<u>50,136</u>	<u>13,536</u>	<u>16,050</u>
Change in Net Position	23,473	63	(5,310)
Net Position - Beginning of Year	<u>267,768</u>	<u>4,472</u>	<u>164,935</u>
Net Position - End of the Year	<u>\$ 291,241</u>	<u>\$ 4,535</u>	<u>\$ 159,625</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, 2016

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, 2016
(Continued)

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

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements: (Cont'd)

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, 2016
(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, 2016
(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, 2016 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, 2016
(Continued)

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 39,363,824	\$ 836,470
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		(1,550)
Prior Year Encumbrances		3,143
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	200,583	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(210,876)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 39,353,531	\$ 838,063
	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 37,607,866	\$ 836,470
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		(1,550)
Prior Year Encumbrances		3,143
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 37,607,866	\$ 838,063
	Capital Projects	
	Revenue	Fund Balance
Summary Schedule of Revenue, Expenditures and Changes in Fund Balance (Budgetary Basis) (per Exhibit F-1)	\$ 1,453,871	\$ 3,707,341
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.	(1,453,871)	(2,336,746)
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds (GAAP Basis) (per Exhibit B-2)	\$ -0-	\$ 1,370,595

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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, 2016
(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, 2016.

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, 2016
(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 governmental 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, 2016.

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, 2016
(Continued)

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

P. Fund Balance Appropriated:

General Fund: Of the \$5,556,644 General Fund balance at June 30, 2016, \$698,570 is assigned for encumbrances; \$1,749,229 is restricted in the capital reserve account; \$200,000 is restricted in the maintenance reserve account; \$1,100,000 is restricted as current year excess surplus and will be appropriated and included as anticipated revenue for the fiscal year ended June 30, 2018; \$1,250,000 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2017; \$32,558 is restricted for mortgage sale of building; and \$526,287 is unassigned which is \$210,876 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, 2017.

Capital Projects Fund: Of the \$1,370,595 overall fund balance in the Capital Projects Fund at June 30, 2016, \$457,541 is restricted, and there is \$913,054 in unassigned fund balance for completed capital projects, which have not been permanently financed, and SDA grants.

Debt Service Fund: The \$19,192 Debt Service Fund balance at June 30, 2016, is restricted of which \$18,018 has been included as anticipated revenue for the fiscal year ending June 30, 2017 and \$1,174 will be included as anticipated revenue in the fiscal year ending June 30, 2018.

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 \$210,876 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 \$7,415,158 in governmental activities, which is primarily due to the net pension liability of \$9,656,981 along with the accrual of compensated absences and interest payable. These deficits do not indicate the District is having financial difficulties and are a permitted practice under generally accepted accounting principles.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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, 2016 for the deferred amount on refunding of debt related to the District's 2006 bonds, and 2016 refunding bonds, changes in proportions on pensions, differences between expected and actual experience for pension and changes in assumptions in pensions.

The District had deferred inflows of resources at June 30, 2016 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, maintenance 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, 2016
(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, 2016 on the GAAP basis.

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 \$698,570 for year-end encumbrances in the General Fund at June 30, 2016.

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, 2016
(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, 2016
(Continued)

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

Deposits: (Cont'd)

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, 2016
(Continued)

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

Investments (Cont'd)

As of June 30, 2016, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents Reserve Accounts	Total
Checking and Savings Accounts	\$ 5,584,301	\$ 1,949,229	\$ 7,533,530

During the period ended June 30, 2016, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents and investments at June 30, 2016, was \$7,533,530 and the bank balance was \$8,810,058.

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, 2015 to June 30, 2016 fiscal year is as follows:

Beginning Balance, July 1, 2015	\$2,590,389
Interest Earnings	5,857
Increase by Board Resolution in June 2016	1,705,128
Withdrawal by Board Resolution	(2,552,145)
Ending Balance, June 30, 2016	\$1,749,229

The \$1,749,229 balance in the Capital Reserve Account at June 30, 2016 does not exceed the local support costs of uncompleted capital projects in the District's approved Long Range Facilities Plan ("LRFP"). The withdrawal from the Capital reserve Account was 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, 2016
(Continued)

NOTE 5. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2016, the District made transfers to capital outlay accounts - \$76,003 for the acquisition of equipment which did not require County Superintendent approval and \$25,489 for facilities acquisition and constructions services for 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, 2016 were as follows:

	Balance 6/30/2015	Increases	Transfer Construction in Progress	Balance 6/30/2016
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Sites (Land)	\$ 4,659,600			\$ 4,659,600
Construction in Progress		\$ 630,925		630,925
Total Capital Assets Not Being Depreciated	4,659,600	630,925		5,290,525
Capital Assets Being Depreciated:				
Site Improvements	2,766,728	153,120		2,919,848
Buildings and Building Improvements	37,434,467	509,058		37,943,525
Machinery and Equipment	3,809,672	145,472	\$ (16,948)	3,938,196
Total Capital Assets Being Depreciated	44,010,867	807,650	(16,948)	44,801,569
Governmental Activities Capital Assets	48,670,467	1,438,575	(16,948)	50,092,094
Less Accumulated Depreciation for:				
Site Improvements	(484,199)	(142,521)		(626,720)
Buildings and Building Improvements	(15,284,734)	(646,837)		(15,931,571)
Machinery and Equipment	(3,109,084)	(181,144)	16,948	(3,273,280)
	(18,878,017)	(970,502)	16,948	(19,831,571)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 29,792,450	\$ 468,073	\$ - 0 -	\$ 30,260,523
	Balance 6/30/2015	Increases	Decreases	Balance 6/30/2016
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 93,498	\$ 15,948		\$ 109,446
Less Accumulated Depreciation	(81,820)	(5,047)		(86,867)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 11,678	\$ 10,901	\$ - 0 -	\$ 22,579

The District expended \$630,925 from the capital projects fund for construction in progress \$807,650 from the General Fund for the purchase of equipment and improvements to sites and buildings, and \$15,948 from the Food Service Enterprise Fund for the purchase of equipment.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 123,358
Other Instruction	308,268
Student & Instructional Related Services	18,141
General Administrative Services	19,057
School Administrative Services	192,553
Operations and Maintenance of Plant	142,443
Pupil Transportation	166,682
	<u>\$ 970,502</u>

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2016, the following changes occurred in liabilities reported in the district-wide financial statements:

	<u>Balance</u> <u>6/30/2015</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance</u> <u>6/30/16</u>
Serial Bonds Payable	\$ 14,790,000	\$ 9,025,000	\$ 10,250,000	\$ 13,565,000
Compensated Absences Payable	210,612	26,723	8,785	228,550
Net Pension Liability - PERS	7,591,402	2,065,579		9,656,981
	<u>\$ 22,592,014</u>	<u>\$ 11,117,302</u>	<u>\$ 10,258,785</u>	<u>\$ 23,450,531</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.

On February 25, 2016, the District issued refunding school bonds of \$9,025,000 with interest rates ranging from 2.00% to 4.00% to refund \$9,460,000 of 2009 School Renovations and Alterations bonds with interest rates ranging from 3.75% to 4.00%. The bonds mature on January 15, 2017 through 2029 and are non-callable. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the 2009 school bonds are called on January 15, 2018. The refunding met the requirements of an in-substance debt defeasance and the school bonds were removed from the School's government-wide financial statements. As a result of the refunding, the District will realize a total of \$887,794 in cash savings over the life of the bond issue. On a net present value basis, the savings equate to \$778,118, or 8.225%, of the bonds refunded.

The District had bonds outstanding as of June 30, 2016 as follows:

<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
01/15/2018	3.75% - 4.00%	\$ 1,340,000
8/12/2029	2.00% - 3.875%	3,200,000
1/15/2029	2.00% - 4.00%	9,025,000
		<u>\$ 13,565,000</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

A. Bonds Payable: (Cont'd)

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

<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 850,000	\$ 453,781	\$ 1,303,781
2018	845,000	463,725	1,308,725
2019	860,000	433,225	1,293,225
2020	885,000	409,175	1,294,175
2021	920,000	384,475	1,304,475
2022-2026	5,200,000	1,388,625	6,588,625
2026-2030	4,005,000	345,869	4,350,869
	<u>\$13,565,000</u>	<u>\$ 3,878,875</u>	<u>\$ 17,443,875</u>

B. Bonds Authorized But Not Issued:

There were no bonds authorized but not issued as of June 30, 2016.

C. Capital Leases Payable:

The District did not have any capital leases payable as of June 30, 2016.

D. 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, 2016 is currently payable; therefore, the long-term liability balance of compensated absences is \$228,550.

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, 2016, no liability existed for compensated absences in the Food Service Enterprise Fund.

E. 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, 2016 is \$0- and the long-term portion is \$9,656,981. See Note 9 for further information on the PERS.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 8. TEMPORARY NOTES

The District had temporary bond anticipation notes outstanding as of June 30, 2016 as follows:

<u>Final Maturity</u>	<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
7/9/2016	Improvements to Athletic Fields	0.95%	\$ 200,000

The District intends to pay down the note with budget appropriations in 2017.

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/annrprts.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:

<u>Tiers</u>	<u>Definition</u>
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, 2016
(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 members 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 \$369,851 for fiscal year 2016.

The employee contribution rate was 7.06% effective July 1, 2015. 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, 2016, the District reported a liability of \$9,656,981 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. 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, 2015, the District's proportion was 0.043%, which was a decrease of 0.0025% from its proportion measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$509,501. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources on the following page.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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)

	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions - 2014	6.44	\$ 206,716	
Changes in Assumptions - 2015	5.72	830,367	
Changes in Proportion - 2014	6.44	392,806	
Changes in Proportion - 2015	5.72		\$ 565,336
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2014	5		359,999
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2015	5	204,733	
Difference Between Expected and Actual Experience - 2015	5.72	<u>230,382</u>	
		<u>\$ 1,865,004</u>	<u>\$ 925,335</u>

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:

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2016	\$ 202,476
2017	202,476
2018	202,476
2019	322,476
2020	<u>182,294</u>
	<u>\$ 1,112,198</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	3.04%
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) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback one year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.90% at June 30, 2015) 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. The long-term expected rate of return was determined using a building block in which best-estimate ranges of expected future real rates of return (expected_returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2015 are summarized in the table on the following page.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (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	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex. U.S.	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rate

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. 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 3.80% as of June 30, 2015 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 actuarially determined contributions. Based on those assumptions, the 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 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.

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

The figure on the following page presents the District's proportionate share of the collective net pension liability as of June 30, 2015 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:

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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 (Cont'd)

	June 30, 2015		
	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
District's proportionate share of the Net Pension Liability	\$ 12,002,446	\$ 9,656,981	\$ 7,690,560

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/annrprts.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:

Tiers	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, 2016

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (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 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the retirement age for his/her respective tier. 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 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 2015, 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 2016, the State of New Jersey contributed \$1,247,857 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$6,070,681.

The employee contribution rate was 7.06% effective July 1, 2015. 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, 2016, the State's proportionate share of the net pension liability associated with the District was \$99,423,196. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. 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, 2015, the District's proportion was 0.157%, which was a decrease of 0.014% from its proportion measured as of June 30, 2014.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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>99,423,196</u>
Total	<u>\$ 99,423,196</u>

For the fiscal year ended June 30, 2016, the State recognized pension expense on behalf of the District in the amount of \$6,070,681 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2016 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions from the following sources:

	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions - 2014	8.5	\$ 1,999,074,013	
Changes in Assumptions - 2015	8.3	5,201,079,373	
Difference Between Expected and Actual Experience - 2014	8.5		\$ 19,039,817
Difference Between Expected and Actual Experience - 2015	8.3	321,224,871	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2014	5		1,305,927,430
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2015	5		<u>(770,568,242)</u>
		<u>\$ 7,521,378,257</u>	<u>\$ 554,399,005</u>

Amounts reported by the State as collective deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense excluding that attributable to employer-paid members contributions as show on the following page.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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)

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2016	\$ 818,433,596
2017	818,433,596
2018	818,433,598
2019	1,253,742,742
2020	1,061,100,680
Thereafter	<u>2,196,835,040</u>
	<u>\$ 6,966,979,252</u>

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. 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, 2014 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 (7.90% at June 30, 2015) 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. The long-term expected rate of return was determined using a building block in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2015 are summarized in the table on the following page.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (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>
U.S. Cash	5.00%	0.53%
U.S. Government Bonds	1.75%	1.39%
U.S. Credit Bonds	13.50%	2.72%
U.S. Mortgages	2.10%	2.54%
U.S. Inflation-Indexed Bonds	1.50%	1.47%
U.S. High Yield Bonds	2.00%	4.57%
U.S. Equity Market	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Market Equities	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - MultiStrategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.13% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90% and a municipal bond rate of 3.80% as of June 30, 2015 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.

