

**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, 2017**

**Comprehensive Annual
Financial Report**

of the

**Pequannock Township School District
Board of Education**

Pequannock, New Jersey

For the Fiscal Year Ended June 30, 2017

Prepared by

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

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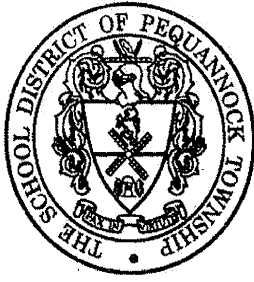
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INTRODUCTORY SECTION



Pequannock Township Board of Education
OFFICE OF THE BUSINESS ADMINISTRATOR
538 Newark-Pompton Turnpike
Pompton Plains, New Jersey 07444

Kateryna W. Bechtel (Tel) (973) 616-6030 (Fax) (973) 616-6041
Business Administrator/Board Secretary
Kathy.Bechtels@pequannock.org

September 29, 2017

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, 2017, 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, the 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 economical and demographic information, financial trends and the fiscal capacity of the District, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' report 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 2,138 students, which is 27 students below the previous year's enrollment and represents a decrease of 1.2%.

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 2016-2017 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 continued with its implementation of aspects of the Strategic Plan through various programs and initiatives. Specifically, the District focused on the four (4) goals areas outlined in the Plan. These included (1) student programs, (2) finances / funding, (3) communications, and (4) facilities. Examples of successful implementation of these goals include the expansion of the preschool program, increasing student access to the Google 1:1 instructional initiative, sharing services with neighboring school districts, utilizing Twitter as a community outreach and professional development tool, and renovation of existing science labs at the high school and middle school.

Student Achievement: The District continued to implement various benchmarking assessments to monitor and address learning deficiencies using data to inform instruction and curriculum during the 2016-2017 school year. Districtwide professional development was offered to enhance technology integration and proficiency for students and staff as the District entered its second year of the 1:1 Chromebook Initiative.

Curricula were updated throughout all grades levels and subjects were reviewed and revised to meet the New Jersey Student Learning Standards and Next Generation Science Standards. The curricula were modified to fill the instructional gaps as students’ transition to the 1:1 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.

Community Relations: The Pequannock Township Board of Education established a goal to enhance community relations. The District continued to publish three newsletters that highlighted activities throughout all schools. In addition, the District made use of Twitter in order to promote and highlight school activities and achievements. In addition, Twitter is used as professional development and informational tool for teacher and parents. The Superintendent meets monthly with the Home School Association Leadership from all 5 schools to discuss pertinent issues. The Board of Education holds one of its regular meetings at Cedar Crest to keep this over 55 community informed and engaged with our school system.

Finance and Facilities: The Pequannock Township School District continues to upgrade its facilities. Throughout the 2016-2017 school year, the District completed a number of capital projects including science classroom renovations at the high school and middle school, paving projects at the middle school and elementary schools, bleacher installation at the high school, and security camera upgrades at all district schools. These security upgrades included additional cameras and infrastructure improvements.

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.

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, 2017.

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,



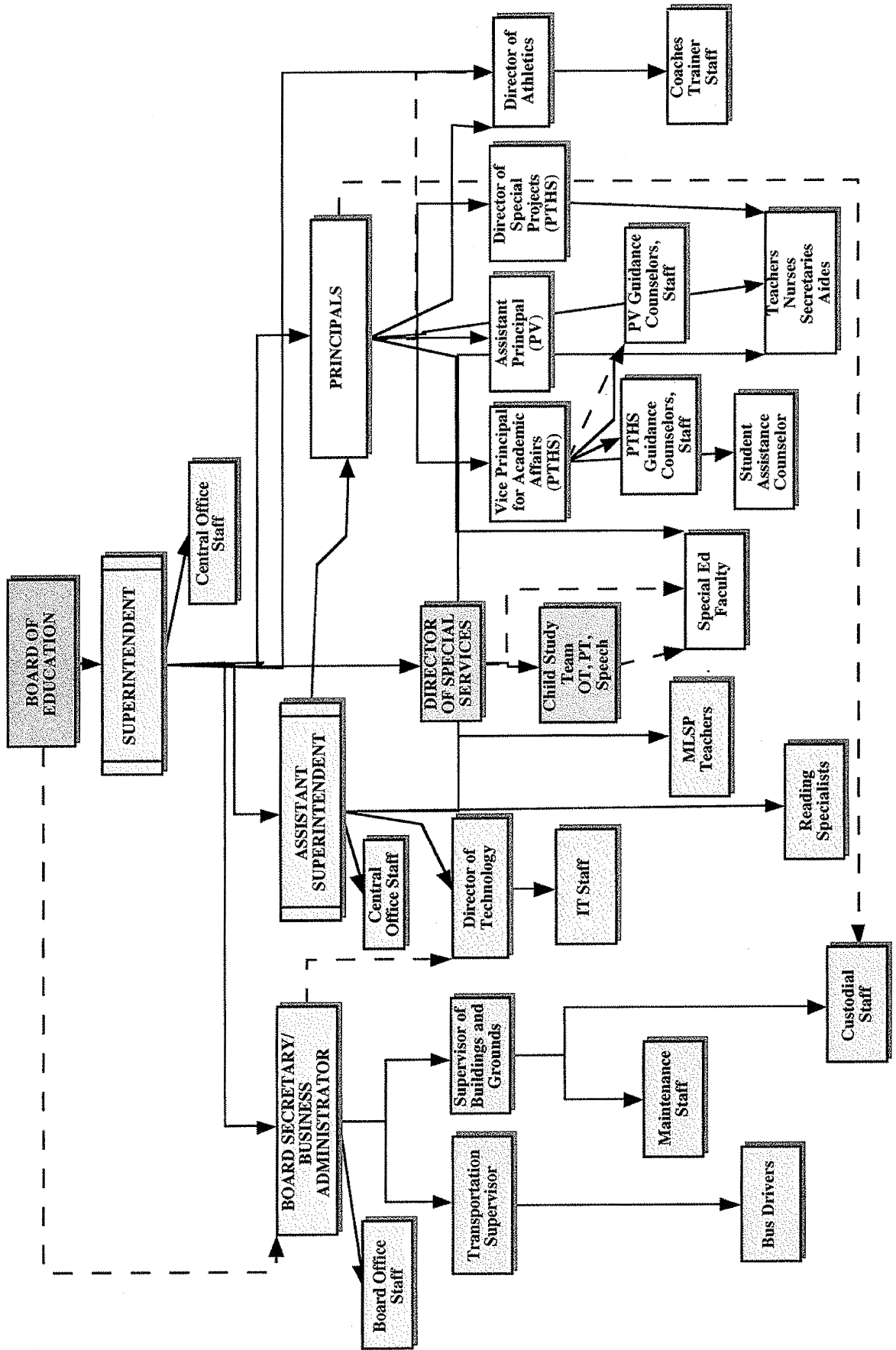
Brett Charleston
Superintendent of Schools



Kateryna W. Bechtel
Business Administrator/Board Secretary

PEQUANNOCK TOWNSHIP PUBLIC SCHOOLS

ORGANIZATIONAL CHART



**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
 ROSTER OF OFFICIALS
 JUNE 30, 2017**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Kimberly Quigley, President	2018
Richard Thumann, Vice President	2017
Sam Ciresi	2017
Ann Humphrey Maier	2018
Douglas Muzzio	2017
Tiffany Osmanski	2019
Robert Singer	2019
Vincent Siracusa	2018
Leonard Smith	2019

<u>Other Officials</u>	<u>Title</u>
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
Stephen Fogarty, Esq.	Board Attorney

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

Official Depository

Lakeland Bank
901 Route 23 South
Pompton Plains, NJ 07444

FINANCIAL SECTION

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, 2017, 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.

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, 2017, 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-4 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 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.

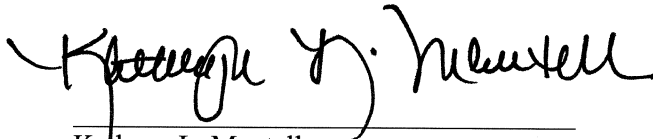
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2017 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.



Mount Arlington, New Jersey
September 29, 2017

NISIVOCIA, LLP



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, 2017
(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, 2017. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Financial Highlights

- The District's overall net position increased \$1,276,708 during the year.
- Overall revenue was \$50,902,458 – \$50,204,977 from governmental activities and \$697,481 from business-type activities.
- Overall expenses were \$49,625,750 – \$48,934,036 from governmental activities and \$691,714 from business-type activities.

Overview of the Financial Statements

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

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the fiscal year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

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

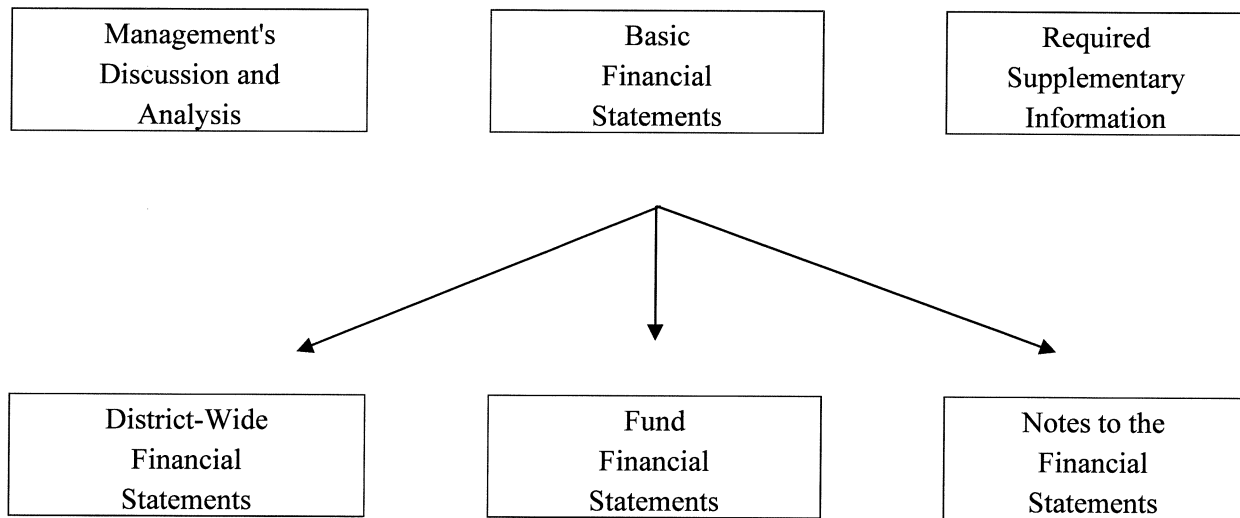


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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, 2017
(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, 2017
(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 7.84%. Net position from governmental activities increased \$1,270,941 and net position from business-type activities increased by \$5,767.

Figure A-3

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2016/2017	2015/2016*	2016/2017	2015/2016	2016/2017	2015/2016*	2016/2017
Current and							
Other Assets	\$ 7,411,094	\$ 7,282,807	\$ 60,822	\$ 55,323	\$ 7,471,916	\$ 7,338,130	1.82%
Capital Assets, Net	33,650,083	32,393,002	22,059	22,579	33,672,142	32,415,581	3.88%
Total Assets	41,061,177	39,675,809	82,881	77,902	41,144,058	39,753,711	3.50%
Deferred Outflows of Resources	4,764,915	2,281,710			4,764,915	2,281,710	108.83%
Other Liabilities	1,008,927	395,390	5,052	5,840	1,013,979	401,230	152.72%
Long-Term Liabilities	26,886,852	24,620,163			26,886,852	24,620,163	9.21%
Total Liabilities	27,895,779	25,015,553	5,052	5,840	27,900,831	25,021,393	11.51%
Deferred Inflows of Resources	438,008	720,602			438,008	720,602	-39.22%
Net Position:							
Net Investment in							
Capital Assets	21,508,719	19,449,441	22,059	22,579	21,530,778	19,472,020	10.57%
Restricted	6,023,368	4,808,520			6,023,368	4,808,520	25.26%
Unrestricted/(Deficit)	(10,039,782)	(8,036,597)	55,770	49,483	(9,984,012)	(7,987,114)	-25.00%
Total Net Position	\$ 17,492,305	\$ 16,221,364	\$ 77,829	\$ 72,062	\$ 17,570,134	\$ 16,293,426	7.84%

*Restated

Changes in Net Position. The District's combined net position was \$17,570,134 at June 30, 2017, \$1,276,708 or 7.84% more than it was the year before (See Figure A-3). Net investment in capital assets increased by \$2,058,758 as a result of \$850,000 of bonds matured, \$308,878 of capital acquisitions and construction in process of \$1,897,784 offset by depreciation expense of \$950,101 and \$47,803 of deferred amount on refunding.

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Restricted net position increased by \$1,214,848 due to a \$1,510,701 increase in the restricted capital projects fund balance, offset by a \$13,295 decrease in the debt service fund balance, a \$250,000 decrease in excess surplus, and a \$32,558 decrease in the reserve for mortgage sale of building. Unrestricted net position decreased by \$1,996,898 primarily due to an increase in the pension liability of \$3,231,079 combined with other factors. (See Figure A-3).

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016	Change 2016/2017
Revenue:							
Program Revenue:							
Charges for Services	\$ 416,809	\$ 362,001	\$ 695,172	\$ 538,728	\$ 1,111,981	\$ 900,729	23.45%
Grants and Contributions:							
Operating	14,436,463	11,190,927	1,704	79,101	14,438,167	11,270,028	28.11%
General Revenue:							
Property Taxes	33,935,123	33,102,652			33,935,123	33,102,652	2.51%
Federal and State Aid Not Restricted	1,148,700	1,132,036			1,148,700	1,132,036	1.47%
Other	267,882	434,926	605	314	268,487	435,240	-38.31%
Total Revenue	<u>50,204,977</u>	<u>46,222,542</u>	<u>697,481</u>	<u>618,143</u>	<u>50,902,458</u>	<u>46,840,685</u>	8.67%
Expenses:							
Instruction	32,221,406	28,644,400			32,221,406	28,644,400	12.49%
Pupil and Instruction Services	7,665,355	7,619,466			7,665,355	7,619,466	0.60%
Administration and Business	4,170,751	3,972,469			4,170,751	3,972,469	4.99%
Maintenance and Operations	3,032,863	2,282,507			3,032,863	2,282,507	32.87%
Transportation	1,287,637	1,236,391			1,287,637	1,236,391	4.14%
Other	556,024	360,486	691,714	615,384	1,247,738	975,870	27.86%
Total Expenses	<u>48,934,036</u>	<u>44,115,719</u>	<u>691,714</u>	<u>615,384</u>	<u>49,625,750</u>	<u>44,731,103</u>	10.94%
Change in Net Position	<u>\$ 1,270,941</u>	<u>\$ 2,106,823</u>	<u>\$ 5,767</u>	<u>\$ 2,759</u>	<u>\$ 1,276,708</u>	<u>\$ 2,109,582</u>	-39.48%

Revenue Sources. The District's total revenue for the 2016/2017 school year was \$50,902,458 (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$33,935,123 of the total, or 66.67 percent (See Figure A-5). Another 30.62 percent came from state and federal aid for specific programs and contributions, 2.18 percent came from charges for services and the remaining 0.53% 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, 2017
(UNAUDITED)**

**Figure A-5
Sources of Revenue for Fiscal Year 2017 and 2016**

Sources of Income:	2017	Percentage	2016	Percentage
State Formula Aid	\$ 2,443,923	4.80%	\$ 2,425,382	5.18%
Property Taxes	33,935,123	66.67%	33,102,652	70.67%
Federal & State Categorical Grants	13,142,944	25.82%	9,976,682	21.30%
Charges for Services	1,111,981	2.18%	900,729	1.92%
Other	268,487	0.53%	435,240	0.93%
	<u>\$ 50,902,458</u>	<u>100.00%</u>	<u>\$ 46,840,685</u>	<u>100.00%</u>

The total cost of all programs and services was \$50,902,458. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (82.97 percent) (See Figure A-6). The District's administrative and business activities accounted for 8.40 percent of total costs and maintenance and operations accounted for 6.11 percent of total costs. The remaining 2.52 percent of total costs is attributable to other costs which include interest on long-term debt and business-type activities.

