

**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, 2018**

**Comprehensive Annual  
Financial Report**

**of the**

**Pequannock Township School District  
Board of Education**

**Pequannock, New Jersey**

**For the Fiscal Year Ended June 30, 2018**

**Prepared by**

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

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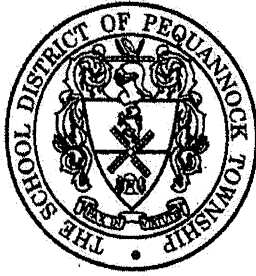
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**INTRODUCTORY SECTION**



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

538 Newark-Pompton Turnpike  
Pompton Plains, New Jersey 07444

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

January 18, 2019

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, 2018, 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 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 Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' 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 2,130 students, which is 8 students below the previous year's enrollment and represents a decrease of 0.4%.

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 2017-2018 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 modification of the preschool inclusion program, increasing student access to the Google 1:1 instructional initiative where all students in K-12 have access or are provided with a Google Chromebook, sharing services with neighboring school districts, utilizing Twitter and Facebook as a community outreach and professional development tool, and renovation of Biology labs at Pequannock Township High School, installation of air-conditioning in several classrooms at Pequannock Valley Middle School, and a new digital marquee at Pequannock Valley Middle School.

**Student Achievement:** The District continued to implement various benchmarking assessments to monitor and address learning deficiencies using data to form instruction and curriculum during the 2017-2018 school year. Districtwide professional development was offered to enhance technology integration and proficiency for students and staff as the District entered its third year of the 1:1 Chromebook Initiative. The district brought in well renowned experts in instruction to help move the district forward with pedagogical thinking and instructional implementation.

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's continued use of social media and its #peqpantherpride and #peqpantherpd tagboards are regularly viewed and used by all stakeholders. For example, the District continues to make use of Twitter in order to promote and highlight school activities and achievements. In addition, Twitter continues to be 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 Superintendent's designees meets with Special Education Parent Advisory Council and building level Home and School Associations as we.

**Finance and Facilities:** The Pequannock Township School District continues to upgrade its facilities. Throughout the 2017-2018 school year, the District completed a number of capital projects including biology classroom renovations at Pequannock Township High School, air-conditioning at the Pequannock Valley Middle 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, 2018.

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 10 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,



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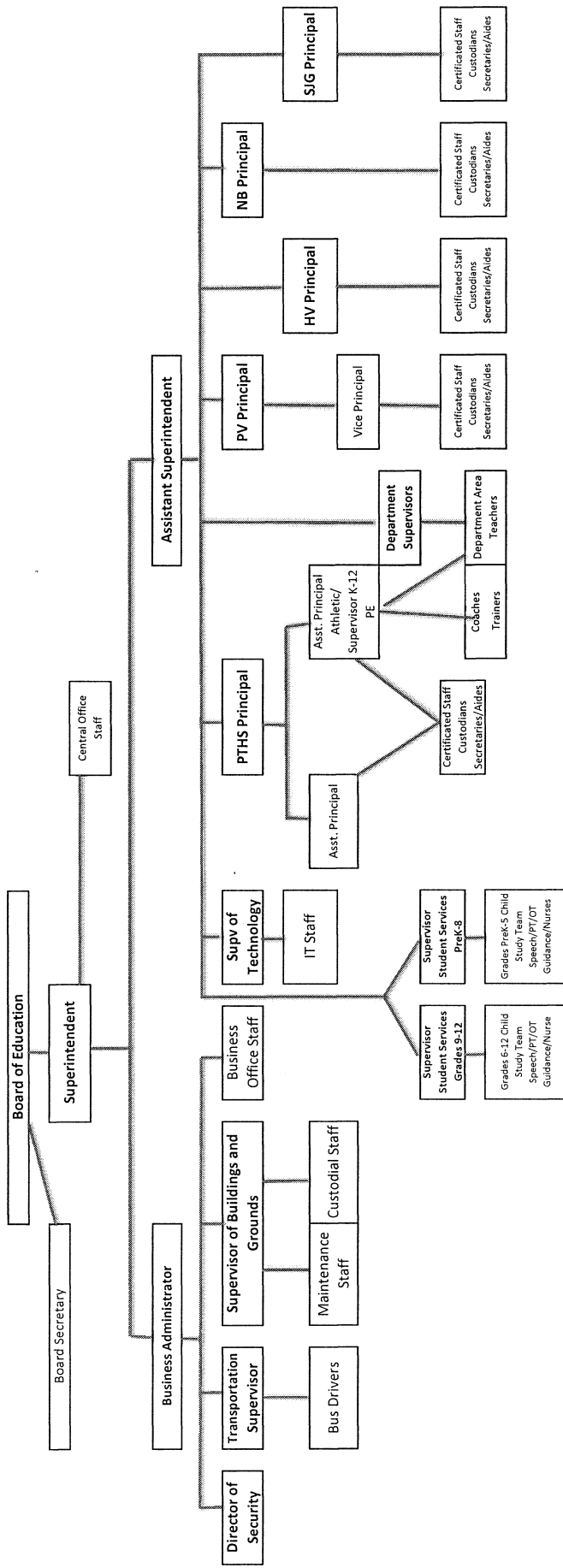
Brett Charleston  
Superintendent of Schools



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Kateryna W. Bechtel  
Business Administrator/Board Secretary

# Pequannock Township Public Schools Organizational Chart



Department area supervisors also report to building level principals

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
 ROSTER OF OFFICIALS  
 JUNE 30, 2018**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Kimberly Quigley, President	2018
Vincent Siracusa, Vice President	2018
Sam Ciresi	2020
Ann Humphrey Maier	2018
Richard Prezioso	2020
Tiffany Osmanski	2019
Richard Thumann	2019
Cara Shenton	2020
Leonard Smith	2019

<u>Other Officials</u>	<u>Title</u>
Brett Charleston, Ed.D.	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 & Hara, 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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 19 to the basic financial statements, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, during the fiscal year ended June 30, 2018. Our opinions are not modified with respect to this matter.

### ***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 and post-employment benefit schedules in Exhibits L-1 through L-5 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.

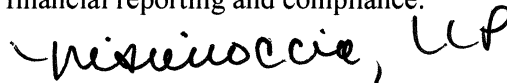


The accompanying supplementary schedules such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records 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.

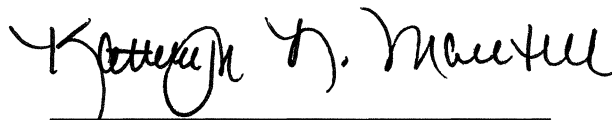
**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



NISIVOCCIA, LLP

Mount Arlington, New Jersey  
January 18, 2019



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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, 2018  
(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, 2018. 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.

**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.

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

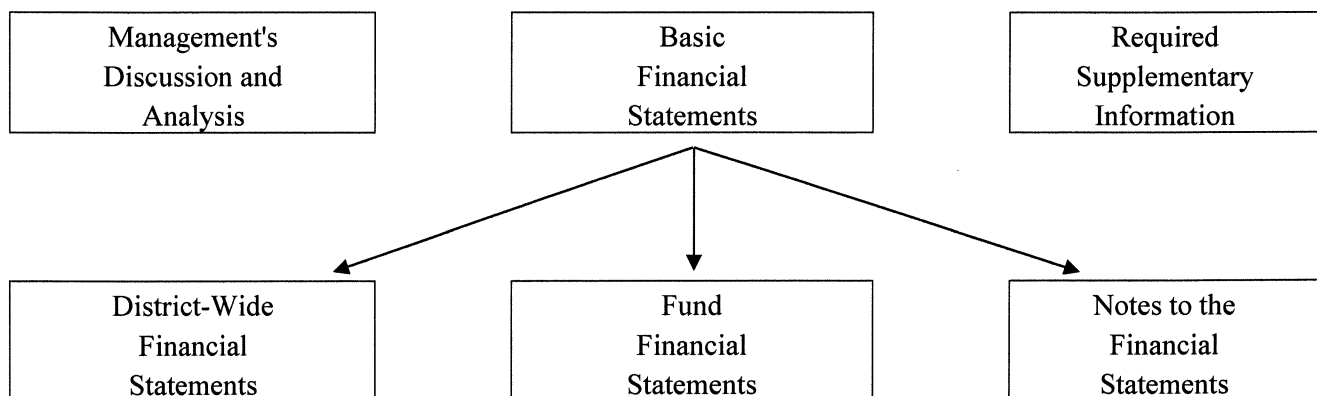


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

**Figure A-2  
Major Features of the District-Wide and Fund Financial Statements**

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

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(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, 2018  
(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 10.45%. Net position from governmental activities increased \$1,227,676 and net position from business-type activities decreased by \$9,211.