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

The table on the following page presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2015 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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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 (Cont'd)

	Fiscal Year Ended June 30, 2015		
	At 1% Decrease (3.13%)	At Current Discount Rate (4.13%)	At 1% Increase (5.13%)
	\$	\$	\$
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 118,160,752	\$ 99,423,196	\$ 83,279,670

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 \$12,405 and \$6,558 for the fiscal years ended June 30, 2016 and 2015, respectively. Employee contributions to DCRP amounted to \$25,870 and \$12,811 for the fiscal year ended June 30, 2016 and 2015, respectively.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

NOTE 10. POST-RETIREMENT BENEFITS

P.L. 1987, c.384 and P.L. 1990, c.6 of Public Laws 1990 required the 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. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the State contributed \$1.25 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 \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publically available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at <http://www.nj.gov/treasury/pensions/pdf/financial2015combined.pdf>.

The State's on behalf Post-Retirement Medical Contributions to TPAF for the District amounted to \$1,485,852, \$1,350,083 and \$1,187,179 for 2016, 2015, and 2014, 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, 2016
(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, 2016 was not available as of the date of this report. Selected, summarized financial information as of June 30, 2015 is as follows:

	<u>Pooled Insurance Program of New Jersey</u>
Total Assets	\$ 21,712,514
Net Position	\$ 6,703,267
Total Revenue	\$ 7,287,919
Total Expenses and Adjustments	\$ 6,088,877
Change in Net Position	\$ 1,199,042
Member Dividends	\$ 1,274,700

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) 664-031 0

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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance (Cont'd)

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>
2016	\$ 22,664	\$ 50,000	\$ 945	\$ 50,136	\$ 291,241
2015	29,523	50,000	539	41,679	267,768
2014	34,282	50,000	506	94,393	229,385

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) and 457(b). The plans, which are administered by TSA Consulting Group Inc., the District's third party administrator, 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 approved vendors are as follows:

- AXA Equitable Financial Resources
- Great West Life & Annuity Insurance Co.
- Lincoln National Life Insurance Co.
- Metropolitan Life Insurance Co.
- Oppenheimer Funds
- Siracusa Benefit 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, 2016
(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, 2016, there were encumbrances as detailed below in the governmental funds:

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Year-End Encumbrances	\$ 698,570	\$ 1,550	\$ 919,205	\$ 1,619,325

On the District's Governmental Funds Balance Sheet as of June 30, 2016, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund. On the GAAP basis, actual encumbrances of \$1,550 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. On the GAAP basis, Capital Projects encumbrances are included in the Capital Projects unassigned deficit.

NOTE 15. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances existed as of June 30, 2016:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 876,174	
Special Revenue Fund		\$ 1,119
Capital Projects Fund		883,595
Debt Service Fund	8,746	
Fiduciary Fund:		
Payroll Agency		206
	\$ 884,920	\$ 884,920

The interfund receivable in the General Fund is comprised of cash advanced to the Special Revenue and Capital Projects Fund while awaiting reimbursement of grant expenditures and interest earnings due from Net Payroll and Payroll Agency Fund as of June 30. The interfund receivable in the Debt Service Fund represents interest earned in the Capital Projects Fund which was not transferred as of June 30.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account in the amount of \$200,000 was established by Board resolution on June 27, 2016. These funds may be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building.

Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the District by transferring unassigned general fund balance or by transferring excess unassigned general fund balance that is anticipated to be deposited during the current year in the advertised recapitulation of balances of the subsequent year's budget that is certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the year by Board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan. Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at year-end. At no time, shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current year of the District's school facilities. If the account exceeds this maximum amount at June 30, the excess shall be restricted and designated in the subsequent year's budget. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The activity of the maintenance reserve for the July 1, 2015 to June 30, 2016 fiscal year is as follows:

Beginning Balance, July 1, 2015	\$ -0-
Increase by Board Resolution in June 2016	<u>200,000</u>
Ending Balance, June 30, 2016	<u><u>\$ 200,000</u></u>

**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 THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2014	2015	2016
District's proportion of the net pension liability	0.0448369155%	0.0405464396%	0.0430193461%
District's proportionate share of the net pension liability	\$ 8,569,225	\$ 7,591,402	\$ 9,656,981
District's covered employee payroll	\$ 2,881,609	\$ 2,894,283	\$ 2,903,815
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	297.38%	262.29%	332.56%
Plan fiduciary net position as a percentage of the total pension liability	48.72%	52.08%	47.93%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2016.

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

	<u>Fiscal Year Ending June 30,</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 337,837	\$ 334,259	\$ 369,851
Contributions in relation to the contractually required contribution	<u>(337,837)</u>	<u>(334,259)</u>	<u>(369,851)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 2,881,609	\$ 2,894,283	\$ 2,903,815
Contributions as a percentage of covered employee payroll	11.72%	11.55%	12.74%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2016.

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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 THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2014	2015	2016
State's proportion of the net pension liability attributable to the District	0.1636336229%	0.1711547577%	0.1573045551%
State's proportionate share of the net pension liability attributable to the District	\$ 82,699,146	\$ 91,476,648	\$ 99,423,196
District's covered employee payroll	\$ 14,984,049	\$ 15,860,920	\$ 15,537,032
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	551.91%	576.74%	639.91%
Plan fiduciary net position as a percentage of the total pension liability	33.76%	33.64%	28.71%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2016.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.39% as of June 30, 2014 to 4.90% as of June 30, 2015. The inflation rate changed from 3.01% as of June 30, 2014 to 3.04% as of June 30, 2015.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.68% as of June 30, 2014 to 4.13% as of June 30, 2015.

BUDGETARY COMPARISON SCHEDULES

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 32,281,958		\$ 32,281,958	\$ 32,281,958	
Tuition From Other LEA's	234,000		234,000	331,675	\$ 97,675
Transportation Fees from Other LEAs	15,000		15,000	30,326	15,326
Rents and Royalties	70,000		70,000	101,691	31,691
Interest Earned on Capital Reserve Funds	1,000		1,000	5,857	4,857
Unrestricted Miscellaneous	34,000		34,000	314,012	280,012
Total - Local Sources	32,635,958		32,635,958	33,065,519	429,561
State Sources:					
School Choice Aid	123,822		123,822	123,822	
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	212,196	(87,804)
Nonpublic School Transportation Costs				11,215	11,215
On-Behalf Contributions (Non-Budgeted):					
TPAF - Pension Contributions				1,247,857	1,247,857
TPAF - Post Retirement Medical Contributions				1,485,852	1,485,852
TPAF Social Security Contributions (Reimbursed)				1,128,921	1,128,921
Total State Sources	2,512,264		2,512,264	6,298,305	3,786,041
TOTAL REVENUES	35,148,222		35,148,222	39,363,824	4,215,602

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 392,765	\$ 51,020	\$ 443,785	\$ 443,030	\$ 755
Grades 1-5 - Salaries of Teachers	3,639,382	(312,975)	3,326,407	3,315,880	10,527
Grades 6-8 - Salaries of Teachers	2,637,608	(32,458)	2,605,150	2,578,727	26,423
Grades 9-12 - Salaries of Teachers	3,754,656	(22,645)	3,732,011	3,690,621	41,390
Regular Programs - Home Instruction:					
Salaries of Teachers	15,000	(9,668)	5,332	5,291	41
Purchased Professional - Educational Services	15,000	10,668	25,668	19,893	5,775
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	81,630	22,000	103,630	101,321	2,309
Purchased Professional - Educational Services	90,818	(28,718)	62,100	60,619	1,481
Purchased Technical Services	128,000		128,000	124,944	3,056
Other Purchased Services (400-500 series)	138,109	(61,535)	76,574	72,616	3,958
General Supplies	664,537	574,706	1,239,243	731,869	507,374
Textbooks	258,156	(224,703)	33,453	32,268	1,185
Other Objects	850	(1)	849	800	49
Total Regular Programs - Instruction	<u>11,816,511</u>	<u>(34,309)</u>	<u>11,782,202</u>	<u>11,177,879</u>	<u>604,323</u>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	335,290	(14,238)	321,052	320,807	245
Other Salaries for Instruction	78,250	8,471	86,721	86,721	
Purchased Professional - Educational Services	8,300		8,300	6,067	2,233
General Supplies	17,759		17,759	7,392	10,367
Total Learning and/or Language Disabilities	<u>439,599</u>	<u>(5,767)</u>	<u>433,832</u>	<u>420,987</u>	<u>12,845</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Special Education - Instruction:					
Resource Room/Resource Center:					
Salaries of Teachers	\$ 2,040,305	\$ (44,560)	\$ 1,995,745	\$ 1,993,434	\$ 2,311
Other Salaries for Instruction	248,807	24,263	273,070	272,790	280
General Supplies	15,240		15,240	10,296	4,944
Total Resource Room/Resource Center	<u>2,304,352</u>	<u>(20,297)</u>	<u>2,284,055</u>	<u>2,276,520</u>	<u>7,535</u>
Autism:					
Salaries of Teachers	142,300	275	142,575	142,529	46
Other Salaries for Instruction	320,806	(78,216)	242,590	237,768	4,822
General Supplies	25,500	(1,521)	23,979	18,969	5,010
Other Objects	5,179	1,521	6,700	5,544	1,156
Total Autism	<u>493,785</u>	<u>(77,941)</u>	<u>415,844</u>	<u>404,810</u>	<u>11,034</u>
Preschool Disabilities - Part-time:					
Salaries of Teachers	132,880	36,420	169,300	169,300	
Other Salaries for Instruction	44,640	58,846	103,486	103,485	1
General Supplies	3,051	(550)	2,501	1,629	872
Total Preschool Disabilities - Part-time	<u>180,571</u>	<u>94,716</u>	<u>275,287</u>	<u>274,414</u>	<u>873</u>
Total Special Education Instruction	<u>3,418,307</u>	<u>(9,289)</u>	<u>3,409,018</u>	<u>3,376,731</u>	<u>32,287</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	\$ 160,565	\$ 2,000	\$ 162,565	\$ 162,565	
Other Salaries for Instruction	1,700	(1,548)	152	152	
Total Basic Skills/Remedial - Instruction	<u>162,265</u>	<u>452</u>	<u>162,717</u>	<u>162,717</u>	
Bilingual Education - Instruction:					
Salaries of Teachers	53,455		53,455	53,455	
General Supplies	1,850	(1,322)	528	528	
Total Bilingual Education - Instruction	<u>55,305</u>	<u>(1,322)</u>	<u>53,983</u>	<u>53,983</u>	
School-Sponsored Cocurricular/Extracurricular Activities - Instruction:					
Salaries	164,828	8,557	173,385	166,389	\$ 6,996
Purchased Services (300-500 series)	4,025	3,538	7,563	7,528	35
Supplies and Materials	11,600	(5,718)	5,882	5,882	
Other Objects	5,075	(3,648)	1,427	1,427	
Total School-Sponsored Cocurricular/Extracurricular Activities - Instruction	<u>185,528</u>	<u>2,729</u>	<u>188,257</u>	<u>181,226</u>	<u>7,031</u>
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	383,424	11,570	394,994	394,994	
Purchased Services (300-500 series)	140,284	(14,858)	125,426	125,426	
Supplies and Materials	43,019	2,461	45,480	44,986	494
Other Objects	9,925	8,223	18,148	18,148	
Total School-Sponsored Cocurricular Athletics - Instruction	<u>576,652</u>	<u>7,396</u>	<u>584,048</u>	<u>583,554</u>	<u>494</u>
Before/After School Programs - Instruction:					
Salaries of Teachers		5,567	5,567	5,567	
Total Before/After School Programs - Instruction		<u>5,567</u>	<u>5,567</u>	<u>5,567</u>	