**Figure A-6
Expenses for Fiscal Year 2017 and 2016**

Expense Category:	2017	Percentage	2016	Percentage
Instruction	\$ 32,221,406	64.93%	\$ 28,644,400	62.47%
Pupil and Instruction Services	7,665,355	15.45%	7,619,466	16.77%
Administration and Business	4,170,751	8.40%	3,972,469	8.69%
Maintenance and Operations	3,032,863	6.11%	2,282,507	6.56%
Transportation	1,287,637	2.59%	1,236,391	2.61%
Other	1,247,738	2.52%	975,870	2.90%
	<u>\$ 49,625,750</u>	<u>100.00%</u>	<u>\$ 44,731,103</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, 2017
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Figure A-7 presents the cost of six major District activities: instruction, pupil and instruction services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions:

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

	Total Cost of Services		Net Cost of Services	
	2016/2017	2015/2016	2016/2017	2015/2016
Instruction	\$ 32,221,406	\$ 28,644,400	\$19,112,241	\$18,643,239
Pupil & Instruction Services	7,665,355	7,619,466	6,698,835	6,735,390
Administration & Business	4,170,751	3,972,469	3,458,662	3,386,101
Maintenance & Operations	3,032,863	2,282,507	3,032,863	2,282,507
Transportation	1,287,637	1,236,391	1,222,139	1,155,068
Other	556,024	360,486	556,024	360,486
	<u>\$ 48,934,036</u>	<u>\$ 44,115,719</u>	<u>\$ 34,080,764</u>	<u>\$ 32,562,791</u>

- The cost of all governmental activities this fiscal year was \$48,934,036.
- A portion of governmental activities was financed with state aid based on the SFRA formula (\$2,443,923) as well as federal and state categorical grants.
- Most of the District's costs, however, were financed by \$33,935,123 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 \$738 (Refer to Figure A-4). Overall revenue and expenses for the business-type activities have increased, however the increase in revenue exceeded the increase in expenditures. The District no longer participates in the Child Nutrition programs.

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, 2017
(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 Long-Term Liabilities Administration

**Figure A-8
Capital Assets (Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total School District		Percent Change
	2016/2017	2015/2016*	2016/2017	2015/2016	2016/2017	2015/2016*	2016/2017
Land	\$ 4,659,600	\$ 4,659,600			\$ 4,659,600	\$ 4,659,600	0.00%
Construction in Progress	4,561,188	2,763,404			4,561,188	2,763,404	0.00%
Site Improvements	2,262,404	2,293,128			2,262,404	2,293,128	-1.34%
Buildings/Building Improvements	21,387,875	22,011,954			21,387,875	22,011,954	-2.84%
Machinery and Equipment	779,016	664,916	\$ 22,059	\$ 22,579	801,075	687,495	16.52%
Total	\$33,650,083	\$32,393,002	\$ 22,059	\$ 22,579	\$33,672,142	\$32,415,581	3.88%

*Restated

The District's capital assets increased \$1,256,561 or 3.88% during the year. Capital assets acquisitions totaled \$2,206,662, of which \$1,897,784 was from construction in progress in its governmental activities, and consisted of equipment, site improvements, and building improvements. These acquisitions were offset by \$944,552 and \$5,549 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 Liabilities

The District's overall long-term liabilities increased \$2,266,689, or 9.21%. At fiscal year-end, the District had \$12,715,000 in general obligation bonds outstanding. The increase in total long term liabilities from the prior year is primarily due to a \$3,231,079 increase in Net Pension Liability, offset by \$850,000 of bond maturities, \$89,972 of bond premium amortization and \$24,418 decrease in compensated absences payable – as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

**Figure A-9
Outstanding Long-Term Debt**

	Total School District		Percentage Change
	2016/2017	2015/2016	2016/2017
General Obligation Bonds (Financed with Property Taxes)	\$ 12,715,000	\$ 13,565,000	-6.27%
Net Pension Liability	12,888,060	9,656,981	33.46%
Net Unamortized Bond Premiums	1,079,660	1,169,632	-7.69%
Compensated Absences Payable	204,132	228,550	-10.68%
	\$ 26,886,852	\$ 24,620,163	9.21%

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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 is anticipating continued decreases in student enrollment based on a recent demographic study. This may have an effect on the ability to offer diverse high school programs of study as enrollment declines.
- The District is exploring relationships with other public and private schools to utilize existing facilities space for alternative revenue sources.
- 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 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 is being phased out.
- The District realized a slight decrease in free and reduced lunch counts due to the economic conditions in the country, state, and Township and has opted out of the National School Lunch Program.
- 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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 3,076,982	\$ 51,253	\$ 3,128,235
Internal Balances	2,924		2,924
Receivables from Federal Government	81,027		81,027
Receivables from State Government	290,070		290,070
Receivables - Other	42,620	5	42,625
Inventory		9,564	9,564
Restricted Assets:			
Cash and Cash Equivalents	3,917,471		3,917,471
Capital Assets, Net:			
Sites (Land)	4,659,600		4,659,600
Construction in Progress	4,561,188		4,561,188
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	24,429,295	22,059	24,451,354
Total Assets	<u>41,061,177</u>	<u>82,881</u>	<u>41,144,058</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount on Refunding	573,636		573,636
Changes in Assumptions - Pensions	2,669,718		2,669,718
Difference between Expected and Actual Experience - Pensions	239,679		239,679
Investment Gains - Pensions	491,433		491,433
Changes in Proportion - Pensions	390,449		390,449
District Contribution Subsequent to the Measurement Date - Pensions	400,000		400,000
Total Deferred Outflows of Resources	<u>4,764,915</u>		<u>4,764,915</u>
LIABILITIES			
Current Liabilities:			
Accrued Interest Payable	204,976		204,976
Payable to State Government	11,292		11,292
Accounts Payable	777,859	3,044	780,903
Unearned Revenue	14,800	2,008	16,808
Noncurrent Liabilities:			
Due Within One Year	969,972		969,972
Due Beyond One Year	25,916,880		25,916,880
Total Liabilities	<u>27,895,779</u>	<u>5,052</u>	<u>27,900,831</u>
DEFERRED INFLOWS OF RESOURCES			
Changes in Proportion - Pensions	438,008		438,008
Total Deferred Inflows of Resources	<u>438,008</u>		<u>438,008</u>
NET POSITION			
Net Investment in Capital Assets	21,508,719	22,059	21,530,778
Restricted for:			
Capital Projects	3,717,471		3,717,471
Debt Service	5,897		5,897
Excess Surplus	1,000,000		1,000,000
Excess Surplus Designated for Future Year's Expenditures	1,100,000		1,100,000
Maintenance Reserve	200,000		200,000
Unrestricted/(Deficit)	(10,039,782)	55,770	(9,984,012)
Total Net Position	<u>\$ 17,492,305</u>	<u>\$ 77,829</u>	<u>\$ 17,570,134</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Functions/Programs	Program Revenues				Net (Expenses)/Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 23,161,900	\$ 416,809	\$ 7,973,469		\$ (14,771,622)		\$ (14,771,622)
Special Education	7,109,136		4,110,634		(2,998,502)		(2,998,502)
Other Special Instruction	471,048		169,244		(301,804)		(301,804)
School Sponsored Instruction	1,479,322		439,009		(1,040,313)		(1,040,313)
Support Services:							
Tuition	1,885,284		411,728		(1,473,556)		(1,473,556)
Student & Instruction Related Services	5,780,071		554,792		(5,225,279)		(5,225,279)
General Administrative Services	623,713				(623,713)		(623,713)
School Administrative Services	2,626,583		712,089		(1,914,494)		(1,914,494)
Central Services	594,207				(594,207)		(594,207)
Administration Information Technology	326,248				(326,248)		(326,248)
Plant Operations and Maintenance	3,032,863				(3,032,863)		(3,032,863)
Pupil Transportation	1,287,637		65,498		(1,222,139)		(1,222,139)
Interest on Long-Term Debt	556,024				(556,024)		(556,024)
Total Governmental Activities	48,934,036	416,809	14,436,463	\$ -0-	(34,080,764)	\$ -0-	(34,080,764)

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Functions/Programs	Program Revenues				Net (Expenses)/Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:							
Food Service	\$ 691,714	\$ 695,172	\$ 1,704			\$ 5,162	\$ 5,162
Total Business-Type Activities	<u>691,714</u>	<u>695,172</u>	<u>1,704</u>			<u>5,162</u>	<u>5,162</u>
Total Primary Government	<u>\$ 49,625,750</u>	<u>\$ 1,111,981</u>	<u>\$ 14,438,167</u>	<u>\$ -0-</u>	<u>\$ (34,080,764)</u>	<u>5,162</u>	<u>(34,075,602)</u>
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					33,139,323		33,139,323
Taxes Levied for Debt Service					795,800		795,800
Federal and State Aid Not Restricted					1,148,700		1,148,700
Investment Earnings					9,715	605	10,320
Miscellaneous Income					258,167		258,167
Total General Revenues					<u>35,351,705</u>	<u>605</u>	<u>35,352,310</u>
Change in Net Position					1,270,941	5,767	1,276,708
Net Position - Beginning (Restated)					16,221,364	72,062	16,293,426
Net Position - Ending					<u>\$ 17,492,305</u>	<u>\$ 77,829</u>	<u>\$ 17,570,134</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, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 2,148,596		\$ 735,958	\$ 192,428	\$ 3,076,982
Interfund Receivable	901,584		186,530	13,469	1,101,583
Receivables from Federal Government		\$ 81,027			81,027
Receivables from State Government	289,724	346			290,070
Receivables - Other	42,620				42,620
Restricted Cash and Cash Equivalents	3,917,471				3,917,471
TOTAL ASSETS	\$ 7,299,995	\$ 81,373	\$ 922,488	\$ 205,897	\$ 8,509,753
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Interfund Payable	\$ 19,580	\$ 23,811	\$ 855,268	\$ 200,000.00	\$ 1,098,659
Payable to State Government		11,292			11,292
Accounts Payable - Vendors	249,151	31,470	97,238		377,859
Unearned Revenue		14,800			14,800
Total Liabilities	268,731	81,373	952,506	200,000	1,502,610
Fund Balances:					
Restricted for:					
Excess Surplus - Current Year	1,000,000				1,000,000
Excess Surplus - Prior Year - For Subsequent Year's Expenditures	1,100,000				1,100,000
Capital Reserve Account	3,717,471				3,717,471
Maintenance Reserve Account	200,000				200,000
Debt Service Fund				5,897	5,897
Assigned:					
Year-End Encumbrances	520,960				520,960
Unassigned/(Deficit)	492,833		(30,018)		462,815
Total Fund Balances	7,031,264	(30,018)	(30,018)	5,897	7,007,143
TOTAL LIABILITIES & FUND BALANCES	\$ 7,299,995	\$ 81,373	\$ 922,488	\$ 205,897	\$ 8,509,753

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

Total Fund Balances - Governmental Funds (Above)	\$ 7,007,143
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$54,322,873 and the accumulated depreciation is \$20,672,790.	33,650,083
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.	(25,807,192)
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	2,669,718
Difference Between Expected and Actual Experience - Pensions	239,679
Investment Gains - Pensions	491,433
Changes in Proportions - Pensions	(47,559)
The Deferred amount on the refunding is not reported as an expenditure in the Governmental Funds in the year of the expenditure.	
The Deferred amount on the refunding is \$645,340 and the accumulated amortization is \$71,704.	
Bond Premiums are reported as revenue in the Funds. These premiums total \$1,214,617 and the accumulated amortization is \$134,957.	573,636
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.	(1,079,660)
Net Position of Governmental Activities	\$ 17,492,305

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, 2017

REVENUES	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Local Sources:					
Local Tax Levy	\$ 33,139,323			\$ 795,800	\$ 33,935,123
Tuition	416,809				416,809
Capital Reserve Interest	4,992				4,992
Investment Income			\$ 4,723		4,723
Rents and Royalties	82,242				82,242
Budget Appropriation			200,000		200,000
Miscellaneous	175,925	\$ 4,264			180,189
Total - Local Sources	33,819,291	4,264	204,723	795,800	34,824,078
State Sources	6,876,922	255,752		373,256	7,505,930
Federal Sources		576,073			576,073
Total Revenues	40,696,213	836,089	204,723	1,169,056	42,906,081
EXPENDITURES					
Current:					
Instruction:					
Regular Instruction	11,495,072	276,275			11,771,347
Special Education Instruction	3,478,673	148,086			3,626,759
Other Special Instruction	221,804				221,804
School Sponsored Instruction	832,795				832,795
Support Services and Undistributed Costs:					
Tuition	1,473,556	411,728			1,885,284
Student & Instruction Related Services	3,857,609				3,857,609
General Administration Services	528,380				528,380
School Administration Services	1,328,755				1,328,755
Central Services	470,613				470,613

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

EXPENDITURES	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Current:					
Support Services and Undistributed Costs:					
Administrative Information Technology	\$ 274,972				\$ 274,972
Plant Operations and Maintenance	2,511,753				2,511,753
Pupil Transportation	982,248				982,248
Allocated and Unallocated Benefits	10,897,772				10,897,772
Capital Outlay	255,263		\$ 1,897,784		2,153,047
Debt Service:				\$ 1,050,000	1,050,000
Principal				452,231	452,231
Interest and Other Charges					
Total Expenditures	38,609,265	\$ 836,089	1,897,784	1,502,231	42,845,369
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	2,086,948		(1,693,061)	(333,175)	60,712
OTHER FINANCING SOURCES/(USES):					
Transfers In			612,328	319,880	932,208
Transfers Out	(612,328)		(319,880)		(932,208)
Total Other Financing Sources/(Uses)	(612,328)		292,448	319,880	
Net Change in Fund Balances	1,474,620		(1,400,613)	(13,295)	60,712
Fund Balance/(Deficit) - July 1	5,556,644		1,370,595	19,192	6,946,431
Fund Balance/(Deficit) - June 30	\$ 7,031,264	\$ -0-	\$ (30,018)	\$ 5,897	\$ 7,007,143

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, 2017

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2)	\$	60,712
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	\$ (944,552)
	Capital Outlays	<u>4,334,112</u>
		3,389,560

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 (+).

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.

850,000

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	(3,231,079)
Deferred Outflows:	
Changes in Assumptions	1,632,635
Changes in Proportion	(2,357)
Difference between Expected and Actual Experience - Pensions	9,297
Net difference between projected and actual investment earnings on pension plan investments	127,328
Deferred Inflows:	
Changes in Proportion	646,699

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, 2017

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 (+).

\$ (145,962)

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 (+)

89,972

The Governmental Funds report the effect of the deferred amount on the refunding when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities (-)

(47,803)

Change in Net Position of Governmental Activities (Exhibit A-2)

\$ 3,403,420

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Business-Type Activities: Enterprise Funds</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 51,253
Receivables - Other	5
Inventory	<u>9,564</u>
Total Current Assets	<u>60,822</u>
Non-Current Assets:	
Capital Assets	114,475
Less: Accumulated Depreciation	<u>(92,416)</u>
Total Non-Current Assets	<u>22,059</u>
Total Assets	<u>82,881</u>
LIABILITIES:	
Current Liabilities:	
Prepaid Sales	2,008
Accounts Payable - Vendors	<u>3,044</u>
Total Liabilities	<u>5,052</u>
NET POSITION:	
Investment in Capital Assets	22,059
Unrestricted	<u>55,770</u>
Total Net Position	<u><u>\$ 77,829</u></u>

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Business-Type Activities: Enterprise Funds</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Non-Reimbursable Programs	\$ 691,381
Special Events	3,791
	695,172
Total Operating Revenue	695,172
Operating Expenses:	
Cost of Sales - Reimbursable Programs	1,704
Cost of Sales - Nonreimbursable Programs	305,319
Salaries	196,646
Payroll Taxes	28,910
Employee Benefits	44,728
Purchased Property Services	42,540
Supplies and Materials	36,653
Depreciation Expense	5,549
Miscellaneous Expenditures	29,665
	691,714
Total Operating Expenses	691,714
Operating Income	3,458
Non-Operating Revenue:	
Federal Sources:	
Food Distribution Program	1,704
Local Sources:	
Interest Revenue	605
	2,309
Total Non-Operating Revenue	2,309
Change in Net Position	5,767
Net Position - Beginning of Year	72,062
Net Position - End of Year	\$ 77,829

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Business-Type Activities: Enterprise Funds</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 694,098
Payments to Food Service Vendor	(648,623)
Payments to Suppliers	<u>(34,694)</u>
Net Cash Provided by Operating Activities	<u>10,781</u>
Cash Flows from Investing Activities:	
Interest Revenue	<u>605</u>
Net Cash Provided by Investing Activities	<u>605</u>
Cash Flows from Noncapital Financing Activities:	
Receipt of Federal Reimbursements	3,991
Receipt of State Reimbursements	<u>251</u>
Net Cash Provided by Noncapital Financing Activities	<u>4,242</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of Capital Assets	<u>(5,029)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(5,029)</u>
Net Increase in Cash and Cash Equivalents	10,599
Cash and Cash Equivalents, July 1	<u>40,654</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 51,253</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 3,458
Adjustment to Reconcile Operating Income to Cash Provided by Operating Activities:	
Depreciation	5,549
Federal Food Distribution Program	1,704
Changes in Assets and Liabilities:	
(Decrease) in Prepaid Sales	(1,154)
(Decrease) Unearned Revenue	(1,704)
Increase in Receivables - Other	80
Increase in Inventory	779
Increase in Accounts Payable	<u>2,069</u>
Net Cash Provided by Operating Activities	<u><u>\$ 10,781</u></u>

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund utilized Commodities through the Food Distribution Program valued at \$1,704 for the fiscal year ended June 30, 2017.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2017

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Trust</u>
ASSETS:				
Cash and Cash Equivalents	\$ 178,056	\$ 389,192	\$ 8,963	\$ 154,150
Total Assets	<u>178,056</u>	<u>389,192</u>	<u>8,963</u>	<u>154,150</u>
LIABILITIES:				
Interfund Payable - General Fund	2,924			
Payroll Deductions and Withholdings	900			
Due to Student Groups	<u>174,232</u>			
Total Liabilities	<u>178,056</u>			
NET POSITION:				
Held in Trust for:				
Unemployment Claims		389,192		
Flexible Spending Claims			8,963	
Scholarships				154,150
Total Net Position	<u>\$ -0-</u>	<u>\$ 389,192</u>	<u>\$ 8,963</u>	<u>\$ 154,150</u>

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust
ADDITIONS:			
Contributions - Employees	\$ 46,190	\$ 39,372	
Contributions - District	50,000		
Donations			\$ 1,450
Total Contributions	<u>96,190</u>	<u>39,372</u>	<u>1,450</u>
Investment Earnings:			
Interest	1,761	95	850
Net Investment Earnings	<u>1,761</u>	<u>95</u>	<u>850</u>
Total Additions	<u>97,951</u>	<u>39,467</u>	<u>2,300</u>
DEDUCTIONS:			
Unemployment Compensation Claims			
Flexible Spending Claims		35,039	
Scholarships Awarded			7,775
Total Deductions		<u>35,039</u>	<u>7,775</u>
Change in Net Position	97,951	4,428	(5,475)
Net Position - Beginning of Year	<u>291,241</u>	<u>4,535</u>	<u>159,625</u>
Net Position - End of the Year	<u>\$ 389,192</u>	<u>\$ 8,963</u>	<u>\$ 154,150</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, 2017

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 ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3) The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. 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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements: (Cont'd)

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

B. Basis of Presentation: (Cont'd)

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

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

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

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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net 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, 2017 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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

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

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.