**Figure A-3**

**Condensed Statement of Net Position**

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2017/2018	2016/2017*	2017/2018	2016/2017	2017/2018	2016/2017*	2017/2018
Current and Other Assets	\$ 7,602,279	\$ 7,411,094	\$ 46,280	\$ 60,822	\$ 7,648,559	\$ 7,471,916	
Capital Assets, Net	28,035,797	27,743,021	38,332	22,059	28,074,129	27,765,080	
Total Assets	35,638,076	35,154,115	84,612	82,881	35,722,688	35,236,996	1.38%
Deferred Outflows of Resources	3,540,260	4,764,915			3,540,260	4,764,915	-25.70%
Other Liabilities	902,667	1,008,927	15,994	5,052	918,661	1,013,979	
Long-Term Liabilities	23,037,445	26,886,852			23,037,445	26,886,852	
Total Liabilities	23,940,112	27,895,779	15,994	5,052	23,956,106	27,900,831	-14.14%
Deferred Inflows of Resources	2,425,305	438,008			2,425,305	438,008	453.71%
Net Position:							
Net Investment in Capital Assets	16,691,630	15,601,657	38,332	22,059	16,729,962	15,623,716	
Restricted	5,923,057	6,023,368			5,923,057	6,023,368	
Unrestricted/(Deficit)	(9,801,768)	(10,039,782)	30,286	55,770	(9,771,482)	(9,984,012)	
Total Net Position	\$ 12,812,919	\$ 11,585,243	\$ 68,618	\$ 77,829	\$ 12,881,537	\$ 11,663,072	10.45%

\* - Restated

*Changes in Net Position.* The District's combined net position was \$12,881,537 at June 30, 2018, \$1,218,465 or 10.45% more than it was the year before (See Figure A-3). Net investment in capital assets increased by \$1,106,246 as a result of bonds principal payments, and capital acquisitions and construction in process offset by depreciation expense and amortization of deferred amount on refunding.

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

Restricted net position decreased by \$100,311 due to an increase in the restricted capital projects fund balance, offset by a decrease in the debt service fund balance. Unrestricted net position increased by \$212,530 primarily due to a decrease in the pension liability offset by surplus appropriated to support the budget in the current year. (See Figure A-3).

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017	Change 2017/2018
<b>Revenue:</b>							
<b>Program Revenue:</b>							
Charges for Services	\$ 321,868	\$ 416,809	\$ 768,387	\$ 695,172	\$ 1,090,255	\$ 1,111,981	
Grants and Contributions:							
Operating	16,107,937	14,436,463	19,869	1,704	16,127,806	14,438,167	
<b>General Revenue:</b>							
Property Taxes	34,629,554	33,935,123			34,629,554	33,935,123	
Federal and State Aid Not Restricted	1,115,278	1,148,700			1,115,278	1,148,700	
Other	348,335	267,882	1,107	605	349,442	268,487	
<b>Total Revenue</b>	<b>52,522,972</b>	<b>50,204,977</b>	<b>789,363</b>	<b>697,481</b>	<b>53,312,335</b>	<b>50,902,458</b>	<b>4.73%</b>
<b>Expenses:</b>							
Instruction	33,064,500	32,221,406			33,064,500	32,221,406	
Pupil and Instruction Services	8,307,647	7,665,355			8,307,647	7,665,355	
Administration and Business	4,534,490	4,170,751			4,534,490	4,170,751	
Maintenance and Operations	3,659,460	3,032,863			3,659,460	3,032,863	
Transportation	1,322,997	1,287,637			1,322,997	1,287,637	
Other	406,202	556,024	798,574	691,714	1,204,776	1,247,738	
<b>Total Expenses</b>	<b>51,295,296</b>	<b>48,934,036</b>	<b>798,574</b>	<b>691,714</b>	<b>52,093,870</b>	<b>49,625,750</b>	<b>4.97%</b>
<b>Change in Net Position</b>	<b>\$ 1,227,676</b>	<b>\$ 1,270,941</b>	<b>\$ (9,211)</b>	<b>\$ 5,767</b>	<b>\$ 1,218,465</b>	<b>\$ 1,276,708</b>	<b>-4.56%</b>

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

**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.

Figure A-5 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-5  
Net Cost of Governmental Activities**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2017/2018</u>	<u>2016/2017</u>	<u>2017/2018</u>	<u>2016/2017</u>
Instruction	\$ 33,064,500	\$ 32,221,406	\$18,520,823	\$19,112,241
Pupil & Instruction Services	8,307,647	7,665,355	7,323,457	6,698,835
Administration & Business	4,534,490	4,170,751	3,715,072	3,458,662
Maintenance & Operations	3,659,460	3,032,863	3,659,460	3,032,863
Transportation	1,322,997	1,287,637	1,240,477	1,222,139
Other	406,202	556,024	406,202	556,024
	<u>\$ 51,295,296</u>	<u>\$ 48,934,036</u>	<u>\$ 34,865,491</u>	<u>\$ 34,080,764</u>

**Business-Type Activities**

Net position from the District's business-type activities decreased by \$9,211 (Refer to Figure A-4). Overall revenue and expenses for the business-type activities have increased, however the increase in expenses exceeded the increase in revenues due to a decrease in student participation. The District no longer participates in the Child Nutrition programs.



**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

**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.

**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-6**

**Capital Assets (Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total School District		Percent
	2017/2018	2016/2017*	2017/2018	2016/2017	2017/2018	2016/2017*	Change
Land	\$ 4,659,600	\$ 4,659,600			\$ 4,659,600	\$ 4,659,600	
Construction in Progress	5,474,684	4,561,188			5,474,684	4,561,188	
Site Improvements	2,225,265	2,262,404			2,225,265	2,262,404	
Buildings/Building Improvements	14,986,235	15,535,387			14,986,235	15,535,387	
Machinery and Equipment	690,013	724,442	\$ 38,332	\$ 22,059	728,345	746,501	
<b>Total</b>	<b>\$ 28,035,797</b>	<b>\$ 27,743,021</b>	<b>\$ 38,332</b>	<b>\$ 22,059</b>	<b>\$ 28,074,129</b>	<b>\$ 27,765,080</b>	<b>1.11%</b>

\*Restated

The District's capital assets increased \$309,049 or 1.11% during the year. This is primarily due to continued capital assets acquisitions including construction in progress offset by depreciation. (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 decreased \$3,849,407, or 14.32%. The decrease in total long-term liabilities from the prior year is primarily due to a decrease in Net Pension Liability, bond maturities, bond premium amortization and compensated absences payable – as shown in Figure A-7. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

**Figure A-7**

**Outstanding Long-Term Debt**

	Total School District		Percentage Change 2017/2018
	2017/2018	2016/2017	
General Obligation Bonds (Financed with Property Taxes)	\$ 11,870,000	\$ 12,715,000	
Net Pension Liability	9,985,789	12,888,060	
Net Unamortized Bond Premiums	989,688	1,079,660	
Compensated Absences Payable	191,968	204,132	
	<u>\$ 23,037,445</u>	<u>\$ 26,886,852</u>	-14.32%

**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's use of fund balance to support annual operating expenses had stabilized at \$1,000,000 per budget year.
- 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, 2018