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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:					
Other Instructional Programs - Instruction:					
Supplies and Materials	\$ 1,250	\$ 3,901	\$ 5,151	\$ 1,224	\$ 3,927
Other Objects	1,685	(1,685)			
Total Other Instructional Programs - Instruction	<u>2,935</u>	<u>2,216</u>	<u>5,151</u>	<u>1,224</u>	<u>3,927</u>
Total Instruction	<u>16,217,503</u>	<u>(26,560)</u>	<u>16,190,943</u>	<u>15,542,881</u>	<u>648,062</u>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	269,027	150,708	419,735	419,732	3
Tuition to County Vocational Schools - Regular	418,500	26,851	445,351	433,651	11,700
Tuition to County Vocational Schools - Special	124,200	(26,851)	97,349	74,037	23,312
Tuition to County Special Services Schools/Regional Day Schools	72,458	(6,550)	65,908	34,846	31,062
Tuition to Private Schools for the Disabled - Within the State	1,203,805	(313,595)	890,210	869,478	20,732
Total Undistributed Expenditures - Instruction	<u>2,087,990</u>	<u>(169,437)</u>	<u>1,918,553</u>	<u>1,831,744</u>	<u>86,809</u>
Health Services:					
Salaries	362,364	966	363,330	363,330	
Purchased Professional and Technical Services	6,615	10,055	16,670	16,670	
Supplies and Materials	10,700	(4,227)	6,473	5,463	1,010
Total Health Services	<u>379,679</u>	<u>6,794</u>	<u>386,473</u>	<u>385,463</u>	<u>1,010</u>
Speech, OT, PT & Related Services:					
Salaries	293,572	1,042	294,614	294,614	
Purchased Professional - Educational Services	600,667	(56,852)	543,815	284,847	258,968
Supplies and Materials	4,985		4,985	3,240	1,745
Total Speech, OT, PT & Related Services	<u>899,224</u>	<u>(55,810)</u>	<u>843,414</u>	<u>582,701</u>	<u>260,713</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENSE:					
Undistributed Expenditures:					
Other Support Services - Students - Extraordinary Services:					
Salaries	\$ 133,745	\$ 5,578	\$ 139,323	\$ 139,323	
Total Other Support Services - Students - Extraordinary Service	133,745	5,578	139,323	139,323	
Guidance:					
Salaries of Other Professional Staff	428,295	(12,786)	415,509	415,509	
Salaries of Secretarial and Clerical Assistants	50,240	657	50,897	50,896	\$ 1
Purchased Professional - Educational Services	56,300		56,300	29,575	26,725
Other Purchased Professional and Technical Services	6,300		6,300	4,524	1,776
Other Purchased Services (400-500 series)	7,000		7,000		7,000
Supplies and Materials	3,700	7	3,707	2,410	1,297
Other Objects	100		100		100
Total Guidance	551,935	(12,122)	539,813	502,914	36,899
Child Study Teams:					
Salaries of Other Professional Staff	679,675	(3,867)	675,808	675,591	217
Salaries of Secretarial and Clerical Assistants	65,492	(753)	64,739	62,712	2,027
Purchased Professional - Educational Services	19,900		19,900	18,579	1,321
Other Purchased Professional and Technical Services	18,914	5,982	24,896	24,896	
Miscellaneous Purchased Services	10,400		10,400	1,909	8,491
Supplies and Materials	22,036		22,036	17,098	4,938
Other Objects	1,475		1,475	330	1,145
Total Child Study Teams	817,892	1,362	819,254	801,115	18,139

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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	\$ 152,642	\$ 529,327	\$ 681,969	\$ 662,958	\$ 19,011
Salaries of Other Professional Staff	554,194	(521,326)	32,868	28,435	4,433
Salaries of Secretarial and Clerical Assistants	97,757	(8,000)	89,757	78,982	10,775
Other Purchased Professional and Technical Services	6,000		6,000		6,000
Other Purchased Services (400-500 series)	4,200		4,200	3,847	353
Supplies and Materials	9,834		9,834	9,829	5
Other Objects	6,400		6,400	3,231	3,169
Total Improvement of Instructional Services	831,027	1	831,028	787,282	43,746
Educational Media Services/School Library:					
Salaries	375,137	4,230	379,367	379,367	
Salaries of Technology Coordinators	236,527	182	236,709	236,709	
Purchased Professional and Technical Services	35,401	(7,356)	28,045	23,483	4,562
Other Purchased Services (400-500 series)	200		200		200
Supplies and Materials	33,406	267	33,673	27,377	6,296
Total Educational Media Services/School Library	680,671	(2,677)	677,994	666,936	11,058
Instructional Staff Training Services:					
Purchased Professional - Educational Services	17,070	1,325	18,395	6,546	11,849
Other Purchased Services (400-500 series)	55,150	(5,593)	49,557	8,354	41,203
Supplies and Materials	5,200		5,200	4,461	739
Other Objects	5,000		5,000	1,577	3,423
Total Instructional Staff Training Services	82,420	(4,268)	78,152	20,938	57,214

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENSE:					
Undistributed Expenditures:					
Support Services - General Administration:					
Salaries	\$ 279,055	\$ (204)	\$ 278,851	\$ 270,075	\$ 8,776
Legal Services	155,000	15,000	170,000	98,399	71,601
Audit Fees	41,000	2,650	43,650	43,650	
Architectural/Engineering Services	27,305	25,799	53,104	3,071	50,033
Purchased Technical Services		3,000	3,000	3,000	
Communications/Telephone	77,000	10,986	87,986	33,450	54,536
BOE Other Purchased Services	3,000		3,000	2,145	855
BOE In House Training / Meeting Supplies	500		500		500
Miscellaneous Purchased Services (400-500 series)	67,596	(1,200)	66,396	52,789	13,607
General Supplies	6,200	9,375	15,575	10,980	4,595
Miscellaneous Expenditures	2,000	43	2,043	2,043	
BOE Memberships / Dues	18,000		18,000	16,573	1,427
Total Support Services - General Administration	676,656	65,449	742,105	536,175	205,930
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	1,053,362	50,000	1,103,362	1,082,292	21,070
Salaries of Secretarial and Clerical Assistants	440,975	(10,660)	430,315	355,873	74,442
Purchased Professional and Technical Services	10,500	(2,583)	7,917	7,359	558
Other Purchased Services (400-500 series)	5,211	250	5,461	5,461	
Supplies and Materials	34,970	81,400	116,370	25,591	90,779
Other Objects	4,250	10,160	14,410	13,584	826
Total Support Services - School Administration	1,549,268	128,567	1,677,835	1,490,160	187,675

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENSE:					
Undistributed Expenditures:					
Central Services:					
Salaries	\$ 368,793	\$ (14,419)	\$ 354,374	\$ 342,683	\$ 11,691
Purchased Professional Services		8,083	8,083	7,500	583
Purchased Technical Services	24,625	3,616	28,241	26,713	1,528
Miscellaneous Purchased Services (400-500 series)	12,872	(6,269)	6,603	5,343	1,260
Supplies and Materials	3,300	16,056	19,356	9,481	9,875
Interest on Bond Anticipation Notes (BANs)	15,000		15,000	7,838	7,162
Miscellaneous Expenditures	3,100		3,100	1,871	1,229
Total Central Services	427,690	7,067	434,757	401,429	33,328
Administrative Information Technology:					
Salaries					
Purchased Technical Services	53,800	26,254	80,054	79,974	80
Supplies and Materials		14,530	14,530	1,698	12,832
Total Administrative Information Technology	53,800	40,784	94,584	81,672	12,912
Required Maintenance of School Facilities:					
Salaries	186,220	769	186,989	185,549	1,440
Cleaning, Repair and Maintenance Services	337,347	(23,779)	313,568	178,260	135,308
General Supplies	70,000		70,000	55,486	14,514
Other Objects					
Total Required Maintenance of School Facilities	593,567	(23,010)	570,557	419,295	151,262

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Custodial Services:					
Salaries	\$ 1,012,537	\$ (62,168)	\$ 950,369	\$ 921,787	\$ 28,582
Salaries of Non-Instructional Aides	105,300	(7,667)	97,633	72,520	25,113
Purchased Professional and Technical Services	3,000	7,650	10,650	9,843	807
Cleaning, Repair and Maintenance Services	45,000	2,579	47,579	46,936	643
Rental of Buildings (Other Than Lease Purchase Agreements)		2,500	2,500	2,500	
Other Purchased Property Services	49,500		49,500	32,137	17,363
Insurance	137,023		137,023	137,023	
Miscellaneous Purchased Services	500		500	491	9
General Supplies	57,000	33,000	90,000	64,218	25,782
Energy (Electricity)	405,000	(92,000)	313,000	158,393	154,607
Energy (Natural Gas)	313,000	92,000	405,000	277,460	127,540
Energy (Gasoline)	5,000		5,000	2,429	2,571
Other Objects	1,000	2,088	3,088	3,078	10
Total Custodial Services	2,133,860	(22,018)	2,111,842	1,728,815	383,027
Care and Upkeep of Grounds:					
Cleaning, Repair and Maintenance Services	65,000		65,000	59,040	5,960
General Supplies		12,500	12,500	7,243	5,257
Total Care and Upkeep of Grounds	65,000	12,500	77,500	66,283	11,217
Security					
Salaries	66,420	(6,930)	59,490	57,261	2,229
Cleaning Repair and Maintenance		20,043	20,043		20,043
General Supplies	1,500		1,500	174	1,326
Total Security	67,920	13,113	81,033	57,435	23,598

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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:					
Student Transportation Services:					
Salaries for Non-Instructional Aides	\$ 10,800	\$ (547)	\$ 10,253	\$ 8,915	\$ 1,338
Salaries for Pupil Transportation:					
Between Home and School - Regular	102,612	(6,711)	95,901	95,900	1
Between Home and School - Special	94,986	12,663	107,649	107,649	
Other Than Between Home and School - Regular	50,000	14,512	64,512	61,675	2,837
Management Fee - ESC and CTSA Transportation Program	16,000	2,774	18,774	18,774	
Cleaning, Repair and Maintenance Services	40,080	12,000	52,080	47,143	4,937
Contracted Services:					
Other Than Between Home and School - Vendors	90,000	(20,215)	69,785	62,433	7,352
Special Education Students - Vendors	50,000	(6,614)	43,386	36,699	6,687
Special Education Students - Joint Agreements	15,000	(15,000)			
Regular Students - ESC's and CTSA's	16,400	15,400	31,800	28,551	3,249
Special Education Students - ESC's and CTSA's	428,213	34,031	462,244	446,750	15,494
Aid in Lieu of Payments - Nonpublic Students	81,328	(22,984)	58,344	54,810	3,534
Miscellaneous Purchased Services - Transportation		970	970	970	
General Supplies	1,600	(234)	1,366	679	687
Transportation Supplies	40,000	(360)	39,640	15,041	24,599
Other Objects	500	245	745	745	
Total Student Transportation Services	<u>1,037,519</u>	<u>19,930</u>	<u>1,057,449</u>	<u>986,734</u>	<u>70,715</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Unallocated Benefits:					
Social Security Contributions	\$ 410,000	\$ 24,890	\$ 434,890	\$ 434,890	
Other Retirement Contributions - PERS	400,000	(25,843)	374,157	369,851	\$ 4,306
Other Retirement Contributions - Other	8,000	5,800	13,800	12,405	1,395
Unemployment Compensation	50,000		50,000	50,000	
Workmen's Compensation	205,000	(14,702)	190,298	158,862	31,436
Health Benefits	6,245,570	(76,871)	6,168,699	5,284,259	884,440
Tuition Reimbursement	65,000	15,592	80,592	63,487	17,105
Other Employee Benefits	193,375	(15,592)	177,783	128,332	49,451
Total Unallocated Benefits	<u>7,576,945</u>	<u>(86,726)</u>	<u>7,490,219</u>	<u>6,502,086</u>	<u>988,133</u>
On-Behalf Contributions (Non-Budgeted):					
TPAF - Pension Contributions				1,247,857	(1,247,857)
TPAF Post Retirement Medical Contributions				1,485,852	(1,485,852)
TPAF Social Security Contributions (Reimbursed)				1,128,921	(1,128,921)
Total On-Behalf Contributions				<u>3,862,630</u>	<u>(3,862,630)</u>
Total Personal Services - Employee Benefits	<u>7,576,945</u>	<u>(86,726)</u>	<u>7,490,219</u>	<u>10,364,716</u>	<u>(2,874,497)</u>
Total Undistributed Expenses	<u>20,646,808</u>	<u>(74,923)</u>	<u>20,571,885</u>	<u>21,851,130</u>	<u>(1,279,245)</u>
TOTAL GENERAL CURRENT EXPENSE	<u>36,864,311</u>	<u>(101,483)</u>	<u>36,762,828</u>	<u>37,394,011</u>	<u>(631,183)</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
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:					
Undistributed Expenditures:					
General Administration		\$ 28,167	\$ 28,167	\$ 2,500	\$ 25,667
School Administration		19,881	19,881	19,881	
School Buses - Regular		27,955	27,955		27,955
Total Equipment		<u>76,003</u>	<u>76,003</u>	<u>22,381</u>	<u>53,622</u>
Facilities Acquisition and Construction Services:					
Other Purchased Professional and Technical Services		8,501	8,501	8,501	
Construction Services	\$ 108,793.00	16,279	125,072	121,392	3,680
Infrastructure	58,088	700	58,788	58,788	
Assessment for Debt Service on SDA Funding	2,793		2,793	2,793	
Total Facilities Acquisition and Construction Services	<u>169,674</u>	<u>25,480</u>	<u>195,154</u>	<u>191,474</u>	<u>3,680</u>
TOTAL CAPITAL OUTLAY	<u>169,674</u>	<u>101,483</u>	<u>271,157</u>	<u>213,855</u>	<u>57,302</u>
TOTAL EXPENDITURES	<u>37,033,985</u>		<u>37,033,985</u>	<u>37,607,866</u>	<u>(573,881)</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(1,885,763)		(1,885,763)	1,755,958	3,641,721