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 40,706,631	\$ 838,893
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		(4,354)
Prior Year Encumbrances		1,550
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	210,876	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(221,294)	
	\$ 40,696,213	\$ 836,089
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds		
	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 38,609,265	\$ 838,893
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		(4,354)
Prior Year Encumbrances		1,550
	\$ 38,609,265	\$ 836,089
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds		

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

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

	Capital Projects Fund
	Fund Balance
Summary Schedule of Revenue, Expenditures and Changes in Fund Balance (Budgetary Basis) (per Exhibit F-1)	\$ 2,306,728
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.	(2,336,746)
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds (GAAP Basis) (per Exhibit B-2)	\$ (30,018)

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.

The District generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

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.

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, 2017.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

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 on the following page is as follows:

	<u>Estimated Useful Life</u>
Buildings and Building Improvements	40 years
Site Improvements	20 years
Machinery and Equipment	10 to 15 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.

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 \$0 as of June 30, 2017.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

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.

P. Fund Balance Appropriated:

General Fund: Of the \$7,031,264 General Fund balance at June 30, 2017, \$520,960 is assigned for encumbrances; \$3,717,471 is restricted in the capital reserve account; \$200,000 is restricted in the maintenance reserve account; \$1,000,000 is restricted as current year excess surplus and will be appropriated and included as anticipated revenue for the fiscal year ended June 30, 2019; \$1,100,000 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2018; and \$492,833 is unassigned which is \$221,294 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, 2018.

Capital Projects Fund: The \$30,018 deficit in unassigned fund balance in the Capital Projects Fund at June 30, 2017 is \$2,336,746 less on the GAAP basis due to the non-recognition of SDA grants until the grant funds are expended and submitted for reimbursement.

Debt Service Fund: The \$5,897 Debt Service Fund balance at June 30, 2017, is restricted of which \$1,174 has been included as anticipated revenue for the fiscal year ending June 30, 2018 and \$4,723 will be included as anticipated revenue in the fiscal year ending June 30, 2019.

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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

P. Fund Balance Appropriated (Cont'd)

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$221,294 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 \$10,039,782 deficit in unrestricted net position in its governmental activities, which is primarily due to accrual of the net pension liability and related deferred outflows and inflows as well as compensated absences and interest payable. The District also had a \$30,018 deficit in fund balance in its Capital Projects Fund due to \$2,336,746 of SDA grants which are not recognized on the GAAP basis. These deficits do not indicate the District is having financial difficulties and are a permitted practice under generally accepted accounting principles.

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, 2017 for the deferred amount on refunding of debt, changes in proportions on pensions, District contributions subsequent to the measurement date, differences between expected and actual experience for pension and changes in assumptions in pensions.

The District had a deferred inflow of resources at June 30, 2017 for the changes in proportion in pension.

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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

R. Net Position (Cont'd)

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, and debt service.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District had no committed resources at June 30, 2017 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 \$520,960 for year-end encumbrances in the General Fund at June 30, 2017.

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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

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.

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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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.

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 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.

Custodial Credit Risk – The District's policy with respect to custodial credit risk requires that the District ensures that District funds are only deposited in financial institutions in which NJ school districts are permitted to invest their funds.

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.

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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
 (Continued)

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

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 Local Government Services in the Department of Community Affairs for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); 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 section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2017, 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	\$ 3,858,596	\$ 3,917,471	\$ 7,776,067

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

Investments (Cont'd)

During the period ended June 30, 2017, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents and investments at June 30, 2017, was \$7,776,067 and the bank balance was \$8,442,474.

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, 2016 to June 30, 2017 fiscal year is as follows:

Beginning Balance, July 1, 2016	\$ 1,749,229
Interest Earnings	4,992
Increase by Board Resolution in June 2017	2,575,578
Budgeted Withdrawal	(594,000)
Withdrawal by Board Resolution	<u>(18,328)</u>
Ending Balance, June 30, 2017	<u><u>\$ 3,717,471</u></u>

The \$3,717,471 balance in the Capital Reserve Account at June 30, 2017 does not exceed the local support costs of uncompleted capital projects in the District's approved Long Range Facilities Plan ("LRFP"). The withdrawals from the Capital reserve Account were for use in DOE approved facilities projects, consistent with the District's LRFP.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 5. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2017, the District transferred \$320,343 to capital outlay accounts during the fiscal year for the acquisition of equipment which did not require County Superintendent approval.

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the fiscal year ended June 30, 2017 were as follows:

	(Restated) Balance 6/30/2016	Increases	Adjustments & Deletions	Balance 6/30/2017
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Sites (Land)	\$ 4,659,600			\$ 4,659,600
Construction in Progress	2,763,404	\$ 1,897,784	\$ (100,000)	4,561,188
Total Capital Assets Not Being Depreciated	<u>7,423,004</u>	<u>1,897,784</u>	<u>(100,000)</u>	<u>9,220,788</u>
Capital Assets Being Depreciated:				
Site Improvements	2,919,848	17,680	100,000	3,037,528
Buildings and Building Improvements	37,943,525			37,943,525
Machinery and Equipment	3,938,196	286,169	(103,333)	4,121,032
Total Capital Assets Being Depreciated	<u>44,801,569</u>	<u>303,849</u>	<u>(3,333)</u>	<u>45,102,085</u>
Governmental Activities Capital Assets	<u>52,224,573</u>	<u>2,201,633</u>	<u>(103,333)</u>	<u>54,322,873</u>
Less Accumulated Depreciation for:				
Site Improvements	(626,720)	(148,404)		(775,124)
Buildings and Building Improvements	(15,931,571)	(624,079)		(16,555,650)
Machinery and Equipment	(3,273,280)	(172,069)	103,333	(3,342,016)
	<u>(19,831,571)</u>	<u>(944,552)</u>	<u>103,333</u>	<u>(20,672,790)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 32,393,002</u>	<u>\$ 1,257,081</u>	<u>\$ - 0 -</u>	<u>\$ 33,650,083</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 109,446	\$ 5,029		\$ 114,475
Less Accumulated Depreciation	(86,867)	(5,549)		(92,416)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 22,579</u>	<u>\$ (520)</u>	<u>\$ - 0 -</u>	<u>\$ 22,059</u>

The District expended \$1,897,784 towards construction projects in progress and for continuation of construction in the Capital Projects Fund and \$303,849 for site improvements and equipment from the General Fund capital outlay accounts during the fiscal year. As of June 30, 2017, the District has \$6,725,532 in active construction projects with unexpended balances of \$2,306,728.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 95,181
Student & Instructional Related Services	291,409
General Administrative Services	16,951
School Administrative Services	157,776
Operations and Maintenance of Plant	173,739
Pupil Transportation	209,496
	\$ 944,552

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2017, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2016	Accrued	Retired	Balance 6/30/17
Serial Bonds Payable	\$ 13,565,000		\$ 850,000	\$ 12,715,000
Net Unamortized Bond Premiums	1,169,632		89,972	1,079,660
Compensated Absences Payable	228,550		24,418	204,132
Net Pension Liability - PERS	9,656,981	\$ 3,231,079		12,888,060
	\$ 24,620,163	\$ 3,231,079	\$ 964,390	\$ 26,886,852

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, 2017 as follows:

Purpose	Final Maturity	Interest Rate	Amount
School Renovations & Alternations	01/15/2018	3.00% - 4.00%	\$ 680,000
School Renovation Project	8/12/2029	2.00% - 3.875%	3,045,000
Refunding Bonds	1/15/2029	2.00% - 4.00%	8,990,000
			\$ 12,715,000

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

A. Bonds Payable: (Cont'd)

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

Year Ending June 30,	Principal	Interest	Total
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	955,000	351,675	1,306,675
2023-2027	5,430,000	1,193,263	6,623,263
2028-2030	2,820,000	189,556	3,009,556
	<u>\$ 12,715,000</u>	<u>\$ 3,425,094</u>	<u>\$ 16,140,094</u>

B. Bonds Authorized But Not Issued:

There were no bonds authorized but not issued as of June 30, 2017.

C. Capital Leases Payable:

The District did not have any capital leases payable as of June 30, 2017.

D. Unamortized Bond Issuance Premiums:

The liability for unamortized bond issuance premiums 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 unamortized bond issuance premiums at June 30, 2017 is \$89,972 and the long-term portion is \$989,688.

E. 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, 2017 is currently payable; therefore, the long-term liability balance of compensated absences is \$204,132.

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, 2017, no liability existed for compensated absences in the Food Service Enterprise Fund.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

F. 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, 2017 is \$-0- and the long-term portion is \$12,888,060. See Note 9 for further information on the PERS.

G. Unamortized Bond Premium:

The unamortized bond issuance premium of the government fund types is recorded in the noncurrent liabilities. The current portion of the unamortized bond issuance premium balance of the government funds is \$89,972 and is separated from the long-term liability balance of \$989,688 .

NOTE 8. TEMPORARY NOTES

The District did not have any temporary bond anticipation notes outstanding as of June 30, 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

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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 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 \$386,586 for fiscal year 2017.

The employee contribution rate was 7.20% effective July 1, 2016. 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, 2017, the District reported a liability of \$12,888,060 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. 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, 2016, the District's proportion was 0.0435%, which was a decrease of 0.0005% from its proportion measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the District recognized pension expense of \$509,501. At June 30, 2017, 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, 2017
(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>Year of Deferral</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	6.44	\$ 162,006	
	2015	5.72	661,990	
	2016	5.57	1,845,722	
			<u>2,669,718</u>	
Difference Between Expected and Actual Experience	2015	5.72	183,666	
	2016	5.57	56,013	
			<u>239,679</u>	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.00	(242,766)	
	2015	5.00	155,321	
	2016	5.00	578,878	
			<u>491,433</u>	
Changes in Proportion	2014	6.44		\$ 438,008
	2015	5.72	309,584	
	2016	5.57	80,865	
			<u>390,449</u>	<u>438,008</u>
District Contribution Subsequent to Measurement Date	2016	1.00	400,000	
			<u>\$ 4,191,279</u>	<u>\$ 438,008</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2017	\$ 765,666
2018	765,666
2019	887,050
2020	745,252
2021	<u>237,196</u>
	<u>\$ 3,400,830</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	3.08%
Salary Increases:	
Through 2026	1.65% – 4.15% based on age
Thereafter	2.65% – 5.15% based on age
Investment Rate of Return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. 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 (7.65% at June 30, 2016) 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 method 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, 2016 are summarized in the following table page.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex. U.S.	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, 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, 2016 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, 2017
(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, 2016		
	1%	Current	1%
	Decrease (2.98%)	Discount Rate (3.98%)	Increase (4.98%)
District's proportionate share of the Net Pension Liability	\$ 15,792,813	\$ 12,888,060	\$ 10,489,934

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, 2017

(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 2016, 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 2017, the State of New Jersey contributed \$1,713,356 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$9,212,252.

The employee contribution rate was 7.20% effective July 1, 2016. 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, 2017, the State's proportionate share of the net pension liability associated with the District was \$122,607,555. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. 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, 2016, the District's proportion was 0.155%, which was a decrease of 0.0014% from its proportion measured as of June 30, 2015.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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>122,607,555</u>
Total	\$	<u><u>122,607,555</u></u>

For the fiscal year ended June 30, 2017, the State recognized pension expense on behalf of the District in the amount of \$9,212,252 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2017 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>Year of Deferral</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	8.5	\$ 1,691,524,165	
	2015	8.3	4,488,602,746	
	2016	8.3	<u>9,522,623,964</u>	
			<u>15,702,750,875</u>	
Difference Between Expected and Actual Experience	2014	8.5		\$ 16,110,615
	2015	8.3	277,221,464	
	2016	8.3	<u>118,421,979</u>	
			<u>277,221,464</u>	<u>134,532,594</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5	(870,618,286)	
	2015	5	577,926,182	
	2016	5	<u>1,727,420,767</u>	
			<u>1,434,728,663</u>	
		<u>\$ 17,414,701,002</u>	<u>\$ 134,532,594</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, 2017
(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)

Fiscal Year Ending June 30,	Total
2017	\$ 2,538,535,636
2018	2,538,535,636
2019	2,973,844,781
2020	2,781,202,718
2021	2,349,347,527
Thereafter	4,098,702,110
	\$ 17,280,168,408

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. 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	7.65%

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60 years average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.65% at June 30, 2016) 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 method 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, 2016 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, 2017
(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>
Cash	5.00%	0.39%
U.S. Government Bonds	1.50%	1.28%
U.S. Credit Bonds	13.00%	2.76%
U.S. Mortgages	2.00%	2.38%
U.S. Inflation-Indexed Bonds	1.50%	1.41%
U.S. High Yield Bonds	2.00%	4.70%
U.S. Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Market Equities	6.50%	5.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	8.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 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 contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2029, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

The table below presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2016 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.

	June 30, 2016		
	At 1% Decrease (2.22%)	At Current Discount Rate (3.22%)	At 1% Increase (4.22%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 146,420,821	\$ 122,607,555	\$ 103,160,951

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 \$11,165 and \$12,405 for the fiscal years ended June 30, 2017 and 2016, respectively. Employee contributions to DCRP amounted to \$20,399 and \$25,870 for the fiscal year ended June 30, 2017 and 2016, respectively.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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, 2016, there were 110,512 retirees receiving post-retirement medical benefits, and the State contributed \$1.37 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 \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

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 \$1,479,341, \$1,485,852 and \$1,350,083 for 2017, 2016, and 2015, 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, 2017
(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, 2017 was not available as of the date of this report. Selected, summarized financial information as of June 30, 2016 is as follows:

	<u>Pooled Insurance Program of New Jersey</u>
Total Assets	\$ 21,705,138
Net Position	\$ 7,723,169
Total Revenue	\$ 7,881,082
Total Expenses and Adjustments	\$ 5,476,395
Change in Net Position	\$ 1,019,902
Member Dividends	\$ 1,450,451

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, 2017
(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>
2017	\$ 46,190	\$ 50,000	\$ 1,761		\$ 389,192
2016	22,664	50,000	945	\$ 50,136	291,241
2015	29,523	50,000	539	41,679	267,768

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
- Security Benefit
- Lincoln National Life Insurance Co.
- Metropolitan Life Insurance Co.
- Gaba Financial Services
- Siracusa Benefit Group

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, 2017
(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, 2017, there were encumbrances as detailed below in the governmental funds:

	General Fund	Special Revenue Fund	Total Governmental Funds
Year-End Encumbrances	\$ 520,960	\$ 4,354	\$ 525,314

On the District's Governmental Funds Balance Sheet as of June 30, 2017, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund. On the GAAP basis, actual encumbrances of \$4,354 are not recognized until paid and are reflected as either a reduction in grants receivable or an increase in unearned revenue in the Special Revenue Fund.