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 3,188,550	\$ 36,924	\$ 3,225,474
Internal Balances	355		355
Receivables from Federal Government	27,144		27,144
Receivables from State Government	425,803		425,803
Receivables - Other	42,093		42,093
Inventory		9,356	9,356
Restricted Cash and Cash Equivalents	3,918,334		3,918,334
Capital Assets, Net:			
Sites (Land)	4,659,600		4,659,600
Construction in Progress	5,474,684		5,474,684
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	17,901,513	38,332	17,939,845
Total Assets	<u>35,638,076</u>	<u>84,612</u>	<u>35,722,688</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amount on Refunding	525,833		525,833
Deferred Outflows - Pensions	3,014,427		3,014,427
Total Deferred Outflows of Resources	<u>3,540,260</u>		<u>3,540,260</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accrued Interest Payable	191,272		191,272
Payable to State Government	30,888		30,888
Accounts Payable	657,967	7,812	665,779
Unearned Revenue	22,540	8,182	30,722
Noncurrent Liabilities:			
Due Within One Year	949,972		949,972
Due Beyond One Year	22,087,473		22,087,473
Total Liabilities	<u>23,940,112</u>	<u>15,994</u>	<u>23,956,106</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows - Pensions	2,425,305		2,425,305
Total Deferred Inflows of Resources	<u>2,425,305</u>		<u>2,425,305</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	16,691,630	38,332	16,729,962
Restricted for:			
Capital Projects	3,718,334		3,718,334
Debt Service	4,723		4,723
Excess Surplus	2,000,000		2,000,000
Maintenance Reserve	200,000		200,000
Unrestricted/(Deficit)	(9,801,768)	30,286	(9,771,482)
Total Net Position	<u>\$ 12,812,919</u>	<u>\$ 68,618</u>	<u>\$ 12,881,537</u>

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Functions/Programs	Program Revenues				Net (Expenses)/Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating		Governmental Activities	Business-type Activities	Total
			Grants and Contributions	Capital Grants and Contributions			
<b>Governmental Activities:</b>							
<b>Instruction:</b>							
Regular	\$ 24,311,883	\$ 321,868	\$ 9,227,612		\$ (14,762,403)		\$ (14,762,403)
Special Education	6,880,544		4,351,130		(2,529,414)		(2,529,414)
Other Special Instruction	402,146		157,618		(244,528)		(244,528)
School Sponsored Instruction	1,469,927		485,449		(984,478)		(984,478)
<b>Support Services:</b>							
Tuition	2,253,517		378,636		(1,874,881)		(1,874,881)
Student & Instruction Related Services	6,054,130		605,554		(5,448,576)		(5,448,576)
General Administrative Services	684,108				(684,108)		(684,108)
School Administrative Services	2,944,449		819,418		(2,125,031)		(2,125,031)
Central Services	594,457				(594,457)		(594,457)
Administration Information Technology	311,476				(311,476)		(311,476)
Plant Operations and Maintenance	3,659,460				(3,659,460)		(3,659,460)
Pupil Transportation	1,322,997		82,520		(1,240,477)		(1,240,477)
Interest on Long-Term Debt	406,202				(406,202)		(406,202)
<b>Total Governmental Activities</b>	<b>51,295,296</b>	<b>321,868</b>	<b>16,107,937</b>	<b>\$ -0-</b>	<b>(34,865,491)</b>	<b>\$ -0-</b>	<b>(34,865,491)</b>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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	\$ 798,574	\$ 768,387	\$ 19,869			\$ (10,318)	\$ (10,318)
Total Business-Type Activities	<u>798,574</u>	<u>768,387</u>	<u>19,869</u>			<u>(10,318)</u>	<u>(10,318)</u>
Total Primary Government	<u>\$ 52,093,870</u>	<u>\$ 1,090,255</u>	<u>\$ 16,127,806</u>	<u>\$ -0-</u>	<u>\$ (34,865,491)</u>	<u>(10,318)</u>	<u>(34,875,809)</u>
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					33,802,109		33,802,109
Taxes Levied for Debt Service					827,445		827,445
Federal and State Aid Not Restricted					1,115,278		1,115,278
Investment Earnings					10,323	1,107	11,430
Miscellaneous Income					338,012		338,012
Total General Revenues					<u>36,093,167</u>	<u>1,107</u>	<u>36,094,274</u>
Change in Net Position					1,227,676	(9,211)	1,218,465
Net Position - Beginning (Restated)					11,585,243	77,829	11,663,072
Net Position - Ending					<u>\$ 12,812,919</u>	<u>\$ 68,618</u>	<u>\$ 12,881,537</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, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 3,126,965	\$ 31,712	\$ 25,150	\$ 4,723	\$ 3,188,550
Interfund Receivable	62,284				62,284
Receivables from Federal Government		27,144			27,144
Receivables from State Government	422,769	3,034			425,803
Receivables - Other	42,093				42,093
Restricted Cash and Cash Equivalents	3,918,334				3,918,334
<b>TOTAL ASSETS</b>	<b>\$ 7,572,445</b>	<b>\$ 61,890</b>	<b>\$ 25,150</b>	<b>\$ 4,723</b>	<b>\$ 7,664,208</b>

**LIABILITIES AND FUND BALANCES:**

<b>Liabilities:</b>					
Interfund Payable			\$ 61,929		\$ 61,929
Payable to State Government					30,888
Accounts Payable - Vendors	\$ 208,506	30,888			247,991
Unearned Revenue	17,236	25,698	13,787		22,540
<b>Total Liabilities</b>	<b>225,742</b>	<b>61,890</b>	<b>75,716</b>		<b>363,348</b>

**Fund Balances:**

<b>Restricted for:</b>					
Excess Surplus - Current Year	1,000,000				1,000,000
Excess Surplus - Prior Year - For Subsequent Year's Expenditures	1,000,000				1,000,000
Capital Reserve Account	3,718,334				3,718,334
Maintenance Reserve Account	200,000				200,000
Debt Service Fund				\$ 4,723	4,723
<b>Assigned:</b>					
Year-End Encumbrances	848,855				848,855
Unassigned/(Deficit)	579,514		(50,566)		528,948
<b>Total Fund Balances</b>	<b>7,346,703</b>		<b>(50,566)</b>	<b>4,723</b>	<b>7,300,860</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b>\$ 7,572,445</b>	<b>\$ 61,890</b>	<b>\$ 25,150</b>	<b>\$ 4,723</b>	<b>\$ 7,664,208</b>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Amounts Reported for Governmental Activities in the Statement of Net Position (A-1) are Different Because:	
Total Fund Balances - Governmental Funds (Above)	\$ 7,300,860
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds.	28,035,797
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.	(22,047,757)
Bond Premiums are reported as revenue in the Funds. These premiums total \$1,214,617 and the accumulated amortization is \$224,929.	(989,688)
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:	
Deferred Outflows	2,604,451
Deferred Inflows	(2,425,305)
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 \$119,507.	
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.	525,833
	<u>(191,272)</u>
Net Position of Governmental Activities	<u>\$ 12,812,919</u>

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>					
Local Sources:					
Local Tax Levy	\$ 33,802,109			\$ 827,445	\$ 34,629,554
Tuition	321,868				321,868
Capital Reserve Interest	3,986				3,986
Investment Income			\$ 6,337		6,337
Rents and Royalties	118,221				118,221
Miscellaneous	219,791	\$ 4,166			223,957
Total - Local Sources	34,465,975	4,166	6,337	827,445	35,303,923
State Sources	7,717,723	272,192		336,072	8,325,987
Federal Sources		552,856			552,856
Total Revenues	42,183,698	829,214	6,337	1,163,517	44,182,766
<b>EXPENDITURES</b>					
Current:					
Instruction:					
Regular Instruction	11,498,701	294,718			11,793,419
Special Education Instruction	3,343,192	155,860			3,499,052
Other Special Instruction	184,310				184,310
School Sponsored Instruction	799,014				799,014
Support Services and Undistributed Costs:					
Tuition	1,874,881	378,636			2,253,517
Student & Instruction Related Services	3,933,046				3,933,046
General Administration Services	588,618				588,618
School Administration Services	1,442,267				1,442,267
Central Services	467,395				467,395