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Financing Uses:					
Transfer Out:					
Transfer from Capital Reserve to Capital Projects Fund	\$ (474,323)	\$ (1,469,119)	\$ (1,943,442)	\$ (2,552,145)	\$ (608,703)
Total Other Financing Uses	(474,323)	(1,469,119)	(1,943,442)	(2,552,145)	(608,703)
Excess/(Deficiency) of Revenues and Other Financing Uses Over/(Under) Expenditures	(2,360,086)	(1,469,119)	(3,829,205)	(796,187)	3,033,018
Fund Balance, July 1	6,563,707		6,563,707	6,563,707	
Fund Balance, June 30	\$ 4,203,621	\$ (1,469,119)	\$ 2,734,502	\$ 5,767,520	\$ 3,033,018
<u>Recapitulation of Fund Balance at June 30, 2016:</u>					
Restricted:					
Excess Surplus				\$ 1,100,000	
Excess Surplus - For Subsequent Year's Expenditures				1,250,000	
Capital Reserve				1,749,229	
Maintenance Reserve				200,000	
Mortgage Sale of Building				32,558	
Assigned:					
Year-End Encumbrances				698,570	
Unassigned				737,163	
				5,767,520	
Reconciliation to Governmental Funds Statement (GAAP):					
Last State Aid Payments not Recognized on GAAP Basis				(210,876)	
Fund Balance per Governmental Funds (GAAP)				\$ 5,556,644	

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources		\$ 1,646	\$ 1,646	\$ 1,550	(96)
State Sources		263,248	263,248	246,557	\$ (16,691)
Federal Sources	400,000	271,660	671,660	588,363	(83,297)
Total Revenues	<u>400,000</u>	<u>536,554</u>	<u>936,554</u>	<u>836,470</u>	<u>(100,084)</u>
EXPENDITURES:					
Instruction:					
Purchased Professional - Educational Services		228,557	228,557	212,730	15,827
Tuition	375,000	68,441	443,441	443,441	
General Supplies		46,333	46,333	25,393	20,940
Textbooks		24,266	24,266	24,266	
Total Instruction	<u>375,000</u>	<u>367,597</u>	<u>742,597</u>	<u>705,830</u>	<u>36,767</u>
Support Services:					
Salaries of Other Professional Staff		38,330	38,330	23,730	14,600
Personal Services - Employee Benefits		13,680	13,680		13,680
Purchase Professional - Educational Services	25,000	107,901	132,901	97,960	34,941
Purchased Professional and Technical Services		7,400	7,400	7,400	
Supplies and Materials		1,646	1,646	1,550	96
Total Support Services	<u>25,000</u>	<u>168,957</u>	<u>193,957</u>	<u>130,640</u>	<u>63,317</u>
Total Expenditures	<u>400,000</u>	<u>536,554</u>	<u>936,554</u>	<u>836,470</u>	<u>100,084</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, 2016
UNAUDITED

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 39,363,824	\$ 836,470
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		(1,550)
Prior Year Encumbrances		3,143
Prior Year State aid payments recognized for GAAP statements, not recognized for budgetary purposes.	200,583	
Current Year State aid payments recognized for budgetary purposes, not recognized for GAAP statements.	(210,876)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 39,353,531</u>	<u>\$ 838,063</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 37,607,866	\$ 836,470
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		(1,550)
Prior Year Encumbrances		3,143
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 37,607,866</u>	<u>\$ 838,063</u>

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue, and Debt Service Funds. The budget for the fiscal year ended June 30, 2016 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, 2016
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, 2016

	<u>Nonpublic Handicapped Services</u>			<u>No Child Left Behind</u>		
	<u>Exam and Classification</u>	<u>Supplementary Instruction</u>	<u>Corrective Speech</u>	<u>Title I</u>	<u>Title II, Part A</u>	<u>Title III</u>
REVENUE:						
Local Sources						
State Sources	\$ 47,731	\$ 39,208	\$ 27,339			
Federal Sources				\$ 24,415	\$ 20,717	\$ 854
Total Revenue	<u>47,731</u>	<u>39,208</u>	<u>27,339</u>	<u>24,415</u>	<u>20,717</u>	<u>854</u>
EXPENDITURES:						
Instruction:						
Purchased Professional - Educational Services	47,731	39,208	27,339			
Tuition						
General Supplies				685		
Textbooks						854
Total Instruction	<u>47,731</u>	<u>39,208</u>	<u>27,339</u>	<u>685</u>		<u>854</u>
Support Services:						
Salaries of Other Professional Staff				23,730		
Purchased Professional - Educational Services					20,717	
Purchased Professional and Technical Services						
Supplies and Materials						
Total Support Services				<u>23,730</u>	<u>20,717</u>	
Total Expenditures	<u>\$ 47,731</u>	<u>\$ 39,208</u>	<u>\$ 27,339</u>	<u>\$ 24,415</u>	<u>\$ 20,717</u>	<u>\$ 854</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Nonpublic		IDEA Part B		
	Auxiliary Services		Basic		Preschool
	Compensatory Education	Home Instruction	Current Year	Prior Year	
REVENUE:					
Local Sources					
State Sources	\$ 49,916	\$ 346			
Federal Sources			\$ 525,178	\$ 1,020	16,179
Total Revenue	<u>49,916</u>	<u>346</u>	<u>525,178</u>	<u>1,020</u>	<u>16,179</u>
EXPENDITURES:					
Instruction:					
Purchased Professional - Educational Services	49,916	346			
Tuition			443,441		
General Supplies			4,494	1,020	8,779
Textbooks					
Total Instruction	<u>49,916</u>	<u>346</u>	<u>447,935</u>	<u>1,020</u>	<u>8,779</u>
Support Services:					
Salaries of Other Professional Staff					
Purchased Professional - Educational Services			77,243		
Purchased Professional and Technical Services					7,400
Supplies and Materials					
Total Support Services			<u>77,243</u>		<u>7,400</u>
Total Expenditures	<u>\$ 49,916</u>	<u>\$ 346</u>	<u>\$ 525,178</u>	<u>\$ 1,020</u>	<u>\$ 16,179</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>SJG Home and School</u>	<u>Nonpublic Nursing</u>	<u>Nonpublic Textbooks</u>	<u>Nonpublic Security</u>	<u>Nonpublic Technology</u>	<u>Totals</u>
REVENUE:						
Local Sources	\$ 1,550					\$ 1,550
State Sources		\$ 37,530	\$ 23,412	\$ 10,415	\$ 10,660	246,557
Federal Sources						588,363
Total Revenue	<u>1,550</u>	<u>37,530</u>	<u>23,412</u>	<u>10,415</u>	<u>10,660</u>	<u>836,470</u>
EXPENDITURES:						
Instruction:						
Purchased Professional - Educational Services		37,530			10,660	212,730
Tuition						443,441
General Supplies				10,415		25,393
Textbooks			23,412			24,266
Total Instruction		<u>37,530</u>	<u>23,412</u>	<u>10,415</u>	<u>10,660</u>	<u>705,830</u>
Support Services:						
Salaries of Other Professional Staff						23,730
Purchased Professional - Educational Services						97,960
Purchased Professional and Technical Services						7,400
Supplies and Materials	1,550					1,550
Total Support Services	<u>1,550</u>					<u>130,640</u>
Total Expenditures	<u>\$ 1,550</u>	<u>\$ 37,530</u>	<u>\$ 23,412</u>	<u>\$ 10,415</u>	<u>\$ 10,660</u>	<u>\$ 836,470</u>

CAPITAL PROJECTS FUND

Exhibit F-1

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGETARY BASIS
CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Revenue and Other Financing Sources:	
State Sources - SDA Grant	\$ 1,453,871
Budget Appropriation	625,000
Investment Income	2,920
Transfer from General Fund - Capital Reserve	<u>2,552,145</u>
Total Revenue and Other Financing Sources	<u>4,633,936</u>
Expenditures and Other Financing Uses:	
Purchased Professional and Technical Services	114,701
Other Purchased Services	1,028
Construction Services	467,058
Transfers Out:	
Transfer to Debt Service Fund Interest	2,920
Transfer to Debt Service Fund - Principal on Bonds	<u>775,000</u>
Total Expenditures and Other Financing Uses	<u>1,360,707</u>
Excess of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses	3,273,229
Fund Balance - Beginning	<u>434,112</u>
Fund Balance - Ending	<u>\$ 3,707,341</u>
Restricted	\$ 457,541
Committed - Encumbrances	919,205
Committed	<u>2,330,595</u>
	3,707,341
Reconciliation to Governmental Funds Statement (GAAP):	
State Sources - SDA Grant not Recognized on GAAP Basis	<u>(2,336,746)</u>
Fund Balance per Governmental Funds - GAAP	<u>\$ 1,370,595</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, 2016

	<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	1,215,000	\$ 625,000	1,840,000	2,000,157
Total Expenditures and Other Financing Uses	<u>12,204,843</u>	<u>625,000</u>	<u>12,829,843</u>	<u>12,990,000</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ 785,157</u>	<u>\$ (625,000)</u>	<u>\$ 160,157</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, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
Budget Appropriations	\$ 1,175,000	\$ 625,000	\$ 1,800,000	\$ 2,000,000
Total Revenue and Other Financing Sources	<u>1,175,000</u>	<u>625,000</u>	<u>1,800,000</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>\$ (825,000)</u>	<u>\$ 625,000</u>	<u>\$ (200,000)</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 AND VARIOUS RENOVATIONS AT HILLVIEW ELEMENTARY SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 508,880		\$ 508,880	\$ 508,880
Transfer from Capital Reserve	763,320		763,320	763,320
Total Revenue and Other Financing Sources	<u>1,272,200</u>		<u>1,272,200</u>	<u>1,272,200</u>
Expenditures:				
Purchased Professional & Technical Services	64,982		64,982	200,200
Construction Services	619,360		619,360	1,072,000
Total Expenditures	<u>684,342</u>		<u>684,342</u>	<u>1,272,200</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 587,858</u>	<u>\$ -0-</u>	<u>\$ 587,858</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number(s)	4080-055-14-1002
Grant Date	6/15/2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 1,272,200
Percentage Completion	53.79%
Original Target Completion Date	8/31/2014
Revised Target Completion Date	12/31/2016

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, 2016

	<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 and Other Financing Uses:				
Legal Services	12,141		12,141	12,383
Purchased Professional & Technical Services	243,766		243,766	238,500
Construction Services	2,645,171		2,645,171	2,986,567
Other Objects	1,538		1,538	112,550
Transfer to Debt Service Fund		\$ 150,000	150,000	
Total Expenditures	<u>2,902,616</u>	<u>150,000</u>	<u>3,052,616</u>	<u>3,350,000</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ 447,384</u>	<u>\$ (150,000)</u>	<u>\$ 297,384</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	100.00%
Original Target Completion Date	08/1/2014
Revised Target Completion Date	10/31/2014

Exhibit F-1e

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
STEPHEN J. GERACE ELEMENTARY SCHOOL WINDOW REPLACEMENT PROJECT,
ROOF REPAIR AND SECURITY INFRASTRUCTURE
FROM INCEPTION AND FOR THE YEAR FISCAL ENDED JUNE 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant		\$ 483,393	\$ 483,393	\$ 483,393
Transfer from Capital Reserve		725,089	725,089	725,089
Total Revenue and Other Financing Sources		<u>1,208,482</u>	<u>1,208,482</u>	<u>1,208,482</u>
Expenditures:				
Purchased Professional & Technical Services	\$ 30,676	40,161	70,837	169,482
Construction Services		428,420	428,420	1,039,000
Total Expenditures	<u>30,676</u>	<u>468,581</u>	<u>499,257</u>	<u>1,208,482</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ (30,676)</u>	<u>\$ 739,901</u>	<u>\$ 709,225</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number(s)	080-100-14-1005
Grant Date	2/24/2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 1,208,482
Percentage Completion	41.31%
Original Target Completion Date	12/31/2016

Exhibit F-1f

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
PEQUANNOCK HIGH SCHOOL WINDOW REPLACEMENT, GENERATOR
AND SECURITY INFRASTRUCTURE
FROM INCEPTION AND FOR THE YEAR FISCAL ENDED JUNE 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant		\$ 453,700	\$ 453,700	\$ 453,700
Transfer from Capital Reserve		680,550	680,550	680,550
Total Revenue and Other Financing Sources		1,134,250	1,134,250	1,134,250
Expenditures:				
Purchased Professional & Technical Services				176,750
Construction Services				957,500
Total Expenditures				1,134,250
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	\$ -0-	\$ 1,134,250	\$ 1,134,250	\$ -0-

Additional Project Information:

Project Number(s)	080-100-14-1001
Grant Date	2/24/2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 1,134,250
Percentage Completion	0.00%
Original Target Completion Date	12/31/2016

Exhibit F-1g

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
PEQUANNOCK HIGH SCHOOL MARQUEE AND SNAPP CLASSROOMS
FROM INCEPTION AND FOR THE YEAR FISCAL ENDED JUNE 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
Transfer from Capital Reserve		\$ 371,340	\$ 371,340	\$ 371,340
Total Revenue and Other Financing Sources		371,340	371,340	371,340
Expenditures:				
Legal Services				
Purchased Professional & Technical Services		32,540	32,540	23,500
Other Purchased Services		1,028	1,028	1,028
Construction Services		11,700	11,700	346,812
Total Expenditures		45,268	45,268	371,340
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	\$ -0-	\$ 326,072	\$ 326,072	\$ -0-

Additional Project Information:

Project Number(s)	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 371,340
Percentage Completion	12.19%
Original Target Completion Date	12/31/2016