NOTE 15. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances existed as of June 30, 2017:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 901,584	\$ 19,580
Special Revenue Fund		23,811
Capital Projects Fund	186,530	855,268
Debt Service Fund	13,469	200,000
Fiduciary Fund:		
Payroll Agency		2,924
	\$ 1,101,583	\$ 1,101,583

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 Capital Projects Fund is for disbursements made out of Capital Projects Fund on behalf of Debt Service Fund. 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, 2017
(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 September 29. 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, 2016 to June 30, 2017 fiscal year is as follows:

Beginning Balance, July 1, 2016	\$ 200,000
Ending Balance, June 30, 2017	<u>\$ 200,000</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 18. ACCOUNTS PAYABLE

The following accounts payable balances existed as of June 30, 2017:

	Governmental Funds			District Contribution Subsequent to the Measurement Date	Total Governmental Activities	Proprietary Fund Food Service
	General Fund	Special Revenue Fund	Capital Projects Fund			
Vendors	\$ 249,151	\$ 31,470	\$ 97,238		\$ 377,859	\$ 3,044
Due to:						
State of New Jersey				\$ 400,000	400,000	
	<u>\$ 249,151</u>	<u>\$ 31,470</u>	<u>\$ 97,238</u>	<u>\$ 400,000</u>	<u>\$ 777,859</u>	<u>\$ 3,044</u>

NOTE 19. TAX ABATEMENTS

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

For a local school district board of education or board of school estimate that has elected to raise their minimum tax levy using the required local share provisions at N.J.S.A. 18A:7F-5(b), the loss of revenue resulting from the municipality or county having entered into a tax abatement agreement is indeterminate due to the complex nature of the calculation of required local share performed by the New Jersey Department of Education based upon district property value and wealth.

The Township of Pequannock recognized revenue in the amount of \$89,776 from one payment in lieu of taxes ("PILOT") agreement. The taxes which would have been paid on these properties for 2016 without the abatement would have been \$217,492 of which \$136,703 would have been for the local school tax.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 20. PRIOR PERIOD ADJUSTMENTS

The District made a prior year adjustment in the District Wide Financial Statements for an adjust to Net Investment in Capital Assets and construction in process.

	Balance 6/30/16 as Previously Reported	Retroactive Adjustments	Balance 6/30/16 as Restated
<u>Statement of Net Position:</u>			
<u>Governmental Activities:</u>			
ASSETS			
Capital Assets, Net:			
Construction in Progress	\$ 630,925	\$ 2,132,479	\$ 2,763,404
Total Assets	37,543,330	2,132,479	39,675,809
NET POSITION			
Net Investment in Capital Assets	16,695,523	2,132,479	18,828,002
Total Net Position	14,088,885	2,132,479	16,221,364

**SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION**

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,		
	2015	2016	2017
District's proportion of the net pension liability	0.0405464396%	0.0430193461%	0.0435155578%
District's proportionate share of the net pension liability	\$ 7,591,402	\$ 9,656,981	\$ 12,888,060
District's covered employee payroll	\$ 2,894,283	\$ 2,894,283	\$ 2,903,815
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	262.29%	333.66%	443.83%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%

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

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

	<u>Fiscal Year Ending June 30,</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 334,259	\$ 369,851	\$ 386,586
Contributions in relation to the contractually required contribution	<u>(334,259)</u>	<u>(369,851)</u>	<u>(386,586)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 2,894,283	\$ 2,894,283	\$ 2,903,815
Contributions as a percentage of covered employee payroll	11.55%	12.78%	13.31%

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

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

	Fiscal Year Ending June 30,		
	2015	2016	2017
State's proportion of the net pension liability attributable to the District	0.1711547577%	0.1573045551%	0.1558576554%
State's proportionate share of the net pension liability attributable to the District	\$ 91,476,648	\$ 99,423,196	\$ 122,607,555
District's covered employee payroll	\$ 15,860,920	\$ 15,537,032	\$ 16,253,270
State's proportionate share of the net pension liability attributable to the district as a percentage of its covered employee payroll	576.74%	639.91%	754.36%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE CONTRIBUTIONS
TEACHERS' PENSION AND ANNUITY FUND
LAST THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
Contractually required contribution	\$ 4,922,302	\$ 6,070,681	\$ 9,212,252
Contributions in relation to the contractually required contribution	<u>(850,446)</u>	<u>(1,247,857)</u>	<u>(1,713,356)</u>
Contribution deficiency/(excess)	<u>\$ 4,071,856</u>	<u>\$ 4,822,824</u>	<u>\$ 7,498,896</u>
District's covered employee payroll	\$ 15,860,920	\$ 15,537,032	\$ 16,253,270
Contributions as a percentage of covered employee payroll	31.03%	39.07%	56.68%

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.90% as of June 30, 2015 to 3.98% as of June 30, 2016. The inflation rate changed from 3.04% as of June 30, 2015 to 3.08% as of June 30, 2016.

The inflation rate changed from 3.04% as of June 30, 2015 to 3.08% as of June 30, 2016. The salary increases changed from 2.15% - 4.40% for 2012 – 2021 to 1.65%-4.15% through 2026 and from 3.15%-5.40% thereafter to 2.65%-5.15% thereafter.

The mortality rates in the July 1, 2014 actuarial valuation were based on the following:

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 mortality rates in the July 1, 2015 actuarial valuation were based on the following:

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.13% as of June 30, 2015 to 3.22% as of June 30, 2016. The municipal bond rate changed from 3.80% to 2.85%. The long-term expected rate of return on pension plan investments changed from 7.90% to 7.65%.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

B. TEACHERS PENSION AND ANNUITY FUND (Cont'd)

Changes of Assumptions (Cont'd)

The mortality rates in the July 1, 2014 actuarial valuation were based on the following:

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 mortality rates in the July 1, 2015 actuarial valuation were based on the following:

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60 years average of Social Security data from 1953 to 2013.

BUDGETARY COMPARISON SCHEDULES

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 33,139,323		\$ 33,139,323	\$ 33,139,323	
Tuition From Individuals	94,000		94,000	176,484	\$ 82,484
Tuition From Other LEA's	125,893		125,893	240,325	114,432
Transportation Fees from Other LEAs	15,000		15,000		(15,000)
Rents and Royalties	70,000		70,000	82,242	12,242
Interest Earned on Capital Reserve Funds	1,000		1,000	4,992	3,992
Unrestricted Miscellaneous	34,000		34,000	175,925	141,925
Total - Local Sources	33,479,216		33,479,216	33,819,291	340,075
State Sources:					
School Choice Aid	82,548		82,548	82,548	
Categorical Special Education Aid	1,420,311		1,420,311	1,420,311	
Equalization Aid	406,379		406,379	406,379	
Categorical Security Aid	38,758		38,758	38,758	
Categorical Transportation Aid	48,084		48,084	48,084	
Adjustment Aid	185,383		185,383	185,383	
PARCC Readiness Aid	22,260		22,260	22,260	
Per Pupil Growth Aid	22,260		22,260	22,260	
Professional Learning Community Aid	21,400		21,400	21,400	
Extraordinary Special Education Costs Aid	300,000		300,000	188,603	(111,397)
Nonpublic School Transportation Costs				18,355	18,355
On-Behalf Contributions (Non-Budgeted):					
TPAF - Pension Contributions				1,713,356	1,713,356
TPAF - Post Retirement Medical Contributions				1,479,341	1,479,341
TPAF - Long Term Disability Insurance (Non-Budgeted)				4,133	4,133
TPAF - Non-Contributory Insurance (Non-Budgeted)				62,079	62,079
TPAF Social Security Contributions (Reimbursed)				1,174,090	1,174,090
Total State Sources	2,547,383		2,547,383	6,887,340	4,339,957
TOTAL REVENUES	36,026,599		36,026,599	40,706,631	4,680,032

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 452,710	\$	\$ 452,710	\$ 452,436	\$ 274
Grades 1-5 - Salaries of Teachers	3,392,527	15,088	3,407,615	3,394,084	13,531
Grades 6-8 - Salaries of Teachers	2,758,285	(21,501)	2,736,784	2,521,827	214,957
Grades 9-12 - Salaries of Teachers	3,802,336	6,412	3,808,748	3,645,877	162,871
Regular Programs - Home Instruction:					
Salaries of Teachers	15,225	(3,000)	12,225	6,669	5,556
Purchased Professional - Educational Services	36,330	(17,000)	19,330	18,861	469
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	97,928		97,928	63,338	34,590
Purchased Professional - Educational Services	89,499	(7,323)	82,176	56,578	25,598
Purchased Technical Services	213,500	1,000	214,500	153,551	60,949
Other Purchased Services (400-500 series)	216,707	(34,167)	182,540	109,756	72,784
General Supplies	1,314,617	30,315	1,344,932	973,715	371,217
Textbooks	206,640	(33,400)	173,240	97,895	75,345
Other Objects	850		850	485	365
Total Regular Programs - Instruction	12,597,154	(63,576)	12,533,578	11,495,072	1,038,506
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	342,535	5,511	348,046	347,177	869
Other Salaries for Instruction	124,753	1,054	125,807	125,688	119
Purchased Professional - Educational Services	7,600		7,600	5,550	2,050
General Supplies	17,982	(204)	17,778	6,677	11,101
Total Learning and/or Language Disabilities	492,870	6,361	499,231	485,092	14,139

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Special Education - Instruction:					
Behavioral Disabilities:					
Salaries of Teachers	\$ 64,919	\$ (1,887)	\$ 63,032	\$ 63,032	
Other Salaries for Instruction	67,320	8,418	75,738	75,519	219
General Supplies	4,000		4,000		4,000
Total Behavioral Disabilities	136,239	6,531	142,770	138,551	4,219
Resource Room/Resource Center:					
Salaries of Teachers	1,813,858	71,020	1,884,878	1,884,749	129
Other Salaries for Instruction	299,999	(56,849)	243,150	242,568	582
General Supplies	15,150	(1,697)	13,453	7,070	6,383
Total Resource Room/Resource Center	2,129,007	12,474	2,141,481	2,134,387	7,094
Autism:					
Salaries of Teachers	144,232	(12,478)	131,754	131,424	330
Other Salaries for Instruction	242,314	(16,029)	226,285	225,686	599
General Supplies	27,438		27,438	16,259	11,179
Other Objects	6,699		6,699	5,699	1,000
Total Autism	420,683	(28,507)	392,176	379,068	13,108
Preschool Disabilities - Part-time:					
Salaries of Teachers	132,625	1,396	134,021	134,021	
Other Salaries for Instruction	69,226	(20,716)	48,510	48,510	
General Supplies	1,000		1,000	628	372
Total Preschool Disabilities - Part-time	202,851	(19,320)	183,531	183,159	372

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Preschool Disabilities - Full-time:					
Salaries of Teachers	\$ 62,798	\$ (1,898)	\$ 60,900	\$ 60,900	
Other Salaries for Instruction	27,898	61,786	89,684	88,351	\$ 1,333
Purchased Professional-Educational Services		23,927	23,927	9,165	14,762
Total Preschool Disabilities - Full-time	90,696	83,815	174,511	158,416	16,095
Total Special Education Instruction	3,472,346	61,354	3,533,700	3,478,673	55,027
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	165,004	2,816	167,820	167,820	
Total Basic Skills/Remedial - Instruction	165,004	2,816	167,820	167,820	
Bilingual Education - Instruction:					
Salaries of Teachers	54,257	534	54,791	53,910	881
General Supplies	1,850		1,850	74	1,776
Total Bilingual Education - Instruction	56,107	534	56,641	53,984	2,657
School-Sponsored Cocurricular/Extracurricular Activities - Instruction:					
Salaries	178,816	6,469	185,285	183,625	1,660
Purchased Services (300-500 series)	4,025	1,448	5,473	5,472	1
Supplies and Materials	10,050	(3,156)	6,894	3,684	3,210
Other Objects	5,075	652	5,727	4,396	1,331
Total School-Sponsored Cocurricular/Extracurricular Activities - Instruction	197,966	5,413	203,379	197,177	6,202
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	412,904	(19,670)	393,234	391,529	1,705
Purchased Services (300-500 series)	157,000	(20,154)	136,846	132,951	3,895
Supplies and Materials	77,694	7,232	84,926	77,268	7,658
Other Objects	24,500	4,285	28,785	28,201	584
Total School-Sponsored Cocurricular Athletics - Instruction	672,098	(28,307)	643,791	629,949	13,842

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Before/After School Programs - Instruction:					
Salaries of Teachers	\$ 6,000		\$ 6,000	\$ 5,669	\$ 331
Total Before/After School Programs - Instruction	6,000		6,000	5,669	331
Other Instructional Programs - Instruction:					
Supplies and Materials	3,927	\$ (3,927)			
Total Other Instructional Programs - Instruction	3,927	(3,927)			
Total Instruction	17,170,602	(25,693)	17,144,909	16,028,344	1,116,565
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	227,485	(32,795)	194,690	180,964	13,726
Tuition to County Vocational Schools - Regular	472,000		472,000	452,460	19,540
Tuition to County Vocational Schools - Special	113,713	(29,000)	84,713	26,580	58,133
Tuition to County Special Services Schools/Regional Day Schools	72,685	(28,820)	43,865	784,393	43,865
Tuition to Private Schools for the Disabled - Within the State	798,369		798,369		13,976
Total Undistributed Expenditures - Instruction	1,684,252	(90,615)	1,593,637	1,444,397	149,240
Attendance and Social Work:					
Salaries	28,875	284	29,159	29,159	
Total Attendance and Social Work	28,875	284	29,159	29,159	
Health Services:					
Salaries	367,800	5,406	373,206	373,206	
Purchased Professional and Technical Services	20,149	35	20,184	15,437	4,747
Supplies and Materials	10,041	403	10,444	6,505	3,939
Total Health Services	397,990	5,844	403,834	395,148	8,686

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Speech, OT, PT & Related Services:					
Salaries	\$ 294,442	\$ 13,207	\$ 307,649	\$ 307,649	\$ 81,645
Purchased Professional - Educational Services	487,264	(214,950)	272,314	190,669	4,041
Supplies and Materials	6,082		6,082	2,041	85,686
Total Speech, OT, PT & Related Services	787,788	(201,743)	586,045	500,359	
Undistributed Expenditures:					
Other Support Services - Students - Extraordinary Services:					
Salaries	141,228	(23,801)	117,427	117,427	98,275
Purchased Professional - Educational Services		194,226	194,226	95,951	
Supplies and Materials		604	604	604	
Total Other Support Services - Students - Extraordinary Services	141,228	171,029	312,257	213,982	98,275
Guidance:					
Salaries of Other Professional Staff	480,966	10,427	491,393	490,550	843
Salaries of Secretarial and Clerical Assistants	51,327		51,327	42,526	8,801
Purchased Professional - Educational Services	50,800		50,800	15,673	35,127
Other Purchased Professional and Technical Services	6,300	(1,500)	4,800	4,800	4,800
Other Purchased Services (400-500 series)	36,900	1,500	38,400	34,659	3,741
Supplies and Materials	3,707		3,707	1,822	1,885
Other Objects	100		100	100	100
Total Guidance	630,100	10,427	640,527	585,230	55,297

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Child Study Teams:					
Salaries of Other Professional Staff	\$ 722,843	\$ (27,478)	\$ 695,365	\$ 650,058	\$ 45,307
Salaries of Secretarial and Clerical Assistants	66,473		66,473	41,990	24,483
Purchased Professional - Educational Services	26,500		26,500	18,450	8,050
Other Purchased Professional and Technical Services	16,800		16,800	12,447	4,353
Other Purchased Professional Services (400-500 series)	10,400		10,400	3,933	6,467
Supplies and Materials	21,982	(50)	21,932	3,845	18,087
Other Objects	1,550		1,550	550	1,000
Total Child Study Teams	866,548	(27,528)	839,020	731,273	107,747
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	154,175	1,519	155,694	155,694	
Salaries of Other Professional Staff	692,716	64,218	756,934	754,944	1,990
Salaries of Secretarial and Clerical Assistants	61,110	602	61,712	61,712	
Other Purchased Professional and Technical Services	12,000		12,000	3,000	9,000
Other Purchased Services (400-500 series)	10,600		10,600	4,746	5,854
Supplies and Materials	9,834	(14)	9,820	5,132	4,688
Other Objects	6,400		6,400	2,147	4,253
Total Improvement of Instructional Services	946,835	66,325	1,013,160	987,375	25,785
Educational Media Services/School Library:					
Salaries	381,898	(55,690)	326,208	301,767	24,441
Salaries of Technology Coordinators	70,294	1,692	71,986	71,093	893
Purchased Professional and Technical Services	23,560	(3,000)	20,560	15,794	4,766
Other Purchased Services (400-500 series)	200		200		200
Supplies and Materials	33,730	(1,760)	31,970	26,081	5,889
Total Educational Media Services/School Library	509,682	(58,758)	450,924	414,735	36,189

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Instructional Staff Training Services:					
Other Salaries	\$ 15,070	2,668 \$	2,668 \$	2,668	\$ 8,130
Purchased Professional - Educational Services		(1,670)	13,400	5,270	
Other Purchased Services (400-500 series)	27,300	(630)	26,670	12,376	14,294
Supplies and Materials	8,367	326	8,693	8,693	
Other Objects	2,000	(496)	1,504	500	1,004
Total Instructional Staff Training Services	52,737	198	52,935	29,507	23,428
Support Services - General Administration:					
Salaries	249,789	4,820	254,609	254,063	546
Legal Services	150,000	(19,820)	130,180	85,647	44,533
Audit Fees	43,500	(3,000)	40,500	40,500	
Architectural/Engineering Services	18,103		18,103	31	18,072
Other Purchased Professional Services	4,276	13,724	18,000	15,641	2,359
Purchased Technical Services		13,550	13,550	13,550	
Communications/Telephone	100,190	(14,872)	85,318	44,615	40,703
BOE Other Purchased Services	3,000	2,738	5,738	5,705	33
BOE In House Training / Meeting Supplies	500	1,527	2,027	1,827	200
Miscellaneous Purchased Services (400-500 series)	64,820	776	65,596	41,704	23,892
General Supplies	9,454		9,454	5,740	3,714
Miscellaneous Expenditures	1,300	1,484	2,784	2,784	
BOE Memberships / Dues	18,000	(927)	17,073	16,573	500
Total Support Services - General Administration	662,932		662,932	528,380	134,552