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

EXPENDITURES	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Current:					
Support Services and Undistributed Costs:					
Administrative Information Technology	\$ 256,537				\$ 256,537
Plant Operations and Maintenance	2,860,975				2,860,975
Pupil Transportation	947,184				947,184
Allocated and Unallocated Benefits	11,664,002				11,664,002
Capital Outlay	393,566		\$ 1,499,072		1,892,638
Debt Service:					
Principal				\$ 845,000	845,000
Interest and Other Charges				462,075	462,075
Total Expenditures	<u>40,253,688</u>	<u>\$ 829,214</u>	<u>1,499,072</u>	<u>1,307,075</u>	<u>43,889,049</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>1,930,010</u>		<u>(1,492,735)</u>	<u>(143,558)</u>	<u>293,717</u>
OTHER FINANCING SOURCES/(USES):					
Transfers In	10,429		1,625,000	142,384	1,777,813
Transfers Out	<u>(1,625,000)</u>		<u>(152,813)</u>		<u>(1,777,813)</u>
Total Other Financing Sources/(Uses)	<u>(1,614,571)</u>		<u>1,472,187</u>	<u>142,384</u>	
Net Change in Fund Balances	315,439		(20,548)	(1,174)	293,717
Fund Balance/(Deficit) - July 1	7,031,264		(30,018)	5,897	7,007,143
Fund Balance/(Deficit) - June 30	<u>\$ 7,346,703</u>	<u>\$ -0-</u>	<u>\$ (50,566)</u>	<u>\$ 4,723</u>	<u>\$ 7,300,860</u>

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2) \$ 293,717

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.

292,776

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 (+).

12,164

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.

845,000

The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:

Change in Net Pension Liability

2,902,271

Change in Deferred Outflows

(1,186,828)

Change in Deferred Inflows

(1,987,297)

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 (+).

13,704

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, 2018

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 (-)	<u>(47,803)</u>
Change in Net Position of Governmental Activities (Exhibit A-2)	<u><u>\$ 1,227,676</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 NET POSITION  
JUNE 30, 2018

	<u>Business-Type Activities: Enterprise Funds</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 36,924
Inventory	9,356
	46,280
Total Current Assets	
Non-Current Assets:	
Capital Assets	130,232
Less: Accumulated Depreciation	(91,900)
	38,332
Total Non-Current Assets	38,332
Total Assets	84,612
<b>LIABILITIES:</b>	
Current Liabilities:	
Unearned Revenue - Prepaid Sales	8,182
Accounts Payable - Vendors	7,812
	15,994
Total Liabilities	15,994
<b>NET POSITION:</b>	
Investment in Capital Assets	38,332
Unrestricted	30,286
	68,618
Total Net Position	\$ 68,618

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, 2018

	<u>Business-Type Activities: Enterprise Funds</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Non-Reimbursable Programs	\$ 766,582
Special Events	<u>1,805</u>
Total Operating Revenue	<u>768,387</u>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	19,869
Cost of Sales - Nonreimbursable Programs	344,201
Salaries	223,733
Payroll Taxes	33,121
Employee Benefits	45,731
Purchased Property Services	51,562
Supplies and Materials	50,449
Depreciation Expense	11,289
Miscellaneous Expenditures	<u>18,619</u>
Total Operating Expenses	<u>798,574</u>
Operating (Loss)	<u>(30,187)</u>
Non-Operating Revenue:	
Federal Sources:	
Food Distribution Program	19,869
Local Sources:	
Interest Revenue	<u>1,107</u>
Total Non-Operating Revenue	<u>20,976</u>
Change in Net Position	(9,211)
Net Position - Beginning of Year	<u>77,829</u>
Net Position - End of Year	<u><u>\$ 68,618</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 CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Business-Type Activities: Enterprise Funds</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 774,566
Payments to Food Service Vendor	(743,821)
Payments to Suppliers	(18,619)
Net Cash Provided by Operating Activities	<u>12,126</u>
Cash Flows from Investing Activities:	
Interest Revenue	1,107
Net Cash Provided by Investing Activities	<u>1,107</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of Capital Assets	(27,562)
Net Cash Used for Capital and Related Financing Activities	<u>(27,562)</u>
Net Decrease in Cash and Cash Equivalents	(14,329)
Cash and Cash Equivalents, July 1	<u>51,253</u>
Cash and Cash Equivalents, June 30	<u>\$ 36,924</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating (Loss)	\$ (30,187)
Adjustment to Reconcile Operating Loss to Cash Provided by Operating Activities:	
Depreciation	11,289
Federal Food Distribution Program	19,869
Changes in Assets and Liabilities:	
Increase in Prepaid Sales	6,174
Increase in Receivables - Other	5
Increase in Inventory	208
Increase in Accounts Payable	4,768
Net Cash Provided by Operating Activities	<u>\$ 12,126</u>

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized Commodities through the Food Distribution Program valued at \$19,869 for the fiscal year ended June 30, 2018.

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2018

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Trust</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 166,005	\$ 389,616	\$ 12,007	\$ 148,675
Total Assets	<u>166,005</u>	<u>389,616</u>	<u>12,007</u>	<u>148,675</u>
<b>LIABILITIES:</b>				
Interfund Payable - General Fund	355			
Payroll Deductions and Withholdings	100			
Due to Student Groups	<u>165,550</u>			
Total Liabilities	<u>166,005</u>			
<b>NET POSITION:</b>				
Held in Trust for:				
Unemployment Claims		389,616		
Flexible Spending Claims			12,007	
Scholarships				<u>148,675</u>
Total Net Position	<u>\$ -0-</u>	<u>\$ 389,616</u>	<u>\$ 12,007</u>	<u>\$ 148,675</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, 2018

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust
ADDITIONS:			
Contributions - Employees	\$ 23,751	\$ 111,109	
Contributions - District	29,979		
Donations			\$ 1,450
Total Contributions	<u>53,730</u>	<u>111,109</u>	<u>1,450</u>
Investment Earnings:			
Interest	<u>4,584</u>	<u>495</u>	<u>850</u>
Net Investment Earnings	<u>4,584</u>	<u>495</u>	<u>850</u>
Total Additions	<u>58,314</u>	<u>111,604</u>	<u>2,300</u>
DEDUCTIONS:			
Unemployment Compensation Claims	57,890		
Flexible Spending Claims		108,560	
Scholarships Awarded			<u>7,775</u>
Total Deductions	<u>57,890</u>	<u>108,560</u>	<u>7,775</u>
Change in Net Position	424	3,044	(5,475)
Net Position - Beginning of Year	<u>389,192</u>	<u>8,963</u>	<u>154,150</u>
Net Position - End of the Year	<u>\$ 389,616</u>	<u>\$ 12,007</u>	<u>\$ 148,675</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, 2018

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, 2018  
(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 capital 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, 2018  
(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, 2018  
(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, 2018 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, 2018  
(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	\$ 42,183,092	\$ 825,210
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		(350)
Prior Year Encumbrances		4,354
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	221,294	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(220,688)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 42,183,698	\$ 829,214
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 40,253,688	\$ 825,210
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		(350)
Prior Year Encumbrances		4,354
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 40,253,688	\$ 829,214



PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(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)	\$ 2,286,180
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)	\$ (50,566)

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, 2018  
(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, 2018.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(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 acquisition value. 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, 2018.

N. Compensated Absences:

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by GASB. 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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

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

N. Compensated Absences: (Cont'd)

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 \$7,346,703 General Fund balance at June 30, 2018, \$848,855 is assigned for encumbrances; \$3,718,334 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, 2020; \$1,000,000 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2019; and \$579,514 is unassigned which is \$220,688 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, 2019.

Capital Projects Fund: The \$50,566 deficit in unassigned fund balance in the Capital Projects Fund at June 30, 2018 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 \$4,723 Debt Service Fund balance at June 30, 2018, is restricted which has been included as anticipated revenue for 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, 2018  
(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 \$220,688 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 \$9,801,768 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 \$50,566 deficit in fund balance in its Capital Projects Fund due to 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, 2018 for the deferred amount on refunding of debt, and pensions.

The District had a deferred inflow of resources at June 30, 2018 for pensions.

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, 2018  
(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, 2018 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 \$848,855 for year-end encumbrances, in the General Fund at June 30, 2018.