Exhibit F-1h

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
ROOF REPLACEMENT AND VARIOUS RENOVATIONS AT
NORTH BOULEVARD ELEMENTARY SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant		\$ 315,968	\$ 315,968	\$ 315,968
Transfer from Capital Reserve		473,951	473,951	473,951
Total Revenue and Other Financing Sources		<u>789,919</u>	<u>789,919</u>	<u>789,919</u>
Expenditures:				
Purchased Professional & Technical Services	\$ 31,818	22,078	53,896	132,669
Construction Services	356,312	26,938	383,250	657,250
Total Expenditures	<u>388,130</u>	<u>49,016</u>	<u>437,146</u>	<u>789,919</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ (388,130)</u>	<u>\$ 740,903</u>	<u>\$ 352,773</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number(s)	4080-060-14-1003
Grant Date	6/15/2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 789,919
Percentage Completion	55.34%
Original Target Completion Date	8/31/2014
Revised Target Completion Date	12/31/2016

Exhibit F-1i

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
ROOF REPLACEMENT AND VARIOUS RENOVATIONS AT
PEQUANNOCK VALLEY MIDDLE SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 373,995	\$ 200,810	\$ 574,805	\$ 574,805
Transfer from Capital Reserve	560,993	301,215	862,208	862,208
Total Revenue and Other Financing Sources	<u>934,988</u>	<u>502,025</u>	<u>1,437,013</u>	<u>1,437,013</u>
Expenditures:				
Purchased Professional & Technical Services	74,120	19,922	94,042	216,813
Construction Services	1,003,349		1,003,349	1,220,200
Total Expenditures	<u>1,077,469</u>	<u>19,922</u>	<u>1,097,391</u>	<u>1,437,013</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ (142,481)</u>	<u>\$ 482,103</u>	<u>\$ 339,622</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number(s)	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	\$ 1,437,013
Percentage Completion	76.37%
Original Target Completion Date	8/31/2014
Revised Target Completion Date	12/31/2016

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, 2015</u>	<u>Issued</u>	<u>Balance Matured</u>	<u>Balance June 30, 2016</u>
Improvement of Track and Fields at Pequannock High School	\$ 2,000,000	7/10/2014	7/10/2015	0.95%	\$ 825,000		\$ 825,000	
		7/09/2015	7/09/2016	0.95%		\$ 200,000		\$ 200,000
					<u>\$ 825,000</u>	<u>\$ 200,000</u>	<u>\$ 825,000</u>	<u>\$ 200,000</u>
				Renewed Paid by Debt Service Fund		\$ 200,000	\$ 200,000 625,000	
						<u>\$ 200,000</u>	<u>\$ 825,000</u>	

PROPRIETARY FUNDS

Exhibit G-1

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 40,654
Receivable from Federal Government	3,990
Receivable from State Government	251
Receivables - Other	85
Inventory	10,343
Total Current Assets	55,323
Non-Current Assets:	
Capital Assets	109,446
Less: Accumulated Depreciation	(86,867)
Total Non-Current Assets	22,579
Total Assets	77,902
LIABILITIES:	
Current Liabilities:	
Prepaid Sales	3,161
Unearned Revenue	1,704
Accounts Payable - Vendors	975
Total Liabilities	5,840
NET POSITION:	
Net Investment in Capital Assets	22,579
Unrestricted	49,483
Total Net Position	\$ 72,062

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, 2016

Operating Revenue:	Food Service
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 229,506
Daily Sales - Non-Reimbursable Programs	306,040
Special Events	3,182
Total Operating Revenue	538,728
Operating Expenses:	
Cost of Sales - Reimbursable Programs	156,334
Cost of Sales - Nonreimbursable Programs	82,655
Salaries	184,197
Payroll Taxes	29,387
Employee Benefits	15,455
Management Fee	33,548
Supplies and Materials	33,021
Depreciation Expense	5,047
Miscellaneous Expenditures	75,740
Total Operating Expenses	615,384
Operating Loss	(76,656)
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	50,627
Special Milk Program	10,937
Food Distribution Program	13,941
State Sources:	
State School Lunch Program	3,596
Local Sources:	
Interest Revenue	314
Total Non-Operating Revenue	79,415
Change in Net Position	2,759
Net Position - Beginning of Year	69,303
Net Position - End of Year	<u>\$ 72,062</u>

Exhibit G-3

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 558,223
Payments to Food Service Vendor	(638,606)
Payments to Suppliers	32,288
	(48,095)
Net Cash (Used for) Operating Activities	
Cash Flows from Investing Activities:	
Interest Revenue	314
	314
Net Cash Provided by Investing Activities	
Cash Flows from Noncapital Financing Activities:	
Receipt of Federal Reimbursements	61,936
Receipt of State Reimbursements	3,602
	65,538
Net Cash Provided by Noncapital Financing Activities	
Cash Flows from Capital Financing Activities:	
Acquisition of Capital Assets	(15,948)
	(15,948)
Net Cash Used for Capital Financing Activities	
Net Increase in Cash and Cash Equivalents	1,809
Cash and Cash Equivalents, July 1	38,845
Cash and Cash Equivalents, June 30	\$ 40,654
Reconciliation of Operating Loss to Net Cash	
Used for Operating Activities:	
Operating Loss	\$ (76,656)
Adjustment to Reconcile Operating Loss to Cash	
Used for Operating Activities:	
Depreciation	5,047
Federal Food Distribution Program	13,941
Changes in Assets and Liabilities:	
Increase in Prepaid Sales	404
(Decrease) Unearned Revenue	(474)
(Decrease) in Receivables - Other	19,091
Increase in Inventory	(2,070)
(Decrease) in Accounts Payable	(7,378)
	(48,095)
Net Cash Used for Operating Activities	\$ (48,095)

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$13,467 and \$13,941, respectively, for the fiscal year ended June 30, 2016.

FIDUCIARY FUNDS

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2016

	<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>				<u>Total</u>
ASSETS:						
Cash and Cash Equivalents	\$ 152,644	\$ 948	\$ 153,592	\$ 291,241	\$ 4,535	\$ 159,625
Total Assets	<u>152,644</u>	<u>948</u>	<u>153,592</u>	<u>291,241</u>	<u>4,535</u>	<u>159,625</u>
LIABILITIES:						
Accrued Salaries and Wages		100	100			
Interfund Payable:						
General Fund		206	206			
Payroll Deductions and Withholdings		642	642			
Due to Student Groups	152,644		152,644			
Total Liabilities	<u>152,644</u>	<u>948</u>	<u>153,592</u>			
NET POSITION:						
Held in Trust for:						
Unemployment Claims			291,241			
Flexible Spending Claims				4,535		
Scholarships					159,625	
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 291,241</u>	<u>\$ 4,535</u>	<u>\$ 159,625</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust	Totals
ADDITIONS:				
Contributions - Employee	\$ 22,664	\$ 13,550		\$ 36,214
Contributions - District	50,000			50,000
Donations			\$ 10,100	10,100
Total Contributions	<u>72,664</u>	<u>13,550</u>	<u>10,100</u>	<u>96,314</u>
Investment Earnings:				
Interest	945	49	640	1,634
Net Investment Earnings	<u>945</u>	<u>49</u>	<u>640</u>	<u>1,634</u>
Total Additions	<u>73,609</u>	<u>13,599</u>	<u>10,740</u>	<u>97,948</u>
DEDUCTIONS:				
Unemployment Compensation Claims	50,136			50,136
Flexible Spending Claims		13,536		13,536
Scholarships Awarded			16,050	16,050
Total Deductions	<u>50,136</u>	<u>13,536</u>	<u>16,050</u>	<u>79,722</u>
Change in Net Position	23,473	63	(5,310)	18,226
Net Position - Beginning of the Year	<u>267,768</u>	<u>4,472</u>	<u>164,935</u>	<u>437,175</u>
Net Position - End of the Year	<u>\$ 291,241</u>	<u>\$ 4,535</u>	<u>\$ 159,625</u>	<u>\$ 455,401</u>

Exhibit H-3

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
ASSETS:				
Cash and Cash Equivalents	<u>\$ 128,313</u>	<u>\$ 382,932</u>	<u>\$ 358,601</u>	<u>\$ 152,644</u>
Total Assets	<u><u>\$ 128,313</u></u>	<u><u>\$ 382,932</u></u>	<u><u>\$ 358,601</u></u>	<u><u>\$ 152,644</u></u>
LIABILITIES:				
Due to Student Groups	<u>\$ 128,313</u>	<u>\$ 382,932</u>	<u>\$ 358,601</u>	<u>\$ 152,644</u>
Total Liabilities	<u><u>\$ 128,313</u></u>	<u><u>\$ 382,932</u></u>	<u><u>\$ 358,601</u></u>	<u><u>\$ 152,644</u></u>

Exhibit H-4

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>June 30, 2015</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2016</u>
Middle School:				
Pequannock Valley	\$ 26,830	\$ 65,507	\$ 71,684	\$ 20,653
Senior High School:				
Pequannock	95,033	304,555	278,763	120,825
Interscholastic Athletics	299	2,712	1,044	1,967
Future Business Leaders of America	<u>6,151</u>	<u>10,158</u>	<u>7,110</u>	<u>9,199</u>
Total All Schools	<u>\$ 128,313</u>	<u>\$ 382,932</u>	<u>\$ 358,601</u>	<u>\$ 152,644</u>

Exhibit H-5

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
ASSETS:				
Cash and Cash Equivalents	\$ 54,008	\$ 24,230,193	\$ 24,283,253	\$ 948
Total Assets	<u>\$ 54,008</u>	<u>\$ 24,230,193</u>	<u>\$ 24,283,253</u>	<u>\$ 948</u>
LIABILITIES:				
Accrued Salaries and Wages	\$ 100	\$ 427,824	\$ 427,824	\$ 100
Interfund Payable - General Fund	17,772	7,901	25,467	206
Interfund Payable - Unemployment Compensation Trust Fund	29,254	48,832	78,086	
Accounts Payable - Vendors				
Payroll Deductions and Withholdings	<u>6,882</u>	<u>23,745,636</u>	<u>23,751,876</u>	<u>642</u>
Total Liabilities	<u>\$ 54,008</u>	<u>\$ 24,230,193</u>	<u>\$ 24,283,253</u>	<u>\$ 948</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, 2015	Issued	Matured	Defeased	Balance June 30, 2016
			Date	Amount						
Schools Renovations & Alterations	5/5/2009	\$ 12,990,000	1/15/2017	\$ 660,000	3.750%	\$ 11,440,000		\$ 640,000	\$ 9,460,000	\$ 1,340,000
			1/15/2018	680,000	4.000%					
School Renovation Project	8/29/2013	3,350,000	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	150,000	3,200,000					
Refunding Bonds	2/25/2016	9,025,000	1/15/2017	35,000	2.000%					
			1/15/2019	685,000	3.000%					
			1/15/2020	700,000	3.000%					
			1/15/2021	720,000	4.000%					
			1/15/2022	745,000	4.000%					
			1/15/2023	770,000	4.000%					
			1/15/2024	805,000	4.000%					
			1/15/2025	840,000	4.000%					
			1/15/2026	870,000	4.000%					
			1/15/2027	910,000	4.000%					
			1/15/2028	950,000	4.000%					
1/15/2029	995,000	4.000%	\$ 9,025,000		9,025,000					
						<u>\$ 14,790,000</u>	<u>\$ 9,025,000</u>	<u>\$ 790,000</u>	<u>\$ 9,460,000</u>	<u>\$ 13,565,000</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOT APPLICABLE

Exhibit I-3

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 820,694		\$ 820,694	\$ 820,694	
Investment Income				10,446	\$ 10,446
State Sources:					
Debt Service Aid Type II	374,064		374,064	374,064	
Total Revenues	1,194,758		1,194,758	1,205,204	10,446
EXPENDITURES:					
Regular Debt Service:					
Interest and Other Charges	566,950		566,950	566,950	
Redemption of Principal	1,415,000		1,415,000	1,415,000	
Total Regular Debt Service	1,981,950		1,981,950	1,981,950	
Total Expenditures	1,981,950		1,981,950	1,981,950	
Excess/(Deficit) of Revenues Over/(Under) Expenditures	(787,192)		(787,192)	(776,746)	10,446
Other Financing Sources/(Uses):					
Refunding Bonds Issued				9,025,000	9,025,000
Payment to Bond Escrow Agent					
Bond Premium				1,214,617	1,214,617
Serial Bonds Defeased				(9,460,000)	(9,460,000)
Bond Issuance Costs				(134,277)	(134,277)
Deferred Interest				(645,340)	(645,340)
Transfer from Capital Projects Fund:					
Unexpended Capital Projects	775,000		775,000	775,000	
Investment Income				2,920	2,920
Total Other Financing Sources/(Uses)	775,000		775,000	777,920	2,920
Excess/(Deficit) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(12,192)		(12,192)	1,174	13,366
Fund Balance, July 1	18,018		18,018	18,018	
Fund Balance, June 30	\$ 5,826	\$ -0-	\$ 5,826	\$ 19,192	\$ 13,366

Recapitulation of Fund Balance at June 30, 2016:

Restricted:		
For Subsequent Year's Expenditures		\$ 18,018
Other Purposes		1,174
		<u>\$ 19,192</u>