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	\$ 1,044,760	\$ (40,100)	\$ 1,004,660	\$ 932,920	\$ 71,740
Salaries of Secretarial and Clerical Assistants	351,241		351,241	342,291	8,950
Purchased Professional and Technical Services	10,500		10,500	6,725	3,775
Other Purchased Services (400-500 series)	5,400		5,400	5,400	
Supplies and Materials	41,905	10,849	52,754	26,518	26,236
Other Objects	20,800		20,800	14,901	5,899
Total Support Services - School Administration	1,474,606	(29,251)	1,445,355	1,328,755	116,600
Central Services:					
Salaries	393,327	7,291	400,618	400,618	
Purchased Professional Services	12,000	1,500	13,500	13,500	
Purchased Technical Services	27,574	(771)	26,803	26,803	
Miscellaneous Purchased Services (400-500 series)	9,752	(970)	8,782	8,343	439
Supplies and Materials	16,295	860	17,155	17,049	106
Interest on Current Loans	15,000	(13,100)	1,900	1,900	
Miscellaneous Expenditures	3,100	(388)	2,712	2,400	312
Total Central Services	477,048	(5,578)	471,470	470,613	857
Administrative Information Technology:					
Salaries	175,868	(3,653)	172,215	172,123	92
Purchased Technical Services	61,455	32,774	94,229	89,348	4,881
Other Purchased Services (400-500 series)		500	500	209	291
Supplies and Materials	14,828	5,445	20,273	13,292	6,981
Total Administrative Information Technology	252,151	35,066	287,217	274,972	12,245

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Required Maintenance of School Facilities:					
Salaries	\$ 231,229	\$ (25,024)	\$ 206,205	\$ 204,951	\$ 1,254
Cleaning, Repair and Maintenance Services	305,942	(8,813)	297,129	161,713	135,416
General Supplies	75,382	20,000	95,382	78,808	16,574
Other Objects		2,000	2,000	1,441	559
Total Required Maintenance of School Facilities	612,553	(11,837)	600,716	446,913	153,803
Custodial Services:					
Salaries	1,002,848	8,360	1,011,208	1,006,774	4,434
Salaries of Non-Instructional Aides	106,880	(23,246)	83,634	60,376	23,258
Purchased Professional and Technical Services	3,000	7,396	10,396	10,146	250
Cleaning, Repair and Maintenance Services	41,055	10,000	51,055	45,298	5,757
Rental of Buildings (Other Than Lease Purchase Agreements)	2,500		2,500	2,500	
Other Purchased Property Services	40,000		40,000	39,550	450
Insurance	143,875	5,802	149,677	149,677	
Miscellaneous Purchased Services	500	650	1,150	1,143	7
General Supplies	85,597	(5,000)	80,597	68,907	11,690
Energy (Electricity)	365,000		365,000	306,860	58,140
Energy (Natural Gas)	288,000	(1,600)	286,400	213,205	73,195
Energy (Gasoline)		5,227	5,227	5,227	
Other Objects	3,088		3,088	1,130	1,958
Total Custodial Services	2,082,343	7,589	2,089,932	1,910,793	179,139
Care and Upkeep of Grounds:					
Cleaning, Repair and Maintenance Services	57,000	11,053	68,053	64,303	3,750
General Supplies	2,053	3,118	5,171	4,899	272
Total Care and Upkeep of Grounds	59,053	14,171	73,224	69,202	4,022

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Security	\$ 67,416	\$ (8,298)	\$ 59,118	\$ 59,118	\$ 500
Salaries	20,043	2,550	22,593	22,093	500
Cleaning Repair and Maintenance	1,500	47,095	48,595	3,634	44,961
General Supplies	88,959	41,347	130,306	84,845	45,461
Total Security	10,962		10,962	9,566	1,396
Student Transportation Services:					
Salaries for Non-Instructional Aides	95,978	17,902	113,880	113,575	305
Salaries for Pupil Transportation:	115,579	12,835	128,414	128,002	412
Between Home and School - Regular	50,750	18,503	69,253	69,252	1
Between Home and School - Special	20,000	(2,000)	18,000	17,265	735
Other Than Between Home and School - Regular	40,000		40,000	32,449	7,551
Management Fee - ESC and CTSA Transportation Program					
Cleaning, Repair and Maintenance Services					
Contracted Services:					
Other Than Between Home and School - Vendors	91,000	(5,320)	85,680	53,267	32,413
Special Education Students - Vendors	40,000	(1,000)	39,000	29,387	9,613
Regular Students - ESC's and CTSA's	37,000		37,000	24,745	12,255
Special Education Students - ESC's and CTSA's	453,000	(44,061)	408,939	406,158	2,781
Aid in Lieu of Payments - Nonpublic Students	60,884	19,000	79,884	78,330	1,554
Other Purchased Professional and Technical Services		820	820	752	68
Miscellaneous Purchased Services - Transportation		1,000	1,000	704	296
General Supplies	1,600		1,600	992	608
Transportation Supplies	40,000	(13,500)	26,500	17,394	9,106
Other Objects	500		500	410	90
Total Student Transportation Services	1,057,253	4,179	1,061,432	982,248	79,184

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Unallocated Benefits:					
Social Security Contributions	\$ 425,000	\$	\$ 425,000	\$ 378,426	\$ 46,574
Other Retirement Contributions - PERS	400,000	(11,908)	388,092	388,092	
Other Retirement Contributions - Other	15,000		15,000	11,165	3,835
Unemployment Compensation	50,000		50,000	50,000	
Workmen's Compensation	235,000	(70,490)	164,510	164,510	
Health Benefits	6,521,899	(166,472)	6,355,427	5,259,419	1,096,008
Tuition Reimbursement	95,239		95,239	62,009	33,230
Other Employee Benefits	127,081	89,071	216,152	151,152	65,000
Unused Sick Payment to Terminated/Retired Staff	65,000	(65,000)			
Total Unallocated Benefits	7,934,219	(224,799)	7,709,420	6,464,773	1,244,647
On-Behalf Contributions (Non-Budgeted):					
TPAF Pension Contributions (Non-Budgeted)				1,713,356	(1,713,356)
TPAF Post Retirement Medical Benefits (Non-Budgeted)				1,479,341	(1,479,341)
TPAF Long-Term Disability Insurance (Non-Budgeted)				4,133	(4,133)
TPAF Non-Contributory Insurance (Non-Budgeted)				62,079	(62,079)
TPAF Social Security Contributions (Reimbursed)				1,174,090	(1,174,090)
Total On-Behalf Contributions				4,432,999	(4,432,999)
Total Personal Services - Employee Benefits	7,934,219	(224,799)	7,709,420	10,897,772	(3,188,352)
Total Undistributed Expenses	20,747,152	(293,650)	20,453,502	22,325,658	(1,872,156)
TOTAL GENERAL CURRENT EXPENSE	37,917,754	(319,343)	37,598,411	38,354,002	(755,591)

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CAPITAL OUTLAY:					
Equipment:					
General Administration	\$ 25,667	\$ 19,248	\$ 44,915	\$ 32,990	\$ 11,925
Supp Serv. - Related & Extraordinary		4,085	4,085	4,085	
School Administration		67,263	67,263	23,984	43,279
Administration Information Technology		70,995	70,995	39,350	31,645
Required Maintenance for School Facilities		68,469	68,469	33,824	34,645
School Buses - Regular	27,955	90,283	118,238	118,237	1
Total Equipment	53,622	320,343	373,965	252,470	121,495
Facilities Acquisition and Construction Services:					
Assessment for Debt Service on SDA Funding	2,793		2,793	2,793	
Total Facilities Acquisition and Construction Services	2,793		2,793	2,793	
TOTAL CAPITAL OUTLAY	56,415	320,343	376,758	255,263	121,495
TOTAL EXPENDITURES	37,974,169	1,000	37,975,169	38,609,265	(634,096)
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(1,947,570)	(1,000)	(1,948,570)	2,097,366	4,045,936

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
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	\$ (594,000)	\$ (18,328)	\$ (612,328)	\$ (612,328)	
Total Other Financing Uses	<u>(594,000)</u>	<u>(18,328)</u>	<u>(612,328)</u>	<u>(612,328)</u>	
Excess/(Deficiency) of Revenues and Other Financing Uses Over/(Under) Expenditures	(2,541,570)	(19,328)	(2,560,898)	1,485,038	\$ 4,045,936
Fund Balance, July 1	5,767,520		5,767,520	5,767,520	
Fund Balance, June 30	<u>\$ 3,225,950</u>	<u>\$ (19,328)</u>	<u>\$ 3,206,622</u>	<u>\$ 7,252,558</u>	<u>\$ 4,045,936</u>
<u>Recapitulation of Fund Balance at June 30, 2017:</u>					
Restricted:					
Excess Surplus				\$ 1,000,000	
Excess Surplus - For Subsequent Year's Expenditures				1,100,000	
Capital Reserve				3,717,471	
Maintenance Reserve				200,000	
Assigned:					
Year-End Encumbrances				520,960	
Unassigned				714,127	
				<u>7,252,558</u>	
Reconciliation to Governmental Funds Statement (GAAP):					
Last State Aid Payments not Recognized on GAAP Basis				(221,294)	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 7,031,264</u>	

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

SPECIAL REVENUE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources		\$ 3,178	\$ 3,178	\$ 2,714	\$ (464)
State Sources	\$ 222,150	48,286	270,436	259,048	(11,388)
Federal Sources	528,478	141,085	669,563	577,131	(92,432)
Total Revenues	750,628	192,549	943,177	838,893	(104,284)
EXPENDITURES:					
Instruction:					
Purchased Professional - Educational Services	198,272	27,340	225,612	214,821	10,791
Tuition	411,593	135	411,728	411,728	
Other Purchased Services		24,828	24,828	20,349	4,479
General Supplies	6,822	44,437	51,259	20,853	30,406
Textbooks	23,056		23,056	23,056	
Total Instruction	639,743	96,740	736,483	690,807	45,676
Support Services:					
Purchase Professional - Educational Services	107,682	43,290	150,972	101,423	49,549
Purchased Professional and Technical Services		4,410	4,410	2,313	2,097
Other Purchased Professional Services		44,183	44,183	38,055	6,128
Supplies and Materials	3,203	3,926	7,129	6,295	834
Total Support Services	110,885	95,809	206,694	148,086	58,608
Total Expenditures	750,628	192,549	943,177	838,893	104,284
Excess of Revenues Over Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures	General	Special
Sources/Inflows of Resources:	Fund	Revenue
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 40,706,631	\$ 838,893
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		(4,354)
Prior Year Encumbrances		1,550
Prior Year State aid payments recognized for GAAP statements, not recognized for budgetary purposes.	210,876	
Current Year State aid payments recognized for budgetary purposes, not recognized for GAAP statements.	(221,294)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 40,696,213	\$ 836,089
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 38,609,265	\$ 838,893
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		(4,354)
Prior Year Encumbrances		1,550
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 38,609,265	\$ 836,089

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, 2017 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, 2017
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, 2017

	IDEA, Part B		Title I	No Child Left Behind	
	Basic	Preschool		Title II, Part A	Title III
REVENUE:					
Local Sources					
State Sources					
Federal Sources	\$ 499,586	7,913	\$ 29,523	\$ 33,814	\$ 6,295
Total Revenue	<u>499,586</u>	<u>7,913</u>	<u>29,523</u>	<u>33,814</u>	<u>6,295</u>
EXPENDITURES:					
Instruction:					
Purchased Professional - Educational Services					
Tuition	411,728				
Other Purchased Services					
General Supplies	7,679	3,125	6,513		
Textbooks					
Total Instruction	<u>419,407</u>	<u>3,125</u>	<u>6,513</u>		
Support Services:					
Purchased Professional - Educational Services	46,912		23,010	31,501	
Purchased Professional and Technical Services				2,313	
Other Purchased Professional Services	33,267	4,788			
Supplies and Materials					6,295
Total Support Services	<u>80,179</u>	<u>4,788</u>	<u>23,010</u>	<u>33,814</u>	<u>6,295</u>
Total Expenditures	<u>\$ 499,586</u>	<u>\$ 7,913</u>	<u>\$ 29,523</u>	<u>\$ 33,814</u>	<u>\$ 6,295</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Nonpublic				
	Auxiliary Services		Nonpublic Handicapped Services		
	Compensatory Education	English as a Second Language	Exam and Classification	Supplementary Instruction	Corrective Speech
REVENUE:					
Local Sources					
State Sources	\$ 54,017	822	\$ 45,760	\$ 43,629	\$ 24,385
Federal Sources					
Total Revenue	54,017	822	45,760	43,629	24,385
EXPENDITURES:					
Instruction:					
Purchased Professional - Educational Services	54,017		45,760	43,629	24,385
Tuition					
Other Purchased Services					
General Supplies		822			
Textbooks					
Total Instruction	54,017	822	45,760	43,629	24,385
Support Services:					
Purchased Professional - Educational Services					
Purchased Professional and Technical Services					
Other Purchased Professional Services					
Supplies and Materials					
Total Support Services					
Total Expenditures	\$ 54,017	822	\$ 45,760	\$ 43,629	\$ 24,385

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	SJG Home and School	Nonpublic Nursing	Nonpublic Textbooks	Nonpublic Security	Nonpublic Technology	Totals
REVENUE:						
Local Sources	\$ 2,714					\$ 2,714
State Sources		\$ 36,630	\$ 23,056	\$ 20,349	\$ 10,400	\$ 259,048
Federal Sources						577,131
Total Revenue	2,714	36,630	23,056	20,349	10,400	838,893
EXPENDITURES:						
Instruction:						
Purchased Professional - Educational Services		36,630			10,400	214,821
Tuition						411,728
Other Purchased Services				20,349		20,349
General Supplies	2,714					20,853
Textbooks			23,056			23,056
Total Instruction	2,714	36,630	23,056	20,349	10,400	690,807
Support Services:						
Purchased Professional - Educational Services						101,423
Purchased Professional and Technical Services						2,313
Other Purchased Professional Services						38,055
Supplies and Materials						6,295
Total Support Services						148,086
Total Expenditures	\$ 2,714	\$ 36,630	\$ 23,056	\$ 20,349	\$ 10,400	\$ 838,893

CAPITAL PROJECTS FUND

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, 2017

Revenue and Other Financing Sources:	
Budget Appropriation	\$ 200,000
Investment Income	4,723
Transfer from General Fund - Capital Reserve	<u>612,328</u>
Total Revenue and Other Financing Sources	<u>817,051</u>
Expenditures and Other Financing Uses:	
Purchased Professional and Technical Services	46,443
Construction Services	1,851,341
Transfers Out:	
Transfer to Debt Service Fund Interest	4,723
Transfer to Debt Service Fund - Unexpended Projects Balances	<u>315,157</u>
Total Expenditures and Other Financing Uses	<u>2,217,664</u>
Deficit of Revenue and Other Financing Sources Under Expenditures and Other Financing Uses	(1,400,613)
Fund Balance - Beginning	<u>3,707,341</u>
Fund Balance - Ending	<u><u>\$ 2,306,728</u></u>
Restricted	\$ 142,384
Committed	<u>2,164,344</u>
	2,306,728
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><u>\$ (30,018)</u></u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
RENOVATIONS AND ALTERATIONS AT
PEQUANNOCK HIGH SCHOOL AND PEQUANNOCK VALLEY MIDDLE SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<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	1,840,000	\$ 160,157	<u>2,000,157</u>	<u>2,000,157</u>
Total Expenditures and Other Financing Uses	<u>12,829,843</u>	<u>160,157</u>	<u>12,990,000</u>	<u>12,990,000</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ 160,157</u>	<u>\$ (160,157)</u>	<u>\$ -0-</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

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, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
Budget Appropriations	\$ 1,800,000	\$ 200,000	\$ 2,000,000	\$ 2,000,000
Total Revenue and Other Financing Sources	1,800,000	200,000	2,000,000	2,000,000
Expenditures:				
Construction Services	2,000,000		2,000,000	2,000,000
Total Expenditures	2,000,000		2,000,000	2,000,000
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	\$ (200,000)	\$ 200,000	\$ -0-	\$ -0-

Additional Project Information:

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF 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, 2017

	<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	100.00%
Original Target Completion Date	8/31/2014
Revised Target Completion Date	12/31/2016