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, 2018  
(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, 2018  
(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, 2018  
(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 of the school district or bonds or other obligations of the local unit or units within which the school district is located.
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983, c.313 (C.40A:5A-1 et seq.). Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) 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
- (8) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the requirements of the "Local Authorities Fiscal Control Law," P.L. 1983, c. 313 (C.40A:5A-1 et seq.) ;
  - (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; or

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

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

Investments (Cont'd)

- (9) Deposit of funds in accordance with the following conditions:
- (a) The funds are initially invested through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41) designated by the school district;
  - (b) The designated public depository arranges for the deposit of the funds in deposit accounts in one or more federally insured banks, savings banks or savings and loan associations or credit unions for the account of the school district;
  - (c) 100 percent of the principal and accrued interest of each deposit is insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund;
  - (d) The designated public depository acts as custodian for the school district with respect to these deposits; and
  - (e) On the same date that the school district's funds are deposited pursuant to subparagraph (b) of this paragraph, the designated public depository receives an amount of deposits from customers of other financial institutions, wherever located, equal to the amounts of funds initially invested by the school district through the designated public depository.

As of June 30, 2018, 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	\$ 3,941,777	\$ 3,918,334	\$ 7,860,111

During the period ended June 30, 2018, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents and investments at June 30, 2018, was \$7,860,111 and the bank balance was \$8,722,269.

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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

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, 2017 to June 30, 2018 fiscal year is as follows:

Beginning Balance, July 1, 2017	\$3,717,471
Interest Earnings	3,986
Increase by Board Resolution in June 2018	1,617,785
Unexpended Balance Transferred from Capital Projects Fund	4,092
Budgeted Withdrawal	<u>(1,625,000)</u>
Ending Balance, June 30, 2018	<u><u>\$3,718,334</u></u>

The \$3,718,334 balance in the Capital Reserve Account at June 30, 2018 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.

NOTE 5. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2018, the District transferred \$4,028 to capital outlay accounts during the fiscal year for the acquisition of equipment which did not require County Superintendent approval.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the fiscal year ended June 30, 2018 were as follows:

	(Restated)			
	Balance		Adjustments	Balance
	<u>6/30/2017</u>	<u>Increases</u>	<u>&amp; Deletions</u>	<u>6/30/2018</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Sites (Land)	\$ 4,659,600			\$ 4,659,600
Construction in Progress	4,561,188	\$ 1,499,072	\$ (585,576)	5,474,684
Total Capital Assets Not Being Depreciated	<u>9,220,788</u>	<u>1,499,072</u>	<u>(585,576)</u>	<u>10,134,284</u>
Capital Assets Being Depreciated:				
Site Improvements	3,037,528	117,120		3,154,648
Buildings and Building Improvements	35,387,990	66,305	585,576	36,039,871
Machinery and Equipment	4,066,458	194,024	(443,097)	3,817,385
Total Capital Assets Being Depreciated	<u>42,491,976</u>	<u>377,449</u>	<u>142,479</u>	<u>43,011,904</u>
Governmental Activities Capital Assets	<u>51,712,764</u>	<u>1,876,521</u>	<u>(443,097)</u>	<u>53,146,188</u>
Less Accumulated Depreciation for:				
Site Improvements	(775,124)	(154,259)		(929,383)
Buildings and Building Improvements	(19,852,603)	(1,201,033)		(21,053,636)
Machinery and Equipment	(3,342,016)	(219,197)	433,841	(3,127,372)
	<u>(23,969,743)</u>	<u>(1,574,489)</u>	<u>433,841</u>	<u>(25,110,391)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$27,743,021</u>	<u>\$ 302,032</u>	<u>\$ (9,256)</u>	<u>\$28,035,797</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 114,475	\$ 27,562	\$ (11,805)	\$ 130,232
Less Accumulated Depreciation	(92,416)	(11,289)	11,805	(91,900)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 22,059</u>	<u>\$ 16,273</u>	<u>\$ - 0 -</u>	<u>\$ 38,332</u>

The District expended \$1,499,072 towards construction projects in progress and for continuation of construction in the Capital Projects Fund and \$377,449 for improvements and equipment from the General Fund capital outlay accounts during the fiscal year. As of June 30, 2018, the District has \$7,960,864 in active construction projects with unexpended balances of \$2,286,180 which includes encumbrances of \$31,897.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 171,063
Special Education	5,869
Student & Instructional Related Services	470,479
General Administrative Services	15,005
School Administrative Services	246,354
Operations and Maintenance of Plant	391,552
Pupil Transportation	274,167
	<u>\$ 1,574,489</u>

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2018, the following changes occurred in liabilities reported in the district-wide financial statements:

	<u>Balance</u> <u>6/30/2017</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance</u> <u>6/30/18</u>
Serial Bonds Payable	\$ 12,715,000		\$ 845,000	\$ 11,870,000
Net Unamortized Bond Premiums	1,079,660		89,972	989,688
Compensated Absences Payable	204,132		12,164	191,968
Net Pension Liability - PERS	12,888,060		2,902,271	9,985,789
	<u>\$26,886,852</u>	<u>\$ -0-</u>	<u>\$ 3,849,407</u>	<u>\$ 23,037,445</u>

A. Bonds Payable:

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

On August 29, 2013, the District issued bonds of \$3,350,000 for school renovation projects with interest rates ranging from 2.00% to 3.875% to fund a gymnasium project at the Stephen J. Gerace Elementary school. The bonds finally mature on August 12, 2029 and are non-callable.

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 were 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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

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

A. Bonds Payable: (Cont'd)

The District had bonds outstanding as of June 30, 2018 as follows:

<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
School Renovation Project	8/12/2029	2.00% - 3.875%	\$ 2,880,000
Refunding Bonds	1/15/2029	2.00% - 4.00%	<u>8,990,000</u>
			<u>\$ 11,870,000</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 860,000	\$ 463,725	\$ 1,323,725
2020	885,000	433,225	1,318,225
2021	920,000	409,175	1,329,175
2022	955,000	384,475	1,339,475
2023	990,000	351,675	1,341,675
2024-2028	5,675,000	987,269	6,662,269
2029-2030	<u>1,585,000</u>	<u>78,925</u>	<u>1,663,925</u>
	<u>\$ 11,870,000</u>	<u>\$ 3,108,469</u>	<u>\$ 14,978,469</u>

B. Bonds Authorized But Not Issued:

There were no bonds authorized but not issued as of June 30, 2018.

C. Capital Leases Payable:

The District did not have any capital leases payable as of June 30, 2018.

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, 2018 is \$89,972 and the long-term portion is \$899,716.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

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

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, 2018 is currently payable; therefore, the long-term liability balance of compensated absences is \$191,968.

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, 2018, no liability existed for compensated absences in the Food Service Enterprise Fund.

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, 2018 is \$-0- and the long-term portion is \$9,985,789. See Note 9 for further information on the PERS.

NOTE 8. 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 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.nj.gov/treasury/pensions/financial-reports.shtml](http://www.nj.gov/treasury/pensions/financial-reports.shtml).

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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 1/55<sup>th</sup> 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 1/60<sup>th</sup> 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 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 \$400,248 for fiscal year 2018.

The employee contribution rate was 7.34% effective July 1, 2017. 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.



PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(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

At June 30, 2018, the District reported a liability of \$9,985,789 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. 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, 2017, the District's proportion was 0.0429%, which was a decrease of 0.0006% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the District recognized pension expense of \$397,397. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources noted below:

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	6.44	\$ 113,278	
	2015	5.72	477,158	
	2016	5.57	1,421,356	
	2017	5.48	<u>2,011,792</u>	\$ (2,004,417)
			<u>(2,004,417)</u>	
Difference Between Expected and Actual Experience	2015	5.72	132,386	
	2016	5.57	43,134	
	2017	5.48	<u>59,611</u>	
			<u>235,131</u>	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.00	(119,659)	
	2015	5.00	102,076	
	2016	5.00	427,991	
	2017	5.00	<u>(342,412)</u>	
			<u>67,996</u>	
Changes in Proportion	2014	6.44		(310,680)
	2015	5.72	226,362	
	2016	5.57	63,170	
	2017	5.48	<u>289,532</u>	(110,208)
			<u>(420,888)</u>	
District Contribution Subsequent to Measurement Date	2017	1.00	<u>409,976</u>	
			<u>\$ 3,014,427</u>	<u>\$ (2,425,305)</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(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)

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:

Fiscal Year Ending June 30,	Total
2018	\$ 235,074
2019	354,734
2020	214,951
2021	(285,885)
2022	(208,372)
	\$ 310,502

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65% – 4.15% based on age
Thereafter	2.65% – 5.15% based on age
Investment Rate of Return	7.00%

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).