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,				
	2007	2008	2009	2010	2011
Governmental Activities:					
Net Investment in Capital Assets	\$ 10,014,056	\$ 9,537,969	\$ 9,792,774	\$ 10,576,913	\$ 7,260,551
Restricted	2,731,058	3,549,283	4,851,595	4,918,814	7,127,061
Unrestricted/(Deficit)	254,813	242,918	(33,250)	94,613	1,762,414
Total Governmental Activities Net Position	<u>\$ 12,999,927</u>	<u>\$ 13,330,170</u>	<u>\$ 14,611,119</u>	<u>\$ 15,590,340</u>	<u>\$ 16,150,026</u>
Business-type Activities:					
Net Investment in Capital Assets	\$ 2,557	\$ 17,299	\$ 16,131	\$ 57,596	\$ 10,804
Unrestricted	123,952	120,485	111,160	67,142	66,987
Total Business-type Activities Net Position	<u>\$ 126,509</u>	<u>\$ 137,784</u>	<u>\$ 127,291</u>	<u>\$ 124,738</u>	<u>\$ 77,791</u>
District-wide:					
Net Investment in Capital Assets	\$ 10,016,613	\$ 9,555,268	\$ 9,808,905	\$ 10,634,509	\$ 7,271,355
Restricted	2,731,058	3,549,283	4,851,595	4,918,814	7,127,061
Unrestricted/(Deficit)	378,765	363,403	77,910	161,755	1,829,401
Total District-wide Net Position	<u>\$ 13,126,436</u>	<u>\$ 13,467,954</u>	<u>\$ 14,738,410</u>	<u>\$ 15,715,078</u>	<u>\$ 16,227,817</u>

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

	June 30,				
	2012	2013	2014	2015	2016
Governmental Activities:					
Net Investment in Capital Assets	\$ 11,386,194	\$ 11,779,227	\$ 10,897,989	\$ 15,002,450	\$ 16,695,523
Restricted	6,444,812	6,678,692	9,175,464	6,680,364	4,808,520
Unrestricted/(Deficit)	(580,527)	48,615	(8,832,048)	(9,700,752)	(7,415,158)
Total Governmental Activities Net Position	\$ 17,250,479	\$ 18,506,534	\$ 11,241,405	\$ 11,982,062	\$ 14,088,885
Business-type Activities:					
Net Investment in Capital Assets	\$ 3,947	\$ 2,667	\$ 15,429	\$ 11,678	\$ 22,579
Unrestricted	41,516	62,735	24,308	57,625	49,483
Total Business-type Activities Net Position	\$ 45,463	\$ 65,402	\$ 39,737	\$ 69,303	\$ 72,062
District-wide:					
Net Investment in Capital Assets	\$ 11,390,141	\$ 11,781,894	\$ 10,913,418	\$ 15,014,128	\$ 16,718,102
Restricted	6,444,812	6,678,692	9,175,464	6,680,364	4,808,520
Unrestricted/(Deficit)	(539,011)	111,350	(8,807,740)	(9,643,127)	(7,365,675)
Total District-wide Net Position	\$ 17,295,942	\$ 18,571,936	\$ 11,281,142	\$ 12,051,365	\$ 14,160,947

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

Expenses:	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities:										
Instruction:										
Regular	\$ 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	\$ 20,356,850
Special Education	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	6,315,970
Other Special Instruction	375,639	332,834	278,841	269,116	214,625	545,078	337,613	335,517	635,573	712,544
School Sponsored Instruction	694,825	610,206	587,190	609,241	653,558	756,034	889,036	974,701	1,180,467	1,259,036
Support Services:										
Tuition	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	2,275,185
Student & Instruction Related Services	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	5,344,281
General Administration Services	960,744	802,171	764,705	581,531	861,243	944,958	809,157	794,428	707,109	639,725
School Administration Services	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	2,740,609
Central Services	473,513	522,433	557,846	555,533	518,487	583,280	532,573	507,535	526,938	508,638
Administrative Information Technology	227,287	214,917	240,077	258,045	264,221	203,608	242,416	243,475	52,889	83,497
Plant Operations and Maintenance	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	2,282,507
Pupil Transportation	960,427	1,062,808	953,110	1,037,114	1,085,095	1,008,460	962,456	1,085,674	1,160,443	1,236,391
Charter Schools					21,119	22,590				
Interest on Long-term Debt	154,777	119,075	335,966	417,284	601,191	534,977	532,914	504,650	653,130	360,486
Unallocated Depreciation	58,844	350,936	173,464	102,931						
Capital Outlay			23,208	184,295				2,793	2,587	
Total Governmental Activities Expenses	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	44,115,719
Business-type Activities:										
Food Service	599,184	637,106	694,376	729,498	699,178	710,854	667,338	712,616	630,439	615,384
Imagine Program	34,478	54,039	29,508		3,369					
Total Business-type Activities Expenses	633,662	691,145	723,884	729,498	702,547	710,854	667,338	712,616	630,439	615,384
Total District-wide Expenses	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	44,731,103
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Tuition	268,650	182,523	285,191	280,000	290,475	282,211	403,512	306,786	313,874	331,675
Pupil Transportation	40,736	36,646	47,076	32,987	35,429	25,755	22,073	13,505	19,004	30,326
Operating Grants and Contributions	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	11,190,927
Capital Grants and Contributions	189,811		4,144							
Total Governmental Activities Program Revenues	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	11,552,928

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

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Program Revenues:										
Business-type Activities:										
Charges for Services:										
Food Service	\$ 545,607	\$ 553,105	\$ 625,291	\$ 628,289	\$ 605,068	\$ 587,050	\$ 586,355	\$ 579,114	\$ 553,402	\$ 538,728
Imagine Program	75,750	43,964	923							
Operating Grants and Contributions	57,782	86,287	85,060	98,112	90,186	91,244	100,690	107,539	106,463	79,101
Total Business-type Activities Program Revenues	<u>679,139</u>	<u>683,356</u>	<u>711,274</u>	<u>726,401</u>	<u>695,254</u>	<u>678,294</u>	<u>687,045</u>	<u>686,653</u>	<u>659,865</u>	<u>617,829</u>
Total District-wide Program Revenues	<u>7,459,374</u>	<u>7,272,365</u>	<u>6,073,485</u>	<u>5,683,195</u>	<u>5,903,298</u>	<u>6,699,456</u>	<u>7,169,981</u>	<u>6,687,052</u>	<u>11,030,230</u>	<u>12,170,757</u>
Net (Expense)/Revenue:										
Governmental Activities	(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)	(32,562,791)
Business-Type Activities	45,477	(7,789)	(12,610)	(3,097)	(7,293)	(32,560)	19,707	(25,963)	29,426	2,445
Total District-wide Net (Expense)/Revenue	<u>(27,977,352)</u>	<u>(29,299,060)</u>	<u>(30,281,379)</u>	<u>(31,430,755)</u>	<u>(32,126,657)</u>	<u>(31,992,781)</u>	<u>(31,665,828)</u>	<u>(32,340,880)</u>	<u>(33,358,897)</u>	<u>(32,560,346)</u>
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	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	32,281,958
Taxes Levied for Debt Service	979,346	977,709	345,474	603,675	893,390	769,537	714,845	730,986	874,265	820,694
Unrestricted Grants and Contributions	923,283	1,186,084	1,335,400	1,185,186	632,616	975,672	1,055,622	1,107,834	1,088,258	1,132,036
Investment Earnings	218,547	20,452	60,735	123,748	15,201	11,117	10,888	19,133	8,306	19,223
Miscellaneous Income	131,195	301,961	411,239	101,484	191,161	357,666	289,936	610,611	446,994	415,703
Transfers	(51,752)	(51,700)	(56,758)	(55,554)						
Total Governmental Activities General Revenues & Other Changes in Net Position	<u>29,472,477</u>	<u>30,811,952</u>	<u>31,549,718</u>	<u>32,406,879</u>	<u>32,679,050</u>	<u>33,060,674</u>	<u>32,992,973</u>	<u>33,619,013</u>	<u>34,128,980</u>	<u>34,669,614</u>
Business-type Activities:										
Investment Earnings	3,773	3,153	2,117	544	281	232	232	298	140	314
Capital Adjustments					(39,935)					
Total Business-type Activities General Revenues & Other Changes in Net Position	<u>3,773</u>	<u>3,153</u>	<u>2,117</u>	<u>544</u>	<u>(39,654)</u>	<u>232</u>	<u>232</u>	<u>298</u>	<u>140</u>	<u>314</u>
Total District-wide General Revenues & Other Changes in Net Position	<u>29,476,250</u>	<u>30,815,105</u>	<u>31,551,835</u>	<u>32,407,423</u>	<u>32,639,396</u>	<u>33,060,906</u>	<u>32,993,205</u>	<u>33,619,311</u>	<u>34,129,120</u>	<u>34,669,928</u>
Change in Net Position:										
Governmental Activities	1,449,648	1,520,681	1,280,949	979,221	559,686	1,100,453	1,307,438	1,304,096	740,657	2,106,823
Business-type Activities	49,250	(4,636)	(10,493)	(2,553)	(46,947)	(32,328)	19,939	(25,665)	29,566	2,759
Total Districtwide Change in Net Position	<u>\$ 1,498,898</u>	<u>\$ 1,516,045</u>	<u>\$ 1,270,456</u>	<u>\$ 976,668</u>	<u>\$ 512,739</u>	<u>\$ 1,068,125</u>	<u>\$ 1,327,377</u>	<u>\$ 1,278,431</u>	<u>\$ 770,223</u>	<u>\$ 2,109,582</u>

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

	June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund:										
Reserved	\$2,805,933	\$3,510,739	\$ 4,735,207	\$3,962,959						
Unreserved	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	\$ 4,331,787
Assigned					1,074,876	945,272	1,780,852	928,189	411,086	698,570
Unassigned					960,563	937,516	744,819	614,034	548,804	526,287
Total General Fund	<u>\$3,412,784</u>	<u>\$4,131,297</u>	<u>\$ 5,426,323</u>	<u>\$5,200,326</u>	<u>\$5,595,456</u>	<u>\$6,306,570</u>	<u>\$ 7,229,970</u>	<u>\$ 7,134,178</u>	<u>\$ 6,363,124</u>	<u>\$ 5,556,644</u>
Other Governmental Funds:										
Unreserved	\$ 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	\$ 476,733
Committed					310,785			42,947		
Unassigned/(Deficit)						(2,000,000)	(2,000,000)	(1,440,000)	(1,707,875)	913,054
Total Other Governmental Funds	<u>\$ 25,125</u>	<u>\$ 38,544</u>	<u>\$11,101,669</u>	<u>\$4,356,688</u>	<u>\$3,877,829</u>	<u>\$ 21,030</u>	<u>\$ (25,607)</u>	<u>\$ 2,186,426</u>	<u>\$ (430,745)</u>	<u>\$ 1,389,787</u>
Total Governmental Funds:										
Reserved	\$2,805,933	\$3,510,739	\$ 4,735,207	\$3,962,959						
Unreserved	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	\$ 4,808,520
Committed					310,785			42,947		
Assigned					1,074,876	945,272	1,780,852	928,189	411,086	698,570
Unassigned/(Deficit)					960,563	(1,062,484)	(1,255,181)	(825,966)	(1,159,071)	1,439,341
Total Governmental Funds	<u>\$3,437,909</u>	<u>\$4,169,841</u>	<u>\$16,527,992</u>	<u>\$9,557,014</u>	<u>\$9,473,285</u>	<u>\$6,327,600</u>	<u>\$ 7,204,363</u>	<u>\$ 9,320,604</u>	<u>\$ 5,932,379</u>	<u>\$ 6,946,431</u>

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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues:										
Tax Levy	\$ 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	\$ 33,102,652
Tuition Charges	268,650	182,523	285,191	280,000	290,475	282,211	403,512	306,786	313,874	331,675
Transportation Fees	40,736	36,646	47,076	32,987	35,429	25,755	22,073	13,505	19,004	30,326
Interest Earnings	218,547	4,974	60,735	128,873	15,201	11,117	10,888	19,133	2,480	19,223
Budget Appropriation								560,000	615,000	625,000
Miscellaneous	131,195	317,439	411,239	102,431	198,925	391,362	292,215	612,171	458,854	415,703
State Sources	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	6,908,633
Federal Sources	609,786	616,032	556,895	779,890	861,168	929,011	578,380	584,739	603,845	591,506
Total Revenues	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	42,024,718
Expenditures:										
Instruction:										
Regular Instruction	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	11,441,861
Special Education	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	3,507,371
Other Special Instruction	254,660	231,072	273,841	262,115	203,088	257,122	213,635	207,555	213,033	216,700
School Sponsored Instruction	502,435	608,428	606,745	609,241	653,558	658,558	652,332	717,004	756,647	771,571
Support Services:										
Tuition	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	2,275,185
Student/Instruction-related Serv.	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	3,886,672
General Administration	890,125	749,471	643,909	660,728	740,097	738,003	725,016	696,628	607,792	536,175
School Administration	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	1,490,160
Central Services	368,803	396,948	415,313	445,747	420,510	430,495	432,548	403,781	416,117	401,429
Administrative Info. Technology	185,528	184,078	187,711	199,071	198,838	182,371	191,793	197,617	52,889	81,672
Plant Operations/Maintenance	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	2,271,828
Pupil Transportation	897,050	977,462	880,920	956,396	896,063	861,911	758,934	881,959	922,299	986,734