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, 2017

	<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	2,681,567
Other Objects	1,538		1,538	112,550
Transfer to Debt Service Fund	150,000	\$ 155,000	<u>305,000</u>	<u>305,000</u>
Total Expenditures and Other Financing Uses	<u>3,052,616</u>	<u>155,000</u>	<u>3,207,616</u>	<u>3,350,000</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ 297,384</u>	<u>\$ (155,000)</u>	<u>\$ 142,384</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

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, 2017

	<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	\$ 70,837	\$ 8,161	78,998	169,482
Construction Services	428,420	232,900	661,320	1,039,000
Total Expenditures	<u>499,257</u>	<u>241,061</u>	<u>740,318</u>	<u>1,208,482</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 709,225</u>	<u>\$ (241,061)</u>	<u>\$ 468,164</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	100.00%
Original Target Completion Date	12/31/2016

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, 2017

	<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		\$ 25,885	25,885	176,750
Construction Services		357,919	357,919	957,500
Total Expenditures		383,804	383,804	1,134,250
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 1,134,250</u>	<u>\$ (383,804)</u>	<u>\$ 750,446</u>	<u>\$ -0-</u>

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	100.00%
Original Target Completion Date	12/31/2016
Revised Target Completion Date	6/30/2017

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, 2017

	<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	\$ 218,328	\$ 589,668	\$ 589,668
Total Revenue and Other Financing Sources	<u>371,340</u>	<u>218,328</u>	<u>589,668</u>	<u>589,668</u>
Expenditures:				
Legal Services				
Purchased Professional & Technical Services	32,540	3,675	36,215	23,500
Other Purchased Services	1,028		1,028	1,028
Construction Services	<u>11,700</u>	<u>536,633</u>	<u>548,333</u>	<u>565,140</u>
Total Expenditures	<u>45,268</u>	<u>540,308</u>	<u>585,576</u>	<u>589,668</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 326,072</u>	<u>\$ (321,980)</u>	<u>\$ 4,092</u>	<u>\$ -0-</u>

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	\$ 589,668
Percentage Completion	100.00%
Original Target Completion Date	12/31/2016
Revised Target Completion Date	1/23/2017

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, 2017

	<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	789,919		789,919	789,919
Expenditures:				
Purchased Professional & Technical Services	\$ 53,896	\$ 3,822	57,718	57,719
Construction Services	383,250	317,059	700,309	732,200
Total Expenditures	437,146	320,881	758,027	789,919
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 352,773</u>	<u>\$ (320,881)</u>	<u>\$ 31,892</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	100.00%
Original Target Completion Date	8/31/2014
Revised Target Completion Date	12/31/2016

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, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 574,805		\$ 574,805	\$ 574,805
Transfer from Capital Reserve	862,208	\$ 294,000	1,156,208	1,156,208
Total Revenue and Other Financing Sources	<u>1,437,013</u>	<u>294,000</u>	<u>1,731,013</u>	<u>1,731,013</u>
Expenditures:				
Purchased Professional & Technical Services	94,042	4,900	98,942	216,813
Construction Services	1,003,349	306,830	1,310,179	1,514,200
Total Expenditures	<u>1,097,391</u>	<u>311,730</u>	<u>1,409,121</u>	<u>1,731,013</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 339,622</u>	<u>\$ (17,730)</u>	<u>\$ 321,892</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	\$ 1,731,013
Percentage Completion	100.00%
Original Target Completion Date	8/31/2014
Revised Target Completion Date	11/14/2016

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
DISTRICT WIDE PAVING PROJECT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
Transfer from Capital Reserve		\$ 100,000	\$ 100,000	\$ 100,000
Total Revenue and Other Financing Sources		100,000	100,000	100,000
Expenditures:				
Purchased Professional & Technical Services				
Construction Services		100,000	100,000	100,000
Total Expenditures		100,000	100,000	100,000
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -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	\$ 100,000
Percentage Completion	100.00%
Original Target Completion Date	6/30/2017

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF TEMPORARY NOTES PAYABLE

Purpose	Original Issue	Issue Date	Maturity Date	Interest Rate	Balance June 30, 2016	Balance Matured	Balance June 30, 2017
Improvement of Track and Fields at Pequannock High School	\$ 2,000,000	7/09/2015	7/09/2016	0.95%	\$ 200,000	\$ 200,000	
					<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ -0-</u>
				Paid by Debt Service Fund	<u>\$ 200,000</u>	<u>\$ 200,000</u>	

PROPRIETARY FUNDS

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 51,253
Receivables - Other	5
Inventory	9,564
Total Current Assets	60,822
Non-Current Assets:	
Capital Assets	114,475
Less: Accumulated Depreciation	(92,416)
Total Non-Current Assets	22,059
Total Assets	82,881
LIABILITIES:	
Current Liabilities:	
Prepaid Sales	2,008
Accounts Payable - Vendors	3,044
Total Liabilities	5,052
NET POSITION:	
Investment in Capital Assets	22,059
Unrestricted	55,770
Total Net Position	\$ 77,829

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Operating Revenue:	<u>Food Service</u>
Local Sources:	
Daily Sales - Nonreimbursable Programs	\$ 691,381
Special Events	3,791
	<hr/>
Total Operating Revenue	695,172
	<hr/>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	1,704
Cost of Sales - Nonreimbursable Programs	305,319
Salaries	196,646
Payroll Taxes	28,910
Employee Benefits	44,728
Management Fee	42,540
Supplies and Materials	36,653
Depreciation Expense	5,549
Miscellaneous Expenditures	29,665
	<hr/>
Total Operating Expenses	691,714
	<hr/>
Operating Income	3,458
	<hr/>
Non-Operating Revenue:	
Federal Sources:	
Food Distribution Program	1,704
Local Sources:	
Interest Revenue	605
	<hr/>
Total Non-Operating Revenue	2,309
	<hr/>
Change in Net Position	5,767
	<hr/>
Net Position - Beginning of Year	72,062
	<hr/>
Net Position - End of Year	\$ 77,829
	<hr/> <hr/>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 694,098
Payments to Food Service Vendor	(648,623)
Payments to Suppliers	(34,694)
	10,781
Cash Flows from Investing Activities:	
Interest Revenue	605
	605
Cash Flows from Noncapital Financing Activities:	
Receipt of Federal Reimbursements	3,991
Receipt of State Reimbursements	251
	4,242
Cash Flows from Capital and Related Financing Activities:	
Purchase of Capital Assets	(5,029)
	(5,029)
Net Increase in Cash and Cash Equivalents	10,599
Cash and Cash Equivalents, July 1	40,654
Cash and Cash Equivalents, June 30	\$ 51,253
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 3,458
Adjustment to Reconcile Operating Income to Cash	
Provided by Operating Activities:	
Depreciation	5,549
Federal Food Distribution Program	1,704
Changes in Assets and Liabilities:	
(Decrease) in Prepaid Sales	(1,154)
(Decrease) Unearned Revenue	(1,704)
Increase in Receivables - Other	80
Increase in Inventory	779
Increase in Accounts Payable	2,069
	2,069
Net Cash Provided by Operating Activities	\$ 10,781

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund utilized Commodities through the Food Distribution Program valued at \$1,704 for the fiscal year ended June 30, 2017.

FIDUCIARY FUNDS

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2017

	Agency		Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust
	Student Activity	Payroll			
ASSETS:					
Cash and Cash Equivalents	\$ 174,232	\$ 3,824	\$ 389,192	\$ 8,963	\$ 154,150
Total Assets	174,232	3,824	389,192	8,963	154,150
LIABILITIES:					
Interfund Payable:					
General Fund		2,924	2,924		
Payroll Deductions and Withholdings Due to Student Groups	174,232	900	174,232		
Total Liabilities	174,232	3,824	178,056		
NET POSITION:					
Held in Trust for:					
Unemployment Claims			389,192		
Flexible Spending Claims Scholarships				8,963	154,150
Total Net Position	\$ -0-	\$ -0-	\$ 389,192	\$ 8,963	\$ 154,150

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust	Totals
ADDITIONS:				
Contributions - Employees	\$ 46,190	\$ 39,372		\$ 85,562
Contributions - District	50,000			50,000
Donations			\$ 1,450	1,450
Total Contributions	<u>96,190</u>	<u>39,372</u>	<u>1,450</u>	<u>137,012</u>
Investment Earnings:				
Interest	1,761	95	850	2,706
Net Investment Earnings	<u>1,761</u>	<u>95</u>	<u>850</u>	<u>2,706</u>
Total Additions	<u>97,951</u>	<u>39,467</u>	<u>2,300</u>	<u>139,718</u>
DEDUCTIONS:				
Flexible Spending Claims		35,039		35,039
Scholarships Awarded			7,775	7,775
Total Deductions		<u>35,039</u>	<u>7,775</u>	<u>42,814</u>
Change in Net Position	97,951	4,428	(5,475)	96,904
Net Position - Beginning of the Year	<u>291,241</u>	<u>4,535</u>	<u>159,625</u>	<u>455,401</u>
Net Position - End of the Year	<u>\$ 389,192</u>	<u>\$ 8,963</u>	<u>\$ 154,150</u>	<u>\$ 552,305</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
ASSETS:				
Cash and Cash Equivalents	\$ 152,644	\$ 329,544	\$ 307,956	\$ 174,232
Total Assets	<u>\$ 152,644</u>	<u>\$ 329,544</u>	<u>\$ 307,956</u>	<u>\$ 174,232</u>
LIABILITIES:				
Due to Student Groups	\$ 152,644	\$ 329,544	\$ 307,956	\$ 174,232
Total Liabilities	<u>\$ 152,644</u>	<u>\$ 329,544</u>	<u>\$ 307,956</u>	<u>\$ 174,232</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>June 30, 2016</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2017</u>
Middle School:				
Pequannock Valley	\$ 20,653	\$ 61,651	\$ 56,282	\$ 26,022
Senior High School:				
Pequannock	120,825	257,055	244,730	133,150
Interscholastic Athletics	1,967	1,116	1,419	1,664
Future Business Leaders of America	9,199	9,722	5,525	13,396
Total All Schools	<u>\$ 152,644</u>	<u>\$ 329,544</u>	<u>\$ 307,956</u>	<u>\$ 174,232</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
ASSETS:				
Cash and Cash Equivalents	\$ 948	\$ 24,441,584	\$ 24,438,708	\$ 3,824
Total Assets	<u>\$ 948</u>	<u>\$ 24,441,584</u>	<u>\$ 24,438,708</u>	<u>\$ 3,824</u>
LIABILITIES:				
Accrued Salaries and Wages	\$ 100	\$ 430,200	\$ 430,300	
Interfund Payable - General Fund	206	3,566	848	\$ 2,924
Interfund Payable - Unemployment Compensation Trust Fund		46,191	46,191	
Payroll Deductions and Withholdings	642	23,961,627	23,961,369	900
Total Liabilities	<u>\$ 948</u>	<u>\$ 24,441,584</u>	<u>\$ 24,438,708</u>	<u>\$ 3,824</u>

LONG-TERM DEBT

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds				Balance July 1, 2016	Matured	Balance June 30, 2017
			Date	June 30, 2017	Interest Rate	Outstanding Amount			
Schools Renovations & Alterations	5/5/2009	\$ 12,990,000	1/15/2018	\$ 680,000	4.000%	\$ 1,340,000	\$ 660,000	\$ 680,000	
			8/12/2017	165,000	2.000%				
	8/29/2013	3,350,000	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%				
Refunding Bonds	2/25/2016	9,025,000	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%	3,200,000	155,000	3,045,000	
			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	35,000	8,990,000	
						\$ 13,565,000	\$ 850,000	\$ 12,715,000	

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOT APPLICABLE

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 795,800		\$ 795,800	\$ 795,800	
Investment Income					
State Sources:					
Debt Service Aid Type II	373,256		373,256	373,256	
Total Revenues	1,169,056		1,169,056	1,169,056	
EXPENDITURES:					
Regular Debt Service:					
Interest and Other Charges	452,231		452,231	452,231	
Redemption of Principal	1,050,000		1,050,000	1,050,000	
Total Regular Debt Service	1,502,231		1,502,231	1,502,231	
Total Expenditures	1,502,231		1,502,231	1,502,231	
Excess/(Deficit) of Revenues (Under) Expenditures	(333,175)		(333,175)	(333,175)	
Other Financing Sources/(Uses):					
Transfer from Capital Projects Fund:					
Unexpended Projects Balances	315,157		315,157	315,157	
Investment Income				4,723	\$ 4,723
Total Other Financing Sources/(Uses)	315,157		315,157	319,880	4,723
Excess/(Deficit) of Revenues and Other Financing Sources Over/(Under) Expenditures	(18,018)		(18,018)	(13,295)	4,723
Fund Balance, July 1	19,192		19,192	19,192	
Fund Balance, June 30	\$ 1,174	\$ -0-	\$ 1,174	\$ 5,897	\$ 4,723

Recapitulation of Fund Balance at June 30, 2017:

Restricted:	
For Subsequent Year's Expenditures	\$ 1,174
Other Purposes	4,723
	<u>\$ 5,897</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,				
	2008	2009	2010	2011	2012
Governmental Activities:					
Net Investment in Capital Assets	\$ 9,537,969	\$ 9,792,774	\$ 10,576,913	\$ 7,260,551	\$ 11,386,194
Restricted	3,549,283	4,851,595	4,918,814	7,127,061	6,444,812
Unrestricted/(Deficit)	242,918	(33,250)	94,613	1,762,414	(580,527)
Total Governmental Activities Net Position	<u>\$ 13,330,170</u>	<u>\$ 14,611,119</u>	<u>\$ 15,590,340</u>	<u>\$ 16,150,026</u>	<u>\$ 17,250,479</u>
Business-type Activities:					
Net Investment in Capital Assets	\$ 17,299	\$ 16,131	\$ 57,596	\$ 10,804	\$ 3,947
Unrestricted	120,485	111,160	67,142	66,987	41,516
Total Business-type Activities Net Position	<u>\$ 137,784</u>	<u>\$ 127,291</u>	<u>\$ 124,738</u>	<u>\$ 77,791</u>	<u>\$ 45,463</u>
District-wide:					
Net Investment in Capital Assets	\$ 9,555,268	\$ 9,808,905	\$ 10,634,509	\$ 7,271,355	\$ 11,390,141
Restricted	3,549,283	4,851,595	4,918,814	7,127,061	6,444,812
Unrestricted/(Deficit)	363,403	77,910	161,755	1,829,401	(539,011)
Total District-wide Net Position	<u>\$ 13,467,954</u>	<u>\$ 14,738,410</u>	<u>\$ 15,715,078</u>	<u>\$ 16,227,817</u>	<u>\$ 17,295,942</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

	June 30,				
	2013	2014	2015	2016*	2017
Governmental Activities:					
Net Investment in Capital Assets	\$ 11,779,227	\$ 10,897,989	\$ 15,002,450	\$ 19,449,441	\$ 21,508,719
Restricted	6,678,692	9,175,464	6,680,364	4,808,520	6,023,368
Unrestricted/(Deficit)	48,615	(8,832,048)	(9,700,752)	(8,036,597)	(10,039,782)
Total Governmental Activities Net Position	\$ 18,506,534	\$ 11,241,405	\$ 11,982,062	\$ 16,221,364	\$ 17,492,305
Business-type Activities:					
Net Investment in Capital Assets	\$ 2,667	\$ 15,429	\$ 11,678	\$ 22,579	\$ 22,059
Unrestricted	62,735	24,308	57,625	49,483	55,770
Total Business-type Activities Net Position	\$ 65,402	\$ 39,737	\$ 69,303	\$ 72,062	\$ 77,829
District-wide:					
Net Investment in Capital Assets	\$ 11,781,894	\$ 10,913,418	\$ 15,014,128	\$ 19,472,020	\$ 21,530,778
Restricted	6,678,692	9,175,464	6,680,364	4,808,520	6,023,368
Unrestricted/(Deficit)	111,350	(8,807,740)	(9,643,127)	(7,987,114)	(9,984,012)
Total District-wide Net Position	\$ 18,571,936	\$ 11,281,142	\$ 12,051,365	\$ 16,293,426	\$ 17,570,134