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Actuarial Assumptions (Cont'd)

The actuarial assumptions used in the July 1, 2016 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 (7.00% at June 30, 2017) 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, 2017 are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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 local employers contributed 100% of their 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, 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, 2017 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:

	June 30, 2017		
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
District's proportionate share of the Net Pension Liability	\$ 12,388,049	\$ 9,985,789	\$ 7,984,409

Pension plan Fiduciary Net Position

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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.nj.gov/treasury/pensions/financial-reports.shtml](http://www.nj.gov/treasury/pensions/financial-reports.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:

<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 1/55<sup>th</sup> 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 1/60<sup>th</sup> 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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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 2018, the State's pension contribution was less than the actuarial 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 2018, the State of New Jersey contributed \$2,329,274 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$7,372,526.

The employee contribution rate was 7.34% effective July 1, 2016. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> 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, 2018, the State's proportionate share of the net pension liability associated with the District was \$106,424,146. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. 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, 2017, the District's proportion was 0.157%, which was an increase of 0.002% from its proportion measured as of June 30, 2016.

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		<u>106,424,146</u>
Total	\$	<u><u>106,424,146</u></u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(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)

For the fiscal year ended June 30, 2018, the State recognized pension expense on behalf of the District in the amount of \$7,372,526 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2018 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:

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	8.5	\$ 1,383,974,317	
	2015	8.3	3,776,126,119	
	2016	8.3	8,218,154,928	
	2017	8.3		\$ 11,684,858,458
			<u>13,378,255,364</u>	<u>11,684,858,458</u>
Difference Between Expected and Actual Experience	2014	8.5		13,181,413
	2015	8.3	233,218,057	
	2016	8.3		102,199,790
	2017	8.3	207,898,332	
			<u>441,116,389</u>	<u>115,381,203</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5	(435,309,142)	
	2015	5	385,284,122	
	2016	5	1,295,565,574	
	2017	5	(904,033,050)	
			<u>341,507,504</u>	
		<u>\$ 14,160,879,257</u>	<u>\$ 11,800,239,661</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 shown on the following page.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(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
2018	\$ 740,341,056
2019	1,175,650,200
2020	983,008,137
2021	551,152,948
2022	624,850,883
Thereafter	(1,714,363,628)
	\$ 2,360,639,596

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.25%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.00%

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, 2016 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 (7.00% at June 30, 2017) 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, 2017 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, 2018  
(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>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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 40% 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 2036. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2036, 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, 2018  
(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, 2017 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, 2017		
	At 1% Decrease (3.25%)	At Current Discount Rate (4.25%)	At 1% Increase (5.25%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 126,435,224	\$ 106,424,146	\$ 89,938,934

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 \$14,858 and \$11,165 for the fiscal years ended June 30, 2018 and 2017, respectively. Employee contributions to DCRP amounted to \$27,610 and \$20,399 for the fiscal year ended June 30, 2018 and 2017, respectively.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 10. RISK MANAGEMENT

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

Property and Liability Insurance and Health Benefits

The District maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report. The District is a member of a joint insurance fund for workers' compensation. Health benefits are provided to employees through the State of New Jersey Health Benefits Plan.

The District is a member of the Pooled Insurance Program of New Jersey (the "PIP"). The PIP provides the District with workers' compensation insurance. The PIP is a risk-sharing public entity risk pool that is both an insured and self-administered group of school districts established for the purpose of providing low-cost insurance coverage for its members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective district for the purpose of creating a governing body from which officers for the PIP are elected.

As a member of the PIP, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the PIP were to be exhausted, members would become responsible for their respective shares of the PIP's liabilities.

The PIP can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with Statement No. 10 of the 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, 2018 was not available as of the date of this report. Selected, summarized financial information as of June 30, 2017 is as follows:

	Pooled Insurance Program of New Jersey
Total Assets	<u>\$ 20,980,925</u>
Net Position	<u>\$ 9,526,025</u>
Total Revenue	<u>\$ 7,636,277</u>
Total Expenses and Adjustments	<u>\$ 5,833,421</u>
Change in Net Position	<u>\$ 1,802,856</u>
Member Dividends	<u>\$ -0-</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

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

Financial statements for the PIP are available at the Executive Director's Office:

Burton Agency  
44 Bergen Street  
PO Box 270  
Westwood, NJ 07675  
(201) 664-0310

New Jersey Unemployment Compensation Insurance

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

A summary of the District and employee contributions, interest, reimbursements to the State for benefits paid and balance of the District's Unemployment Fiduciary Fund for the current and previous two years follows:

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>District Contributions</u>	<u>Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018	\$ 23,751	\$ 29,979	\$ 4,584	\$ 57,890	\$ 389,616
2017	46,190	50,000	1,761		389,192
2016	22,664	50,000	945	50,136	291,241

NOTE 11. 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	Metropolitan Life Insurance Co.
Security Benefit	Gaba Financial Services
Lincoln National Life Insurance Co.	Siracusa Benefit Group

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 12. 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.

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, 2018, there were encumbrances as detailed below in the governmental funds:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Year-End Encumbrances	<u>\$ 848,855</u>	<u>\$ 350</u>	<u>\$ 849,205</u>

On the District's Governmental Funds Balance Sheet as of June 30, 2018, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund. On the GAAP basis, actual encumbrances of \$350 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 13. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The following interfund balances existed as of June 30, 2018:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 62,284	
Capital Projects Fund		\$ 61,929
Fiduciary Fund:		
Payroll Agency		<u>355</u>
	<u>\$ 62,284</u>	<u>\$ 62,284</u>

The interfund receivable in the General Fund is comprised of cash advanced to the Capital Projects Fund while awaiting reimbursement of grant expenditures and interest earnings due from Net Payroll and Payroll Agency Accounts as of June 30.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
 (Continued)

NOTE 14. 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 October 19. 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 15. 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, 2017 to June 30, 2018 fiscal year is as follows:

Beginning Balance, July 1, 2017	\$ 200,000
Ending Balance, June 30, 2018	<u>\$ 200,000</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 16. ACCOUNTS PAYABLE

The following accounts payable balances existed as of June 30, 2018:

	<u>Governmental Funds</u>			District Contribution Subsequent to the Measurement Date	Total Governmental Activities	Proprietary Fund <u>Food Service</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>			
Vendors	\$ 208,506	\$ 25,698	\$ 13,787		\$ 247,991	\$ 7,812
Due to:						
State of New Jersey				\$ 409,976	409,976	
	<u>\$ 208,506</u>	<u>\$ 25,698</u>	<u>\$ 13,787</u>	<u>\$ 409,976</u>	<u>\$ 657,967</u>	<u>\$ 7,812</u>

NOTE 17. 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 \$100,033 from one payment in lieu of taxes ("PILOT") agreement. The taxes which would have been paid on these properties for 2017 without the abatement would have been \$208,414 of which \$132,780 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, 2018  
(Continued)

NOTE 18. PRIOR PERIOD ADJUSTMENTS

The District made a prior year adjustment in the District Wide Financial Statements to record the correct amount recorded for capital assets and related depreciation for a referendum project per the updated appraisal report provided as of June 30, 2017.

	Balance 6/30/17 as Previously Reported	Retroactive Adjustments	Balance 6/30/17 as Restated
<u>Statement of Net Position:</u>			
<u>Governmental Activities:</u>			
ASSETS			
Capital Assets, Net:			
Depreciable Site Improvements, Buildings and Building Improvements, and Machinery and Equipment	\$ 24,429,295	\$ (5,907,062)	\$ 18,522,233
Total Assets	41,061,177	(5,907,062)	35,154,115
NET POSITION			
Net Investment in Capital Assets	21,508,719	(5,907,062)	15,601,657
Total Net Position	17,492,305	(5,907,062)	11,585,243

NOTE 19. POST-RETIREMENT BENEFITS

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District is in a “special funding situation”, as described in GASB Statement No. 75, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the District.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Education Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.



PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 19. POST-RETIREMENT BENEFITS (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)  
(Cont'd)

Plan Description and Benefits Provided (Cont'd)

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A. 52:14-17.32f. According to N.J.S.A. 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 years or more of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits, if any, is the responsibility of the individual education employers.

Employees Covered by Benefit Terms

At June 30, 2016, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	142,331
Active Plan Members	<u>223,747</u>
Total	<u><u>366,078</u></u>

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total nonemployer OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 19. POST-RETIREMENT BENEFITS (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)  
(Cont'd)

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%		
	TPAF/ABP	PERS	PFRS
Salary Increases:			
Through 2026	1.55 - 4.55%	2.15 - 4.15%	2.10 - 8.98%
	based on years of service	based on age	based on age
Thereafter	2.00 - 5.45%	3.15 - 5.15%	3.10 - 9.98%
	based on years of service	based on age	based on age

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 – June 30, 2015, July 1, 2010 – June 30, 2013, and July 1, 2011 – June 30, 2014 for TPAF, PFRS and PERS, respectively.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long term trend rate after nine years. For self-insured post 65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long term rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% and decreases to a 5.0% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 19. POST-RETIREMENT BENEFITS (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)  
(Cont'd)

Discount Rate

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. The source is 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.

Changes in the State's Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2016	\$ 57,831,784,184
Changes for Year:	
Service Cost	2,391,878,884
Interest on the Total OPEB Liability	1,699,441,736
Changes of Assumptions	(7,086,599,129)
Gross Benefit Payments by the State	(1,242,412,566)
Contributions from Members	<u>45,748,749</u>
Net Changes	<u>(4,191,942,326)</u>
Balance at June 30, 2017	<u>\$ 53,639,841,858</u>

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Discount Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District 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, 2018  
(Continued)

NOTE 19. POST-RETIREMENT BENEFITS (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)  
(Cont'd)

Changes in the State's Total OPEB Liability (Cont'd)

	June 30, 2017		
	At 1%	At	At 1%
	Decrease (2.58%)	Discount Rate (3.58%)	Increase (4.58%)
Total OPEB Liability Attributable to the District	\$ 100,159,173	\$ 84,374,967	\$ 71,854,785
	June 30, 2016		
	At 1%	At	At 1%
	Decrease (1.85%)	Discount Rate (2.85%)	Increase (3.85%)
Total OPEB Liability Attributable to the District	\$ 109,382,975	\$ 91,303,036	\$ 77,071,806

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Healthcare Trend Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	1%	Healthcare	1%
	Decrease	Cost Trend Rate	Increase
Total OPEB Liability Attributable to the District	\$ 69,390,254	\$ 84,374,967	\$ 104,274,490

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 19. POST-RETIREMENT BENEFITS (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)  
(Cont'd)

	June 30, 2016		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 74,916,683	\$ 91,303,036	\$ 113,210,028

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018 the District recognized OPEB expense of \$4,837,891 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Statement 75, in which there is a special funding situation.

In accordance with GASB Statement 75, as the District's proportionate share of the OPEB liability is \$-0, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2017 the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption Changes		\$ (6,343,769,032)
Contributions Made in Fiscal Year Ending 2018 After June 30, 2017 Measurement Date	\$ 1,190,373,242	
	\$ 1,190,373,242	\$ (6,343,769,032)

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 19. POST-RETIREMENT BENEFITS (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)  
(Cont'd)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB  
(Cont'd)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Total
2018	\$ (742,830,097)
2019	(742,830,097)
2020	(742,830,097)
2021	(742,830,097)
2022	(742,830,097)
Thereafter	(2,629,618,547)
	\$ (6,343,769,032)

The State's on behalf Post-Retirement Medical Contributions to TPAF for the District amounted to \$ 1,540,937, \$1,479,341 and \$1,485,852 for 2018, 2017, and 2016, respectively.

**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 FOUR 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%
			48.10%
			345.02%
			0.0428972281%
			9,985,789
			2,894,287

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 FOUR FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
Contractually required contribution	\$ 334,259	\$ 369,851	\$ 386,586
Contributions in relation to the contractually required contribution	(334,259)	(369,851)	(386,586)
Contribution deficiency/(excess)	\$ -0-	\$ -0-	\$ -0-
District's covered employee payroll	\$ 2,894,283	\$ 2,894,283	\$ 2,894,283
Contributions as a percentage of covered employee payroll	11.55%	12.78%	13.36%
			13.78%

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 FOUR 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%
			25.41%

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 FOUR 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	(850,446)	(1,247,857)	(1,713,356)
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%
			44.51%

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 CHANGES IN THE STATE'S TOTAL OPEB LIABILITY AND RELATED RATIOS  
LAST TWO FISCAL YEARS  
UNAUDITED

	Fiscal Years Ending	
	June 30, 2016	June 30, 2017
Total OPEB Liability		
Service Cost	\$ 1,723,999,319	\$ 2,391,878,884
Interest Cost	1,823,643,792	1,699,441,736
Changes in Assumptions	8,611,513,521	(7,086,599,129)
Member Contributions	46,273,747	45,748,749
Gross Benefit Payments	<u>(1,223,298,019)</u>	<u>(1,242,412,566)</u>
Net Change in Total OPEB Liability	10,982,132,360	(4,191,942,326)
Total OPEB Liability - Beginning	<u>46,849,651,824</u>	<u>57,831,784,184</u>
Total OPEB Liability - Ending	<u>\$ 57,831,784,184</u>	<u>\$ 53,639,841,858</u>
State's Covered Employee Payroll *	\$ 13,493,400,208	\$ 13,493,400,208
Total OPEB Liability as a Percentage of Covered Employee Payroll	429%	398%

\* - Covered payroll for the fiscal years ending June 30, 2016 and June 30, 2017 is based on the payroll on the June 30, 2016 census data.

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during the fiscal year ended June 30, 2018.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017. The municipal bond rate changed from 2.85% to 3.58%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 3.08% as of June 30, 2016 to 2.25% as of June 30, 2017.

B. TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.22% as of June 30, 2016 to 4.25% as of June 30, 2017. The municipal bond rate changed from 2.85% to 3.58%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 2.50% as of June 30, 2016 to 2.25% as of June 30, 2017.