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

Expenditures:	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Support Services:										
Allocated Benefits		\$ 4,605,491	\$ 4,997,184	\$ 5,522,472	\$ 5,599,083					
Unallocated Benefits	\$ 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	\$ 10,364,716
Charter Schools					21,119	22,590				
Capital Outlay	223,689	90,245	2,015,375	7,191,022	951,297	4,596,668	769,666	2,766,955	4,630,044	796,642
Debt Service:										
Principal	1,000,000	1,035,000	450,000	470,000	740,000	555,000	575,000	1,160,000	1,235,000	1,415,000
Interest & Other Charges	167,183	131,948	104,550	481,275	591,275	561,700	538,412	514,275	634,820	566,950
Total Expenditures	35,743,325	36,669,029	37,543,778	44,334,651	37,970,823	42,227,521	38,601,159	41,413,171	44,430,713	41,010,666
Other Financing Sources (Uses):										
Refunding Bonds Issued										9,025,000
Bond Premium										1,214,617
Serial Bonds Defeased										(9,460,000)
Bond Issuance Costs										(134,277)
Deferred Interest										(645,340)
Bond Proceeds			12,990,000					3,350,000		
Transfers In	30,133		51,860	416,798	12,499	183,956	45,918	780,928	1,736,403	3,330,065
Transfers Out	(81,885)	(51,700)	(108,618)	(472,352)	(12,499)	(183,956)	(45,918)	(780,928)	(1,736,403)	(3,330,065)
Total Other Financing Sources (Uses)	(51,752)	(51,700)	12,933,242	(55,554)				3,350,000		
Net Change in Fund Balances	\$ 509,387	\$ 731,932	\$ 12,358,151	\$ (6,970,978)	\$ (83,729)	\$ (3,145,685)	\$ 874,750	\$ 2,116,241	\$ (3,388,225)	\$ 1,014,052
Debt Service as a Percentage of Noncapital Expenditures	3.29%	3.19%	1.56%	2.56%	3.60%	2.97%	2.94%	4.33%	4.70%	4.93%

Source: Pequannock Township School District Financial Reports.

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
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
2016	25,623	30,326	331,675	101,691	294,246	783,561

* - 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)
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	1.35	2,489,750,104
2015	14,618,300	1,754,413,200	9,951,600	91,100	222,316,800	57,757,900	361,542,500	2,420,691,400	100	2,420,691,500	214,182,300	1.36	2,577,555,979

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.

Source: Pequannock Township Tax Assessor.

Exhibit J-7

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

Year Ended December 31,	<u>Pequannock Township School District Direct Rate</u>			<u>Overlapping Rates</u>		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Pequannock Township	Morris County	
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
2015	1.33	0.03	1.36	0.51	0.27	2.14

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	2015			2006		
	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	14.79%	\$215,619,000	1	7.82%
AHS Hospital Corp.	57,176,500	2	2.36%			
Plaza 23 Associates	24,446,100	3	1.01%	27,743,100	2	1.01%
Balaji LLC	7,732,500	4	0.32%			
West End Road Associates	7,280,000	5	0.30%	7,416,500	3	0.27%
New EKC Corporation	6,633,400	6	0.27%	6,291,200	5	0.23%
Adjess Associates	6,224,900	7	0.26%	6,412,100	4	0.23%
Pequannock Joint Venture	5,856,500	8	0.24%			
Perrin Associates LLC	5,751,000	9	0.24%	5,448,700	7	0.20%
Romont Corporate	5,027,000	10	0.21%			
Panraq Associates				4,812,200	8	0.17%
Virginia Industries, LLC				4,542,500	10	0.16%
Marx Realty				6,200,400	6	0.22%
Edwards Engineering				4,639,200	9	0.17%
Total	<u>\$484,153,900</u>		<u>17.56%</u>	<u>\$289,124,900</u>		<u>10.48%</u>

NOTE: Revaluation of the Township's real property was effective in 2006 and 2012.

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	
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 -
2016	33,102,652	33,102,652	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			
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%	888.36
2012	13,235,000	- 0 -	2,000,000	- 0 -	15,235,000	1.36%	979.36
2013	12,660,000	- 0 -	2,000,000	- 0 -	14,660,000	1.26%	940.35
2014	15,410,000	- 0 -	1,440,000	- 0 -	16,850,000	1.43%	1,076.95
2015	14,790,000	- 0 -	825,000	- 0 -	15,615,000	1.21%	1,003.08
2016	13,565,000	- 0 -	200,000	- 0 -	13,765,000	1.07%	887.72

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			
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%	936.03
2011	13,790,000	-0-	-0-	13,790,000	0.477%	886.47
2012	13,235,000	2,000,000	-0-	15,235,000	0.526%	979.36
2013	12,660,000	2,000,000	-0-	14,660,000	0.508%	940.35
2014	15,410,000	1,440,000	-0-	16,850,000	0.697%	1,076.95
2015	14,790,000	825,000	-0-	15,615,000	0.646%	1,007.03
2016	13,565,000	200,000	-0-	13,765,000	0.569%	887.72

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

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

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

Exhibit J-12

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2015
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	\$ 4,263,056	100.00%	\$ 4,263,056
Morris County General Obligation Debt	226,745,317	2.84%	<u>6,442,964</u>
Subtotal Overlapping Debt			10,706,020
Pequannock Township School District Direct Debt			<u>14,840,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 25,546,020</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				
	2007	2008	2009	2010	2011
Debt Limit	\$ 94,109,547	\$ 104,309,795	\$ 111,423,919	\$ 113,462,340	\$ 112,594,702
Total Net Debt Applicable to Limit	2,895,000	2,460,000	15,000,000	14,530,000	13,790,000
Legal Debt Margin	<u>\$ 91,214,547</u>	<u>\$ 101,849,795</u>	<u>\$ 101,849,795</u>	<u>\$ 98,932,340</u>	<u>\$ 99,672,340</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	3.08%	2.36%	13.46%	12.81%	12.25%

	Fiscal Year				
	2012	2013	2014	2015	2016
Debt Limit	\$ 111,177,615	\$ 106,140,352	\$ 102,652,324	\$ 100,339,682	\$ 101,819,326
Total Net Debt Applicable to Limit	15,235,000	14,660,000	16,850,000	15,615,000	13,765,000
Legal Debt Margin	<u>\$ 98,804,702</u>	<u>\$ 91,480,352</u>	<u>\$ 85,802,324</u>	<u>\$ 84,724,682</u>	<u>\$ 88,054,326</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	13.70%	13.81%	16.41%	15.56%	13.52%

Legal Debt Margin Calculation for Fiscal Year 2016

	Year Ended December 31,	Equalized Valuation Basis
	2013	\$ 2,484,542,355
	2014	2,569,285,320
	2015	2,582,621,786
		<u>\$ 7,636,449,461</u>
Average Equalized Valuation of Taxable Property		<u>\$ 2,545,483,154</u>
Debt Limit (4% of Average Equalization Value) ^a		\$ 101,819,326
Net Bonded School Debt		13,765,000
Legal Debt Margin		<u>\$ 88,054,326</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

<u>Year</u>	<u>Township Population ^a</u>	<u>Morris County Per Capita Personal Income ^b</u>	<u>Township Personal Income ^c</u>	<u>Township Unemployment Rate ^d</u>
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	82,810	1,289,103,270	5.10%
2015	15,506	82,810 *	1,284,051,860	4.50%
2016	15,506 **	82,810 *	1,284,051,860 **	N/A

* - Latest Morris County per capita personal income available (2014) was used for calculation purposes.

** - Latest Pequannock Township population available (2015) 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	2016		Employer	2007	
	Employees	Percentage of Total Employment		Employees	Percentage of Total Employment
U.S. Army Aramament R&D	6,000	2.31%	Novartis	5,000	N/A
Atlantic Health System	5,171	1.99%	Atlantic Health System	4,045	N/A
Novartis Corporation	4,622	1.78%	Picatinny Arsenal	3,412	N/A
Bayer Healthcare, LLC	2,800	1.08%	Morris County	2,170	N/A
County of Morris	1,757	0.68%	Lucent Technologies	1,983	N/A
Wyndham Worldwide Corporation	1,626	0.63%	United Parcel Service	1,941	N/A
Accenture	1,561	0.60%	Wyndham Worldwide	1,371	N/A
St. Clare's	1,504	0.58%	Greystone Psychiatric	1,296	N/A
BASF Corporation	1,500	0.58%	Tiffany & Company	1,200	N/A
PricewaterhouseCoopers	1,360	0.52%	Accenture	1,200	N/A
Total	<u>27,901</u>	<u>10.74%</u>		<u>23,618</u>	
Total County Labor Force	<u>259,756</u>			<u>N/A</u>	

N/A - Information is not available.

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>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>	<u>2016</u>
Instruction:										
Regular	175.43	176.74	166.64	165.63	160.00	158.80	161.69	158.50	150.90	147.30
Special Education	58.66	60.40	63.90	63.90	66.40	66.20	62.30	65.50	67.60	70.00
Support Services:										
Student/Instruction-Related	40.45	38.20	41.84	41.84	40.30	43.90	47.56	39.90	47.20	48.80
General Administration	5.00	4.50	4.00	4.00	2.00	2.00	3.00	3.00	3.00	3.00
School Administration	15.85	18.85	19.35	19.35	18.40	18.00	19.00	16.50	17.00	17.00
Plant Operations/Maintenance	21.00	25.00	24.50	24.50	23.50	23.00	22.00	21.00	21.00	23.00
Pupil Transportation	5.50	6.00	5.50	5.50	4.50	5.00	3.97	4.70	5.00	6.20
Business & Other Support	8.00	8.00	8.00	8.00	8.00	8.00	7.00	8.00	5.00	5.00
Total	<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>	<u>320.30</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				
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%
2016	2,165	38,232,074	17,659	4.89%	215	10.6:1	9.1:1	13.5:1	10.1:1	9.6:1	2,169	2,087	-2.93%	96.24%

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>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>	<u>2016</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	373	375	372	367	385	373	351	349	349	302
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	394	391	374	337	301	301	307	305	305	327
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	340	325	329	324	304	305	285	291	291	281
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	597	557	578	619	606	570	557	557	557	536
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	774	784	772	735	734	708	749	739	739	719
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, 2016:

- 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*
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
2016	50,436	52,433	53,480	113,998	148,948	419,295

* - 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, 2016
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
ZURICH Insurance Company Package Policy		
Property – Blanket Building & Contents	\$ 68,406,342	\$ 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	1,000,000	
Educators Errors and Omissions Liability	Included	15,000
Employment Practices Liability	Included	40,000
SELECTIVE Ins. Co. 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
Fund Aggregate	10,000,000	
FIREMAN'S FUND		
Excess Liability Each occurrence	50,000,000	
Fund Aggregate	50,000,000	

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2016
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
Student Accident:		
Voluntary Students - maximum benefit Berkeley Accident & Health	\$ 500,000	
All Athletes - Arch Insurance Company	5,000,000	
Catastrophic Cash Benefit	1,000,000	
XL Insurance Group - Cyber Liability:		
Each Claim: First Party/Third Party	500,000/2,000,000	\$ 25,000
Fund Policy Aggregate	4,000,000	
Pooled Insurance Program:		
Workers Compensation - Self Insured		
Excess Workers Compensation - Safety National Statutory Limits		
Employer's Liability	1,000,000	

Source: Pequannock Township School District records.