* - Restated

Source: Pequannock Township School District Financial Reports.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	
Expenses:										
Governmental Activities:										
Instruction:										
Regular	\$ 16,168,742	\$ 16,630,347	\$ 16,092,565	\$ 16,424,691	\$ 17,204,470	\$ 17,288,486	\$ 20,102,745	\$ 20,356,850	\$ 23,161,900	
Special Education	4,929,171	4,632,100	5,364,439	5,585,178	5,392,492	5,226,471	5,810,299	6,315,970	7,109,136	
Other Special Instruction	278,841	269,116	214,625	545,078	337,613	335,517	635,573	712,544	471,048	
School Sponsored Instruction	587,190	609,241	653,558	756,034	889,036	974,701	1,180,467	1,259,036	1,479,322	
Support Services:										
Tuition	1,194,968	1,906,607	1,653,770	1,822,467	1,692,099	1,759,129	2,415,310	2,275,185	1,885,284	
Student & Instruction Related Services	4,441,124	4,492,381	4,480,972	4,444,681	4,517,707	4,716,527	5,029,259	5,344,281	5,780,071	
General Administration Services	764,705	581,531	861,243	944,958	809,157	794,428	707,109	639,725	623,713	
School Administration Services	2,035,764	2,269,299	2,591,799	2,128,209	2,435,971	1,962,188	2,568,393	2,740,609	2,626,583	
Central Services	557,846	555,533	518,487	583,280	532,573	507,535	526,938	508,638	594,207	
Administrative Information Technology	240,077	258,045	264,221	203,608	242,416	243,475	52,889	83,497	326,248	
Plant Operations and Maintenance	2,946,804	2,438,628	2,924,324	2,977,172	2,619,567	2,913,742	2,913,546	2,282,507	3,032,863	
Pupil Transportation	953,110	1,037,114	1,085,095	1,008,460	962,456	1,085,674	1,160,443	1,236,391	1,287,637	
Charter Schools			21,119	22,590						
Interest on Long-term Debt	335,966	417,284	601,191	534,977	532,914	504,650	653,130	360,486	556,024	
Unallocated Depreciation	173,464	102,931								
Capital Outlay	23,208	184,295				2,793	2,587			
Total Governmental Activities Expenses	35,630,980	36,384,452	37,327,408	37,981,383	38,168,471	38,315,316	43,758,688	44,115,719	48,934,036	
Business-type Activities:										
Food Service	694,376	729,498	699,178	710,854	667,338	712,616	630,439	615,384	691,714	
Imagine Program	29,508		3,369							
Total Business-type Activities Expenses	723,884	729,498	702,547	710,854	667,338	712,616	630,439	615,384	691,714	
Total District-wide Expenses	36,354,864	37,113,950	38,029,955	38,692,237	38,835,809	39,027,932	44,389,127	44,731,103	49,625,750	
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Tuition	285,191	280,000	290,475	282,211	403,512	306,786	313,874	331,675	416,809	
Pupil Transportation	47,076	32,987	35,429	25,755	22,073	13,505	19,004	30,326		
Operating Grants and Contributions	5,025,800	4,643,807	4,882,140	5,713,196	6,057,351	5,680,108	10,037,487	11,190,927	14,436,463	
Capital Grants and Contributions	4,144									
Total Governmental Activities Program Revenues	5,362,211	4,956,794	5,208,044	6,021,162	6,482,936	6,000,399	10,370,365	11,552,928	14,853,272	

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

Fiscal Year Ending June 30,

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Program Revenues:									
Business-type Activities:									
Charges for Services:									
Food Service	\$ 625,291	\$ 628,289	\$ 605,068	\$ 587,050	\$ 586,355	\$ 579,114	\$ 553,402	\$ 538,728	\$ 695,172
Imagine Program	923								
Operating Grants and Contributions	85,060	98,112	90,186	91,244	100,690	107,539	106,463	79,101	1,704
Total Business-type Activities Program Revenues	711,274	726,401	695,254	678,294	687,045	686,653	659,865	617,829	696,876
Total District-wide Program Revenues	6,073,485	5,683,195	5,903,298	6,699,456	7,169,981	6,687,052	11,030,230	12,170,757	15,550,148
Net (Expense)/Revenue:									
Governmental Activities	(30,268,769)	(31,427,658)	(32,119,364)	(31,960,221)	(31,685,535)	(32,314,917)	(33,388,323)	(32,562,791)	(34,080,764)
Business-Type Activities	(12,610)	(3,097)	(7,293)	(32,560)	19,707	(25,963)	29,426	2,445	5,162
Total District-wide Net (Expense)/Revenue	(30,281,379)	(31,430,755)	(32,126,657)	(31,992,781)	(31,665,828)	(32,340,880)	(33,358,897)	(32,560,346)	(34,075,602)
General Revenues and Other Changes in Net Position:									
Governmental Activities:									
Property Taxes Levied for General Purposes, Net	29,453,628	30,448,340	30,946,682	30,946,682	30,921,682	31,150,449	31,711,157	32,281,958	33,139,323
Taxes Levied for Debt Service	345,474	603,675	893,390	769,537	714,845	730,986	874,265	820,694	795,800
Unrestricted Grants and Contributions	1,335,400	1,185,186	632,616	975,672	1,055,622	1,107,834	1,088,258	1,132,036	1,148,700
Investment Earnings	60,735	123,748	15,201	11,117	10,888	19,133	8,306	19,223	9,715
Miscellaneous Income	411,239	101,484	191,161	357,666	289,936	610,611	446,994	415,703	258,167
Transfers	(56,758)	(55,554)							
Total Governmental Activities General Revenues & Other Changes in Net Position	31,549,718	32,406,879	32,679,050	33,060,674	32,992,973	33,619,013	34,128,980	34,669,614	35,351,705
Business-type Activities:									
Investment Earnings	2,117	544	281	232	232	298	140	314	605
Capital Adjustments			(39,935)						
Total Business-type Activities General Revenues & Other Changes in Net Position	2,117	544	(39,654)	232	232	298	140	314	605
Total District-wide General Revenues & Other Changes in Net Position	31,551,835	32,407,423	32,639,396	33,060,906	32,993,205	33,619,311	34,129,120	34,669,928	35,352,310
Change in Net Position:									
Governmental Activities	1,280,949	979,221	559,686	1,100,453	1,307,438	1,304,096	740,657	2,106,823	1,270,941
Business-type Activities	(10,493)	(2,553)	(46,947)	(32,328)	19,939	(25,665)	29,566	2,759	5,767
Total Districtwide Change in Net Position	\$ 1,270,456	\$ 976,668	\$ 512,739	\$ 1,068,125	\$ 1,327,377	\$ 1,278,431	\$ 770,223	\$ 2,109,582	\$ 1,276,708

Source: Pequannock Township School District Financial Reports.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

UNAUDITED

(Modified Accrual Basis of Accounting)

	June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund:										
Reserved	\$ 3,510,739	\$ 4,735,207	\$ 3,962,959							
Unreserved	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	\$ 6,017,471
Assigned				1,074,876	945,272	1,780,852	928,189	411,086	698,570	520,960
Unassigned				960,563	937,516	744,819	614,034	548,804	526,287	492,833
Total General Fund	\$ 4,131,297	\$ 5,426,323	\$ 5,200,326	\$ 5,595,456	\$ 6,306,570	\$ 7,229,970	\$ 7,134,178	\$ 6,363,124	\$ 5,556,644	\$ 7,031,264
Other Governmental Funds:										
Unreserved	\$ 38,544	\$ 111,101,669	\$ 4,356,688							
Restricted				\$ 3,567,044	\$ 2,021,030	\$ 1,974,393	\$ 3,583,479	\$ 1,277,130	\$ 476,733	\$ 5,897
Committed				310,785			42,947			
Unassigned/(Deficit)					(2,000,000)	(2,000,000)	(1,440,000)	(1,707,875)	913,054	(30,018)
Total Other Governmental Funds	\$ 38,544	\$ 111,101,669	\$ 4,356,688	\$ 3,877,829	\$ 21,030	\$ (25,607)	\$ 2,186,426	\$ (430,745)	\$ 1,389,787	\$ (24,121)
Total Governmental Funds:										
Reserved	\$ 3,510,739	\$ 4,735,207	\$ 3,962,959							
Unreserved	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	\$ 6,023,368
Committed				310,785			42,947			
Assigned				1,074,876	945,272	1,780,852	928,189	411,086	698,570	520,960
Unassigned/(Deficit)				960,563	(1,062,484)	(1,255,181)	(825,966)	(1,159,071)	1,439,341	462,815
Total Governmental Funds	\$ 4,169,841	\$ 16,527,992	\$ 9,557,014	\$ 9,473,285	\$ 6,327,600	\$ 7,204,363	\$ 9,320,604	\$ 5,932,379	\$ 6,946,431	\$ 7,007,143

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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
Tax Levy	\$ 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	\$ 33,935,123
Tuition Charges	182,523	285,191	280,000	290,475	282,211	403,512	306,786	313,874	331,675	416,809
Transportation Fees	36,646	47,076	32,987	35,429	25,755	22,073	13,505	19,004	30,326	
Interest Earnings	4,974	60,735	128,873	15,201	11,117	10,888	19,133	2,480	19,223	9,715
Budget Appropriation							560,000	615,000	625,000	200,000
Miscellaneous	317,439	411,239	102,431	198,925	391,362	292,215	612,171	458,854	415,703	262,431
State Sources	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	7,505,930
Federal Sources	616,032	556,895	779,890	861,168	929,011	578,380	584,739	603,845	591,506	576,073
Total Revenues	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	42,906,081
Expenditures:										
Instruction:										
Regular Instruction	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	11,771,347
Special Education	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	3,626,759
Other Special Instruction	231,072	273,841	262,115	203,088	257,122	213,635	207,555	213,033	216,700	221,804
School Sponsored Instruction	608,428	606,745	609,241	653,558	658,558	652,332	717,004	756,647	771,571	832,795
Support Services:										
Tuition	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	1,885,284
Student/Instruction-related Serv.	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	3,857,609
General Administration	749,471	643,909	660,728	740,097	738,003	725,016	696,628	607,792	536,175	528,380
School Administration	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	1,328,755
Central Services	396,948	415,313	445,747	420,510	430,495	432,548	403,781	416,117	401,429	470,613
Administrative Info. Technology	184,078	187,711	199,071	198,838	182,371	191,793	197,617	52,889	81,672	274,972
Plant Operations/Maintenance	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	2,511,753
Pupil Transportation	977,462	880,920	956,396	896,063	861,911	758,934	881,959	922,299	986,734	982,248

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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenditures:										
Support Services:										
Allocated Benefits	\$ 4,605,491	\$ 4,997,184	\$ 5,522,472	\$ 5,599,083						
Unallocated Benefits	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	\$ 10,897,772
Charter Schools				21,119	22,590					
Capital Outlay	90,245	2,015,375	7,191,022	951,297	4,596,668	769,666	2,766,955	4,630,044	796,642	2,153,047
Debt Service:										
Principal	1,035,000	450,000	470,000	740,000	555,000	575,000	1,160,000	1,235,000	1,415,000	1,050,000
Interest & Other Charges	131,948	104,550	481,275	591,275	561,700	538,412	514,275	634,820	566,950	452,231
Total Expenditures	36,669,029	37,543,778	44,334,651	37,970,823	42,229,533	38,601,159	41,413,171	44,430,713	41,010,666	42,845,369
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 Amount on Refunding									(645,340)	
Bond Proceeds		12,990,000					3,350,000			
Transfers In		51,860	416,798	12,499	183,956	45,918	780,928	1,736,403	3,330,065	932,208
Transfers Out	(51,700)	(108,618)	(472,352)	(12,499)	(183,956)	(45,918)	(780,928)	(1,736,403)	(3,330,065)	(932,208)
Total Other Financing Sources/(Uses)	(51,700)	12,933,242	(55,554)				3,350,000			
Net Change in Fund Balances	\$ 731,932	\$ 12,358,151	\$ (6,970,978)	\$ (83,729)	\$ (3,147,697)	\$ 874,750	\$ 2,116,241	\$ (3,388,225)	\$ 1,014,052	\$ 60,712
Debt Service as a Percentage of Noncapital Expenditures	3.19%	1.56%	2.56%	3.60%	2.97%	2.94%	4.33%	4.70%	4.93%	3.69%

Source: Pequannock Township School District Financial Reports.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

Fiscal Year Ending June 30,	Interest on Investments	Transportation Fees	Tuition	Rentals - Use of Facilities	Other	Total
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
2017	9,715		416,809	82,242	171,202	679,968

* - 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)
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
2016	12,742,000	1,760,533,100	10,820,600	102,000	278,609,700	57,595,400	361,542,500	2,481,945,300	100	2,481,945,400	155,442,800	1.37	2,654,216,368

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 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.

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
	<u>Basic Rate ^a</u>	<u>General Obligation Debt Service ^b</u>	<u>Total Direct</u>	<u>Pequannock Township</u>	<u>Morris County</u>	
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
2016	1.34	0.03	1.37	0.53	0.27	2.17

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 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.

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

Taxpayer	2016			2007		
	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%	\$ 329,630,600	1	11.43%
AHS Hospital Corp.	57,176,500	2	2.36%			
Plaza 23 Associates	24,446,100	3	1.01%	27,743,100	2	0.96%
Balaji LLC	7,732,500	4	0.32%			
West End Road Associates	7,280,000	5	0.30%	7,436,500	3	0.26%
New EKC Corporation	6,633,400	6	0.27%	6,291,200	5	0.22%
Adjess Associates	6,224,900	7	0.26%	6,412,100	4	0.22%
Pequannock Joint Venture	5,856,500	8	0.24%	6,200,400	6	0.21%
Perrin Associates LLC	5,751,000	9	0.24%	5,948,700	7	0.21%
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%
Adventure Holdings LLC				4,639,200	9	0.16%
Total	\$ 484,153,900		17.56%	\$ 403,656,500		14.00%

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

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	
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 -
2017	33,935,123	33,935,123	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						
2008	\$ 2,460,000	\$ - 0 -	\$ - 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	1.03%	887.72			
2017	12,715,000	- 0 -	- 0 -	- 0 -	12,715,000	0.95%	824.31			

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						Percentage of Net Valuation Taxable ^a	Per Capita ^b
	General Obligation Bonds	Bond Anticipation Notes	Deductions	Net General Bonded Debt Outstanding				
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%	892.38		
2017	12,715,000	-0-	-0-	12,715,000	0.512%	824.31		

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

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

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

Source: Pequannock Township School District Financial Reports.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2016
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	\$ 3,534,056	100.00%	\$ 3,534,056
Morris County General Obligation Debt	221,180,986	2.84%	<u>6,284,854</u>
Subtotal Overlapping Debt			9,818,910
Pequannock Township School District Direct Debt			<u>13,410,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 23,228,910</u></u>

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

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

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

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

	Fiscal Year				
	2008	2009	2010	2011	2012
Debt Limit	\$ 104,309,795	\$ 111,423,919	\$ 113,462,340	\$ 112,594,702	\$ 111,177,615
Total Net Debt Applicable to Limit	2,460,000	15,000,000	14,530,000	13,790,000	15,235,000
Legal Debt Margin	<u>\$ 101,849,795</u>	<u>\$ 101,849,795</u>	<u>\$ 98,932,340</u>	<u>\$ 99,672,340</u>	<u>\$ 98,804,702</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	2.36%	13.46%	12.81%	12.25%	13.70%

	Fiscal Year				
	2013	2014	2015	2016	2017
Debt Limit	\$ 106,140,352	\$ 102,652,324	\$ 100,339,682	\$ 101,819,326	\$ 103,833,439
Total Net Debt Applicable to Limit	14,660,000	16,850,000	15,615,000	13,765,000	12,715,000
Legal Debt Margin	<u>\$ 91,480,352</u>	<u>\$ 85,802,324</u>	<u>\$ 84,724,682</u>	<u>\$ 88,054,326</u>	<u>\$ 91,118,439</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	13.81%	16.41%	15.56%	13.52%	12.25%

Legal Debt Margin Calculation for Fiscal Year 2017

	Year Ended December 31,	Equalized Valuation Basis
	2014	\$ 2,569,285,320
	2015	2,582,621,786
	2016	2,635,600,828
		<u>\$ 7,787,507,934</u>
Average Equalized Valuation of Taxable Property		<u>\$ 2,595,835,978</u>
Debt Limit (4% of Average Equalization Value) ^a		\$ 103,833,439
Net Bonded School Debt		12,715,000
Legal Debt Margin		<u>\$ 91,118,439</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.

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>
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	86,582	1,342,540,492	4.50%
2016	15,425	86,582 *	1,335,527,350	4.10%
2017	15,425 **	86,582 *	1,335,527,350 **	N/A

* - Latest Morris County per capita personal income available (2015) was used for calculation purposes.

** - Latest Pequannock Township population available (2016) 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

	2017		2008			
	Employer	Employees	Percentage of Total Employment	Employer	Employees	Percentage of Total Employment
U.S. Army Armament R&D		6,000	2.31%	Novartis	5,000	1.89%
Atlantic Health System		5,171	1.99%	Atlantic Health System	4,045	1.53%
Novartis Corporation		4,622	1.78%	Picatinny Arsenal	3,412	1.29%
Bayer Healthcare, LLC		2,800	1.08%	Morris County	2,170	0.82%
County of Morris		1,757	0.68%	Lucent Technologies	1,983	0.75%
Wyndham Worldwide Corporation		1,626	0.63%	United Parcel Service	1,941	0.73%
Accenture		1,561	0.60%	Wyndham Worldwide	1,371	0.52%
St. Clare's		1,504	0.58%	Greystone Psychiatric	1,296	0.49%
BASF Corporation		1,500	0.58%	Tiffany & Company	1,200	0.45%
PricewaterhouseCoopers		1,360	0.52%	Accenture	1,200	0.45%
Total		<u>27,901</u>	<u>10.74%</u>		<u>23,618</u>	<u>8.92%</u>
Total County Labor Force		<u>259,756</u>			<u>264,477</u>	

Source: Morris County Treasurer's Office.