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, 2016, 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 1, 2016.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Nisivoccia, LLP

Mount Arlington, New Jersey
November 1, 2016

NISIVOCCIA, LLP

Kathryn L. Mantell

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



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Report on Compliance For Each Major State Program;
 Report on Internal Control Over Compliance

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 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 *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2016. The District's major 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 state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major 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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, the Uniform Guidance and New Jersey's OMB Circular 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 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 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 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 state programs for the fiscal year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey's OMB Circular 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 of that testing based on the requirements of the Uniform Guidance or NJOMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Mount Arlington, New Jersey
November 1, 2016

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, 2016

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, 2015		Balance at June 30, 2016		Amount Provided to Subrecipients	
					Budgetary Accounts Receivable	Cash Received	Budgetary Expenditures	Budgetary Accounts Receivable		Budgetary Unearned Revenue
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	IDEA408016	7/1/15-6/30/16	\$ 559,878		\$ 501,958	\$ (525,178)	\$ (23,220)		
I.D.E.A. Part B, Basic	84.027	IDEA408015	7/1/14-6/30/15	540,594	\$ (26,823)	27,843	(1,020)			
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	IDEA408016	7/1/15-6/30/16	19,301		16,059	(16,179)	(120)		
I.D.E.A. Part B, Preschool	84.173	IDEA408015	7/1/14-6/30/15	17,615	(4,074)	4,074				
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					<u>(31,536)</u>	<u>550,573</u>	<u>(542,377)</u>	<u>(23,340)</u>		
No Child Left Behind Consolidated Grant:										
Title I	84.010A	NCLB408016	7/1/15-6/30/16	59,103		21,565	(24,415)	(2,850)		
Title I	84.010A	NCLB408015	7/1/14-6/30/15	32,617	(1,970)	1,970				
Title II, Part A	84.367A	NCLB408016	7/1/15-6/30/16	32,464		20,431	(20,717)	(286)		
Title II, Part A	84.367A	NCLB408015	7/1/14-6/30/15	29,665	(380)	380				
Title III	84.865	NCLB408016	7/1/15-6/30/16	3,768			(854)	(854)		
Title III	84.865	NCLB408015	7/1/14-6/30/15	4,090	(4,090)	4,090				
Total No Child Left Behind Consolidated Grant					<u>(6,440)</u>	<u>48,436</u>	<u>(45,986)</u>	<u>(3,990)</u>		
Total Special Revenue Fund					<u>(37,976)</u>	<u>599,009</u>	<u>(588,363)</u>	<u>(27,330)</u>		
Total U.S. Department of Education					<u>(37,976)</u>	<u>599,009</u>	<u>(588,363)</u>	<u>(27,330)</u>		
U.S. Department of Agriculture Passed-through State Department of Agriculture:										
Child Nutrition Cluster:										
Special Milk Program	10.556	N/A	7/1/15-6/30/16	10,937		10,229	(10,937)	(708)		
Special Milk Program	10.556	N/A	7/1/14-6/30/15	11,999	(710)	710				
Food Distribution Program	10.555	N/A	7/1/15-6/30/16	13,467		13,467	(11,763)		\$ 1,704	
Food Distribution Program	10.555	N/A	7/1/14-6/30/15	29,230	2,178		(2,178)			
National School Lunch Program	10.555	N/A	7/1/15-6/30/16	50,627		47,345	(50,627)	(3,282)		
National School Lunch Program	10.555	N/A	7/1/14-6/30/15	61,990	(3,651)	3,651				
Total U. S. Department of Agriculture/Child Nutrition Cluster					<u>(2,183)</u>	<u>75,402</u>	<u>(75,505)</u>	<u>(3,990)</u>	<u>1,704</u>	
Total Federal Awards					<u>\$ (40,159)</u>	<u>\$674,411</u>	<u>\$ (663,868)</u>	<u>\$ (31,320)</u>	<u>\$ 1,704</u>	<u>\$ -0-</u>

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, 2016

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2015			Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2016		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	16-495-034-5120-089	7/1/15 - 6/30/16	\$ 1,404,955			\$ 1,271,033	\$ (1,404,955)			\$ (133,922)	\$ 1,404,955	
Equalization Aid	16-495-034-5120-078	7/1/15 - 6/30/16	421,118			380,977	(421,118)			(40,141)	421,118	
Categorical Security Aid	16-495-034-5120-084	7/1/15 - 6/30/16	33,937			30,702	(33,937)			(3,235)	33,937	
School Choice Aid	16-495-034-5120-085	7/1/15 - 6/30/16	123,822			112,019	(123,822)			(11,803)	123,822	
Categorical Transportation Aid	16-495-035-5120-014	7/1/15 - 6/30/16	39,803			36,009	(39,803)			(3,794)	39,803	
Extraordinary Aid	16-495-034-5120-044	7/1/15 - 6/30/16	212,196				(212,196)		\$ (212,196)	(212,196)	212,196	
Adjustment Aid	16-495-034-5120-085	7/1/15 - 6/30/16	1,380			1,248	(1,380)			(132)	1,380	
Additional Adjustment Aid	16-495-034-5120-085	7/1/15 - 6/30/16	142,729			129,124	(142,729)			(13,605)	142,729	
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15 - 6/30/16	22,260			20,138	(22,260)			(2,122)	22,260	
PARCC Readiness Aid	16-495-034-5120-098	7/1/15 - 6/30/16	22,260			20,138	(22,260)			(2,122)	22,260	
Additional Nonpublic Transportation Aid	16-495-034-5120-014	7/1/15 - 6/30/16	11,215				(11,215)		(11,215)	(11,215)	11,215	
Reimbursed TPAF Social Security	16-495-034-5094-003	7/1/15 - 6/30/16	1,128,921			1,071,127	(1,128,921)		(57,794)	(57,794)	1,128,921	
Contributions	15-495-034-5095-002	7/1/14 - 6/30/15	1,177,060	\$ (178,974)		178,974					1,177,060	
Categorical Special Education Aid	15-495-034-5120-089	7/1/14 - 6/30/15	1,404,955	(133,184)		133,184					1,404,955	
Equalization Aid	15-495-034-5120-078	7/1/14 - 6/30/15	421,118	(39,920)		39,920					421,118	
Categorical Security Aid	15-495-034-5120-084	7/1/14 - 6/30/15	33,937	(3,217)		3,217					33,937	
School Choice Aid	15-495-034-5120-085	7/1/14 - 6/30/15	27,516	(2,608)		2,608					27,516	
Categorical Transportation Aid	15-495-035-5120-014	7/1/14 - 6/30/15	39,803	(3,773)		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	
Adjustment Aid	15-495-034-5120-085	7/1/14 - 6/30/15	1,380	(138)		138					1,380	
Additional Adjustment Aid	15-495-034-5120-085	7/1/14 - 6/30/15	142,729	(13,523)		13,523					142,729	
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14 - 6/30/15	22,260	(2,110)		2,110					22,260	
PARCC Readiness Aid	15-495-034-5120-098	7/1/14 - 6/30/15	22,260	(2,110)		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	
Total General Fund				(714,569)		3,787,084	(3,564,596)		(281,205)	(492,081)	7,192,626	
Special Revenue Fund:												
New Jersey Nonpublic Aid:												
Handicapped Services:												
Examination and Classification	16-100-034-5120-066	7/1/15 - 6/30/16	53,693			53,693	(47,731)		\$ 5,962		47,731	
Supplementary Instruction	16-100-034-5120-066	7/1/15 - 6/30/16	40,767			40,767	(39,208)		1,559		39,208	
Corrective Speech	16-100-034-5120-066	7/1/15 - 6/30/16	32,607			32,607	(27,339)		5,268		27,339	
Security Aid	16-100-034-5120-084	7/1/15 - 6/30/16	10,425			10,425	(10,415)		10		10,415	
Textbook Aid	16-100-034-5120-064	7/1/15 - 6/30/16	23,412			23,412	(23,412)				23,412	
Technology Initiative	16-100-034-5120-373	7/1/15 - 6/30/16	10,660			10,660	(10,660)				10,660	
Nursing Services	16-100-034-5120-070	7/1/15 - 6/30/16	37,530			37,530	(37,530)				37,530	
Home Instruction	15-201-603-2520-007											
Auxiliary Services:												
Compensatory Education	16-100-034-5120-067	7/1/15 - 6/30/16	53,300			53,300	(49,916)		3,384		49,916	
Home Instruction	16-201-603-2520-007	7/1/15 - 6/30/16	346				(346)		(346)	(346)	346	
Handicapped Services:												
Supplementary Instruction	15-100-034-5120-066	7/1/14 - 6/30/15	35,940		\$ 2,982			\$ 2,982			32,958	
Corrective Speech	15-100-034-5120-066	7/1/14 - 6/30/15	36,224		7,864			7,864			28,360	
Auxiliary Services:												
Compensatory Education	15-100-034-5120-067	7/1/14 - 6/30/15	63,602		20,783			20,783			42,819	
English as a Second Language	15-100-034-5120-067	7/1/14 - 6/30/15	3,654		2,741			2,741			913	
Total Special Revenue Fund					34,370	262,394	(246,557)	34,370	(346)	16,183	352,165	

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2015		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2016		MEMO	
				Budgetary Accounts Receivable	Due to Grantor				GAAP Accounts Receivable	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
New Jersey Department of Education												
Debt Service Fund:												
Debt Service Aid	16-100-034-5120-075	7/1/15 - 6/30/16	\$ 374,064			\$ 374,064	\$ (374,064)					\$ 374,064
Total Debt Service Fund						374,064	(374,064)					374,064
Total New Jersey Department of Education				\$ (714,569)	\$ 34,370	4,423,542	(4,185,217)	\$ 34,370	\$ (281,551)	\$ 16,183	\$ (492,427)	7,918,855
N.J. School Development Authority Grants												
Capital Projects Fund:												
Pequannock High School Window Replacement and Security Project	4080-100-14-1001	2/24/14 - 12/31/16	453,700								(453,700)	
Roof Replacement and Various Renovations at Hillview Elementary	4080-055-14-1002	6/15/14 - 12/31/16	508,880	(508,880)							(508,880)	
Roof Replacement and Various Renovations at North Boulevard Elementary School	4080-060-14-1003	6/15/14 - 12/31/16	315,968								(315,968)	
Roof Replacement and Various Renovations at Pequannock Valley Middle School	4080-080-14-1004	6/15/14 - 12/31/16	574,805	(373,995)							(574,805)	
Stephen J. Gerace Elementary School Roof, Security and Window Projects	4080-100-14-1005	2/24/14 - 12/31/16	483,393								(483,393)	
Total Capital Projects Fund				(882,875)							(2,336,746)	
Total N.J. School Development Authority Grants				(882,875)							(2,336,746)	
New Jersey Department of Agriculture:												
Enterprise Fund:												
State School Lunch Program	16-100-010-3350-023	7/1/15 - 6/30/16	3,596			3,345	(3,596)		(251)		(251)	3,596
State School Lunch Program	15-100-010-3350-023	7/1/14 - 6/30/15	4,551	(257)		257						4,551
Total Enterprise Fund				(257)		3,602	(3,596)		(251)		(251)	8,147
Total New Jersey Department of Agriculture				(257)		3,602	(3,596)		(251)		(251)	8,147
Total State Awards				\$ (1,597,701)	\$ 34,370	\$ 4,427,144	\$ (4,188,813)	\$ 34,370	\$ (281,802)	\$ 16,183	\$ (2,829,424)	\$ 7,927,002

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the "Schedules") include the federal and state grant activity of the Pequannock Township School District under programs of the federal and state governments for the fiscal year ended June 30, 2016. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *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 on the accrual basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3. INDIRECT COST RATE

The District has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4. 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 agreements 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 these payments are 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. Grant revenue in the capital projects fund is recognized on the budgetary basis in the fiscal year of award but is not recognized on the GAAP basis until expended and submitted for reimbursement.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$10,293) for the general fund and \$1,593 for the special revenue fund (of which \$1,550 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, special revenue, and capital projects funds. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Pension and Post-Retirement Medical Contributions revenue of \$1,247,857 and \$1,485,852, 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, 2016
(Continued)

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 6,288,012	\$ 6,288,012
Special Revenue Fund	\$ 591,506	246,557	838,063
Debt Service Fund		374,064	374,064
Proprietary Fund - Food Service Enterprise Fund	<u>75,505</u>	<u>3,596</u>	<u>79,101</u>
Total Financial Assistance	<u>\$ 667,011</u>	<u>\$ 6,912,229</u>	<u>\$ 7,579,240</u>

NOTE 5. 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 6. NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY (SDA) GRANTS

The District received grants from the New Jersey Schools Development Authority (SDA) totaling \$2,336,746 for various capital projects. The District realized these grants in full and has \$2,336,746 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. Grant reimbursement requests have not been submitted and \$-0- has been realized as revenue or grants receivable on the GAAP basis.

NOTE 7. 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, 2016. 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, 2016

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 State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for the major state programs for the District expresses an unmodified opinion on all major state programs.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2016 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District's programs tested as major state programs for the current fiscal year consisted of the following:

	<u>State Grant</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>State:</u>				
Categorical Special Education Aid	16-495-034-5120-089	7/1/15 - 6/30/16	\$ 1,404,955	\$ 1,404,955
Equalization Aid	16-495-034-5120-078	7/1/15 - 6/30/16	421,118	421,118
Categorical Security Aid	16-495-034-5120-084	7/1/15 - 6/30/16	33,937	33,937
School Choice Aid	16-495-034-5120-085	7/1/15 - 6/30/16	123,822	123,822
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15 - 6/30/16	22,260	22,260
PARCC Readiness Aid	16-495-034-5120-098	7/1/15 - 6/30/16	22,260	22,260
Adjustment Aid	16-495-034-5120-085	7/1/15 - 6/30/16	1,380	1,380
Additional Adjustment Aid	16-495-034-5120-085	7/1/15 - 6/30/16	142,729	142,729

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Summary of Auditors' Results (Cont'd):

- The threshold used for distinguishing between Type A and Type B state programs was \$750,000.
- The District was determined to be a "low-risk" auditee for state programs.

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

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

Findings and Questioned Costs for Federal Awards:

- Not applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in section 510(a) of the federal Circular or New Jersey's OMB Circular 15-08.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Status of Prior Year Findings:

The District had no prior year audit findings.