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

<u>Function/Program</u>	<u>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>	<u>2017</u>
Instruction:										
Regular	176.74	166.64	165.63	160.00	158.80	161.69	158.50	150.90	147.30	144.70
Special Education	60.40	63.90	63.90	66.40	66.20	62.30	65.50	67.60	70.00	73.10
Support Services:										
Student/Instruction-Related	38.20	41.84	41.84	40.30	43.90	47.56	39.90	47.20	48.80	49.38
General Administration	4.50	4.00	4.00	2.00	2.00	3.00	3.00	3.00	3.00	2.50
School Administration	18.85	19.35	19.35	18.40	18.00	19.00	16.50	17.00	17.00	16.00
Plant Operations/Maintenance	25.00	24.50	24.50	23.50	23.00	22.00	21.00	21.00	23.00	23.00
Pupil Transportation	6.00	5.50	5.50	4.50	5.00	3.97	4.70	5.00	6.20	6.00
Business & Other Support	8.00	8.00	8.00	8.00	8.00	7.00	8.00	5.00	5.00	5.00
Total	337.69	333.73	332.72	323.10	324.90	326.52	317.10	316.70	320.30	319.68

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			High School						
						Hillview	Boulevard	North	Stephen J. Gerace	Middle School	High School				
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	36,516,165	16,179	5.63%	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	0.24%	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%	
2017	2,138	39,190,091	18,330	3.80%	205	10.2:1	10.6:1	12.6:1	9.9:1	10.2:1	2,133	2,044	-1.65%	95.84%	

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>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>	<u>2017</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	375	372	367	385	373	351	349	349	302	296
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	391	374	337	301	301	307	305	305	327	328
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	325	329	324	304	305	285	291	291	281	298
Pequanock 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	557	578	619	606	570	557	557	557	536	513
Pequanock 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	784	772	735	734	708	749	739	739	719	703
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, 2017:

- 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: Pequanock Township School District Facilities Office.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS
UNAUDITED

Undistributed Expenditures - Required Maintenance
 For School Facilities - Account #11-000-261-XXX:

Fiscal Year Ended	Hillview Elementary School	North Boulevard Elementary School	Stephen J. Gerace Elementary School	Pequannock Valley Middle School	Pequannock High School	Total School Facilities*
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
2017	67,587	72,338	40,098	104,646	162,244	446,913

* - 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, 2017
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
ZURICH Insurance Company Package Policy		
Property – Blanket Building & Contents	\$ 65,906,342	\$ 5,000
Commercial General Liability (each occurrence)	1,000,000	
Crime & Fidelity Coverage – Employee theft	500,000	5,000
Forgery or Alteration	50,000	1,000
Robbery or Safe Burglary	50,000	
Computer Fraud	50,000	1,000
Earthquake	5,000,000	5% of limit
Flood Insurance		
Outside zones A, V or B	5,000,000	50,000
Zone B	2,000,000	100,000
Zone A or V	1,000,000	500,000
Commercial Automobile Liability	1,000,000	1,000
Boiler and Machinery	100,000,000	1,000
Equipment Breakdown Protection	100,000,000	5,000
Commercial Umbrella Liability Policy		
Occurrence	9,000,000	
Aggregate	9,000,000	
Products/Completed Operations Aggregate	9,000,000	
Casualty Business Crisis Aggregate Limit	250,000	
Retained Limit per occurrence		10,000
DARWIN Insurance Company		
School Board Legal Liability		
Educators Errors and Omissions Liability	1,000,000	15,000
Employment Practices Liability	1,000,000	40,000
SELECTIVE Ins. Co. Public Officials Bonds	275,000	
Treasurer	275,000	
Board Secretary/Business Administrator		
ACE Insurance Company		
Environmental Impairment Liability - Public/Education Entity Pollution Liability		
Each occurrence	1,000,000	25,000
Fund Aggregate	10,000,000	
Excess Liability Policy - Fireman's Fund		
Excess Liability Each occurrence	50,000,000	
Fund Aggregate	50,000,000	

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2017
UNAUDITED

	Coverage	Deductible
Student Accident:		
Voluntary Students - maximum benefit Berkeley Accident & Health Insurance Company	\$ 500,000	
All Athletes - Arch Insurance Company	5,000,000	
Catastrophic Cash Benefit	1,000,000	
XL Insurance Group - Cyber Liability		
Each Claim	\$ 1,000,000	\$ 25,000
Policy Aggregate	3,000,000	
Pooled Insurance Program:		
Workers Compensation	1,000,000	
Excess Workers Compensation - Safety National Statutory Limits		
Employer's Liability	1,000,000	

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 29, 2017.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

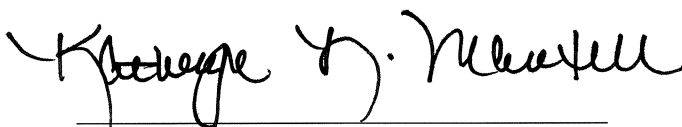
Purpose of this Report

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



Mount Arlington, New Jersey
September 29, 2017

NISIVOCCIA, LLP



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, 2017. 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major 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, 2017.

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
September 29, 2017

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, 2017

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, 2016		Cash Received	Budgetary Expenditures	Balance at June 30, 2017	
					Budgetary Accounts Receivable	Budgetary Deferred Revenue			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	\$ (23,220)		\$ 23,220			
I.D.E.A. Part B, Basic	84.027	IDEA408017	7/1/16-6/30/17	553,431			435,927	\$ (499,586)	\$ (63,659)	
I.D.E.A. Part B, Preschool	84.173	IDEA408016	7/1/15-6/30/16	19,301	(120)		120			
I.D.E.A. Part B, Preschool	84.173	IDEA408017	7/1/16-6/30/17	15,035			7,817	(7,913)	(96)	
Total IDEA Special Education Cluster					(23,340)		467,084	(507,499)	(63,755)	
No Child Left Behind Consolidated Grant:										
Title I	84.010A	NCLB408016	7/1/15-6/30/16	59,103	(2,850)		2,850			
Title I	84.010A	NCLB408017	7/1/16-6/30/17	78,678			25,144	(29,523)	(4,379)	
Title II, Part A	84.367A	NCLB408016	7/1/15-6/30/16	32,464	(286)		286			
Title II, Part A	84.367A	NCLB408017	7/1/16-6/30/17	38,780			27,216	(33,814)	(6,598)	
Title III	84.865	NCLB408016	7/1/15-6/30/16	3,768	(854)		854			
Title III	84.865	NCLB408017	7/1/16-6/30/17	6,295			56,350	(6,295)	(6,295)	
Total No Child Left Behind Consolidated Grant					(3,990)		523,434	(69,632)	(17,272)	
Total Special Revenue Fund					(27,330)		523,434	(577,131)	(81,027)	
Total U.S. Department of Education					(27,330)		523,434	(577,131)	(81,027)	
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	(709)		709			
Food Distribution Program	10.555	N/A	7/1/15-6/30/16	13,467		\$ 1,704		(1,704)		
National School Lunch Program	10.555	N/A	7/1/15-6/30/16	50,627	(3,282)		3,282			
Total U. S. Department of Agriculture/Child Nutrition Cluster					(3,991)	1,704	3,991	(1,704)		
Total Federal Awards					\$ (31,321)	\$ 1,704	\$527,425	\$ (578,835)	\$ (81,027)	\$ -0-

N/A - Not Applicable.

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

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

State Grantor/Program Title	Project Number	Grant Period	Award Amount	Balance at June 30, 2016		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2017		MEMO	
				Budgetary Accounts Receivable	Due to Grantor				GAAP Accounts Receivable	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
New Jersey Department of Education												
General Fund:												
Categorical Special Education Aid	16-495-034-5120-089	7/1/15 - 6/30/16	\$ 1,404,955	\$ (133,922)		\$ 133,922					\$ 1,404,955	
Equalization Aid	16-495-034-5120-078	7/1/15 - 6/30/16	421,118	(40,141)	40,141						421,118	
Categorical Security Aid	16-495-034-5120-084	7/1/15 - 6/30/16	33,937	(3,235)	3,235						33,937	
School Choice Aid	16-495-034-5120-068	7/1/15 - 6/30/16	123,822	(11,803)	11,803						123,822	
Categorical Transportation Aid	16-495-035-5120-014	7/1/15 - 6/30/16	39,803	(3,794)	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	
Adjustment Aid	16-495-034-5120-085	7/1/15 - 6/30/16	1,380	(132)	132						1,380	
Additional Adjustment Aid	16-495-034-5120-085	7/1/15 - 6/30/16	142,729	(13,605)	13,605						142,729	
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15 - 6/30/16	22,260	(2,122)	2,122						22,260	
PARCC Readiness Aid	16-495-034-5120-098	7/1/15 - 6/30/16	22,260	(2,122)	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	
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	7/1/15 - 6/30/16	1,128,921	(57,794)	57,794						1,128,921	
Categorical Special Education Aid	17-495-034-5120-089	7/1/16 - 6/30/17	1,174,090		1,091,324	\$ (1,174,090)			\$ (82,766)		1,174,090	
Equalization Aid	17-495-034-5120-078	7/1/16 - 6/30/17	1,420,311		1,280,456	(1,420,311)			(139,855)		1,420,311	
Categorical Security Aid	17-495-034-5120-084	7/1/16 - 6/30/17	406,379		366,364	(406,379)			(40,015)		406,379	
School Choice Aid	17-495-034-5120-068	7/1/16 - 6/30/17	38,758		34,942	(38,758)			(3,816)		38,758	
Categorical Transportation Aid	17-495-035-5120-014	7/1/16 - 6/30/17	82,548		74,420	(82,548)			(8,128)		82,548	
Extraordinary Aid	17-495-034-5120-044	7/1/16 - 6/30/17	48,084		43,349	(48,084)			(4,735)		48,084	
Adjustment Aid	17-495-034-5120-085	7/1/16 - 6/30/17	188,603		167,129	(188,603)			(18,474)		188,603	
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16 - 6/30/17	185,383		167,129	(185,383)			(18,254)		185,383	
PARCC Readiness Aid	17-495-034-5120-098	7/1/16 - 6/30/17	22,260		20,068	(22,260)			(2,192)		22,260	
Professional Learning Community Aid	17-495-034-5120-101	7/1/16 - 6/30/17	22,260		20,068	(22,260)			(2,192)		22,260	
Additional Nonpublic Transportation Aid	17-495-034-5120-014	7/1/16 - 6/30/17	21,400		19,293	(21,400)			(2,107)		21,400	
On-Behalf TPAF Post Retirement Contributions	17-495-034-5094-001	7/1/16 - 6/30/17	18,355		1,479,341	(18,355)			(18,355)		18,355	
On-Behalf Long Term Disability Insurance Contributions	17-495-034-5094-004	7/1/16 - 6/30/17	1,479,341		4,133	(1,479,341)					1,479,341	
On-Behalf TPAF Pension Contributions	17-495-034-5094-002	7/1/16 - 6/30/17	4,133		1,713,356	(4,133)					4,133	
On-Behalf TPAF Non-Contributory Insurance	17-495-034-5094-004	7/1/16 - 6/30/17	1,713,356		62,079	(1,713,356)					1,713,356	
Total General Fund			62,079	(492,081)	6,868,403	(6,887,340)			(289,724)	(511,018)	10,451,936	
Special Revenue Fund:												
New Jersey Nonpublic Aid:												
Handicapped Services:												
Examination and Classification	17-100-034-5120-066	7/1/16 - 6/30/17	49,539		49,539	(45,760)			\$ 3,779		45,760	
Supplementary Instruction	17-100-034-5120-066	7/1/16 - 6/30/17	43,629		43,629	(43,629)					43,629	
Corrective Speech	17-100-034-5120-066	7/1/16 - 6/30/17	31,806		31,806	(31,806)				7,421	24,385	
Security Aid	17-100-034-5120-084	7/1/16 - 6/30/17	20,349		20,349	(20,349)					20,349	
Textbook Aid	17-100-034-5120-064	7/1/16 - 6/30/17	23,056		23,056	(23,056)					23,056	
Technology Initiative	17-100-034-5120-373	7/1/16 - 6/30/17	10,400		10,400	(10,400)					10,400	
Nursing Services	17-100-034-5120-070	7/1/16 - 6/30/17	36,630		36,630	(36,630)					36,630	
Auxiliary Services:												
Compensatory Education	17-100-034-5120-067	7/1/16 - 6/30/17	54,017		54,017	(54,017)				92	54,017	
English as a Second Language	17-100-034-5120-067	7/1/16 - 6/30/17	914		914	(822)					92	
Handicapped Services:												
Examination and Classification	16-100-034-5120-066	7/1/15 - 6/30/16	53,693	\$ 5,962	40,767		\$ 5,962				47,731	
Supplementary Instruction	16-100-034-5120-066	7/1/15 - 6/30/16	40,767	1,559	32,607		1,559				39,208	
Corrective Speech	16-100-034-5120-066	7/1/15 - 6/30/16	32,607	5,268	10,425		5,268				27,339	
Security Aid	16-100-034-5120-084	7/1/15 - 6/30/16	10,425	10			10				10,415	
Auxiliary Services:												
Compensatory Education	16-100-034-5120-067	7/1/15 - 6/30/16	53,346	3,384	346		3,384				49,916	
Home Instruction	16-201-603-2520-007	7/1/15 - 6/30/16	346		346						346	
Total Special Revenue Fund			16,183	(346)	270,686	(259,048)	16,183		11,292		434,003	

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2016		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2017		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	17-100-034-5120-075	7/1/16 - 6/30/17	\$ 373,256			\$ 373,256	\$ (373,256)				\$ 373,256	
Total Debt Service Fund						373,256	(373,256)				373,256	
Total New Jersey Department of Education				\$ (492,081)	\$ 16,183	7,512,345	(7,519,644)	\$ 16,183	(289,724)	\$ 11,292	\$ (511,018)	11,259,195
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)							(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)							(315,968)	
Roof Replacement and Various Renovations at Pequannock Valley Middle School	4080-080-14-1004	6/15/14 - 12/31/16	574,805	(574,805)							(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)							(483,393)	
Total Capital Projects Fund				(2,336,746)							(2,336,746)	
Total N.J. School Development Authority Grants												
New Jersey Department of Agriculture: Enterprise Fund:												
State School Lunch Program	16-100-010-3350-023	7/1/15 - 6/30/16	3,596	(251)		251						3,596
Total Enterprise Fund				(251)		251						3,596
Total New Jersey Department of Agriculture												3,596
Total State Awards Subject to Single Audit Determination				\$ (2,829,078)	\$ 16,183	\$ 7,512,596	(7,519,644)	\$ 16,183	\$ (289,724)	\$ 11,292	\$ (2,847,764)	\$ 11,262,791
Less: On-Behalf TPAF Pension System Contributions:												
On-Behalf TPAF Post Retirement Contributions	17-495-034-5094-001	07/01/16-6/30/17	1,479,341				1,479,341					
On-Behalf Long Term Disability Insurance Contributions	17-495-034-5094-004	07/01/16-6/30/17	4,133				4,133					
On-Behalf TPAF Pension Contributions	17-495-034-5094-002	07/01/16-6/30/17	1,713,356				1,713,356					
On-Behalf TPAF Non-Contributory Insurance	17-495-034-5094-004	07/01/16-6/30/17	62,079				62,079					
Subtotal - On-Behalf TPAF Pension System Contributions							3,258,909					
Total State Awards Subject to Single Audit Major Program Determination							\$ (4,260,735)					

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, 2017

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, 2017. 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 not 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. SDA 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 (\$10,418) for the general fund and (\$4,354) for the special revenue fund. See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general, special revenue, and capital projects funds. 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, 2017
(Continued)

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 6,876,922	\$ 6,876,922
Special Revenue Fund	\$ 576,073	255,752	831,825
Debt Service Fund		373,256	373,256
Proprietary Fund - Food Service Enterprise Fund	<u>1,704</u>		<u>1,704</u>
Total Financial Assistance	<u>\$ 577,777</u>	<u>\$ 7,505,930</u>	<u>\$ 8,083,707</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, 2017. 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, 2017

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 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, 2017 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	17-495-034-5120-089	7/1/16 - 6/30/17	\$ 1,420,311	\$ 1,420,311
Equalization Aid	17-495-034-5120-078	7/1/16 - 6/30/17	406,379	406,379
Categorical Security Aid	17-495-034-5120-084	7/1/16 - 6/30/17	38,758	38,758
School Choice Aid	17-495-034-5120-068	7/1/16 - 6/30/17	82,548	82,548
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16 - 6/30/17	22,260	22,260
PARCC Readiness Aid	17-495-034-5120-098	7/1/16 - 6/30/17	22,260	22,260
Professional Learning Community Aid	17-495-034-5120-101	7/1/16 - 6/30/17	21,400	21,400
Adjustment Aid	17-495-034-5120-085	7/1/16 - 6/30/17	185,383	185,383

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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 2 CFR 200.516a of the Uniform Guidance or NJ OMB 15-08.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Status of Prior Year Findings:

The District had no prior year audit findings.