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

**BUDGETARY COMPARISON SCHEDULES**

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 33,802,109	\$	\$ 33,802,109	\$ 33,802,109	
Tuition From Individuals	154,000		154,000	190,683	\$ 36,683
Tuition From Other LEA's	150,000		150,000	131,185	(18,815)
Rents and Royalties	70,000		70,000	118,221	48,221
Interest Earned on Capital Reserve Funds	1,000	\$ (1,000)		3,986	3,986
Unrestricted Miscellaneous	44,000		44,000	219,791	175,791
<b>Total - Local Sources</b>	<b>34,221,109</b>	<b>(1,000)</b>	<b>34,220,109</b>	<b>34,465,975</b>	<b>245,866</b>
State Sources:					
School Choice Aid	82,548		82,548	82,548	
Categorical Special Education Aid	1,420,585		1,420,585	1,420,585	
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	330,301	30,301
Nonpublic School Transportation Costs				34,422	34,422
On-Behalf Contributions (Non-Budgeted):					
TPAF - Pension Contributions				2,329,274	2,329,274
TPAF - Post Retirement Medical Contributions				1,540,937	1,540,937
TPAF - Long Term Disability Insurance (Non-Budgeted)				3,604	3,604
TPAF - Non-Contributory Insurance (Non-Budgeted)				56,526	56,526
TPAF Social Security Contributions (Reimbursed)				1,174,396	1,174,396
<b>Total State Sources</b>	<b>2,547,657</b>		<b>2,547,657</b>	<b>7,717,117</b>	<b>5,169,460</b>
<b>TOTAL REVENUES</b>	<b>36,768,766</b>	<b>(1,000)</b>	<b>36,767,766</b>	<b>42,183,092</b>	<b>5,415,326</b>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	\$ 521,929	\$ 140,746	\$ 140,746	\$ 136,745	\$ 4,001
Kindergarten - Salaries of Teachers	3,545,867	963	522,892	521,268	1,624
Grades 1-5 - Salaries of Teachers	2,755,637	82,025	3,627,892	3,531,333	96,559
Grades 6-8 - Salaries of Teachers	3,803,485	(10,619)	2,745,018	2,560,654	184,364
Grades 9-12 - Salaries of Teachers		(137,506)	3,665,979	3,603,393	62,586
Regular Programs - Home Instruction:					
Salaries of Teachers	16,000	3,249	19,249	19,249	
Purchased Professional - Educational Services	8,000	25,000	33,000	30,261	2,739
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	61,650	51,875	51,875	51,874	1
Purchased Professional - Educational Services	164,836	569	62,219	44,883	17,336
Purchased Technical Services	138,592	81,523	246,359	186,319	60,040
Other Purchased Services (400-500 series)	994,388	(33,637)	104,955	94,165	10,790
General Supplies	67,883	(28,542)	965,846	689,127	276,719
Textbooks	2,695	34,105	101,988	28,895	73,093
Other Objects		(2,160)	535	535	
<b>Total Regular Programs - Instruction</b>	<b>12,080,962</b>	<b>207,591</b>	<b>12,288,553</b>	<b>11,498,701</b>	<b>789,852</b>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	365,108	1,758	366,866	364,815	2,051
Other Salaries for Instruction	217,710	(64,750)	152,960	152,466	494
Purchased Professional - Educational Services	7,600		7,600	5,550	2,050
General Supplies	15,234		15,234	5,055	10,179
<b>Total Learning and/or Language Disabilities</b>	<b>605,652</b>	<b>(62,992)</b>	<b>542,660</b>	<b>527,886</b>	<b>14,774</b>



PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Special Education - Instruction:					
Behavioral Disabilities:					
Salaries of Teachers	\$ 126,458	\$ (55,110)	\$ 71,348	\$ 68,655	\$ 2,693
Other Salaries for Instruction	62,975	22,777	85,752	85,751	1
General Supplies	4,000	(2,906)	1,094	635	459
<b>Total Behavioral Disabilities</b>	<b>193,433</b>	<b>(35,239)</b>	<b>158,194</b>	<b>155,041</b>	<b>3,153</b>
Resource Room/Resource Center:					
Salaries of Teachers	1,672,447	38,485	1,710,932	1,708,551	2,381
Other Salaries for Instruction	104,516	77,883	182,399	181,021	1,378
General Supplies	15,050	714	15,764	4,884	10,880
<b>Total Resource Room/Resource Center</b>	<b>1,792,013</b>	<b>117,082</b>	<b>1,909,095</b>	<b>1,894,456</b>	<b>14,639</b>
Autism:					
Salaries of Teachers	143,834	(18,966)	124,868	124,867	1
Other Salaries for Instruction	312,337	8,889	321,226	320,395	831
General Supplies	26,400		26,400	5,035	21,365
Other Objects	9,200		9,200	5,543	3,657
<b>Total Autism</b>	<b>491,771</b>	<b>(10,077)</b>	<b>481,694</b>	<b>455,840</b>	<b>25,854</b>
Preschool Disabilities - Part-time:					
Salaries of Teachers	164,848	(164,848)			
Other Salaries for Instruction	38,413	(38,413)			
General Supplies	1,500	(1,500)			
<b>Total Preschool Disabilities - Part-time</b>	<b>204,761</b>	<b>(204,761)</b>			

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Preschool Disabilities - Full-time:					
Salaries of Teachers	\$ 65,007	\$ 51,098	\$ 116,105	\$ 115,834	\$ 271
Other Salaries for Instruction	146,023	34,549	180,572	178,940	1,632
Total Preschool Disabilities - Full-time	211,030	85,647	296,677	294,774	1,903
Home Instruction:					
Purchased Professional-Educational Services	25,000	(5,000)	20,000	15,195	4,805
Total Home Instruction	25,000	(5,000)	20,000	15,195	4,805
Total Special Education Instruction	3,523,660	(115,340)	3,408,320	3,343,192	65,128
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	170,597	(8,575)	162,022	162,022	
Total Basic Skills/Remedial - Instruction	170,597	(8,575)	162,022	162,022	
Bilingual Education - Instruction:					
Salaries of Teachers	56,165	(33,375)	22,790	21,916	874
General Supplies	1,850	(1,478)	372	372	
Total Bilingual Education - Instruction	58,015	(34,853)	23,162	22,288	874
School-Sponsored Cocurricular/Extracurricular Activities - Instruction:					
Salaries	180,934	397	181,331	168,125	13,206
Purchased Services (300-500 series)	4,025	2,430	6,455	6,060	395
Supplies and Materials	13,050	(2,819)	10,231	7,653	2,578
Other Objects	4,975	(3,350)	1,625	1,015	610
Total School-Sponsored Cocurricular/Extracurricular Activities - Instruction	202,984	(3,342)	199,642	182,853	16,789
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	422,444		422,444	398,386	24,058
Purchased Services (300-500 series)	122,150	(16,065)	106,085	92,363	13,722
Supplies and Materials	97,594	(244)	97,350	91,996	5,354

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
School-Sponsored Cocurricular Athletics - Instruction:					
Other Objects	\$ 25,284	\$ 16,155	\$ 41,439	\$ 27,362	\$ 14,077
Transfers to Cover Deficit (Agency Funds)		(154)			
Total School-Sponsored Cocurricular Athletics - Instruction	667,472		667,318	610,107	57,211
Before/After School Programs - Instruction:					
Salaries of Teachers	6,000	1,020	7,020	6,054	966
Total Before/After School Programs - Instruction	6,000	1,020	7,020	6,054	966
Total Instruction	16,709,690	46,347	16,756,037	15,825,217	930,820
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Regular		9,037	9,037		9,037
Tuition to Other LEAs Within the State - Special	215,251	(274)	214,977	197,263	17,714
Tuition to County Vocational Schools - Regular	503,916	62,340	566,256	566,256	
Tuition to County Vocational Schools - Special	141,500	(122,340)	19,160	10,940	8,220
Tuition to Private Schools for the Disabled - Within the State	1,023,441	(99,221)	924,220	911,312	12,908
Tuition to Private Schools for the Disabled and Other LEAs - Special - Outside the State		159,221	159,221	159,221	
Total Undistributed Expenditures - Instruction	1,884,108	8,763	1,892,871	1,844,992	47,879
Attendance and Social Work:					
Salaries	29,889		29,889	29,889	
Total Attendance and Social Work	29,889		29,889	29,889	
Health Services:					
Salaries	380,206	(5,727)	374,479	373,686	793
Purchased Professional and Technical Services	15,350	277	15,627	15,534	93
Supplies and Materials	10,800	1,410	12,210	10,114	2,096
Total Health Services	406,356	(4,040)	402,316	399,334	2,982

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Speech, OT, PT & Related Services:					
Salaries	\$ 300,270	\$ 13,275	\$ 313,545	\$ 291,543	\$ 22,002
Purchased Professional - Educational Services	269,455		269,455	200,438	69,017
Supplies and Materials	6,232		6,232	641	5,591
Total Speech, OT, PT & Related Services	575,957	13,275	589,232	492,622	96,610
Undistributed Expenditures:					
Other Support Services - Students - Extraordinary Services:					
Salaries	102,788	5,399	108,187	108,159	28
Purchased Professional - Educational Services	269,426	(20,045)	249,381	110,351	139,030
Supplies and Materials	1,000	45	1,045	1,045	
Total Other Support Services - Students - Extraordinary Services	373,214	(14,601)	358,613	219,555	139,058
Guidance:					
Salaries of Other Professional Staff	503,458		503,458	502,815	643
Salaries of Secretarial and Clerical Assistants	42,848		42,848	42,285	563
Purchased Professional - Educational Services	53,285	(93)	53,192	31,239	21,953
Other Purchased Professional and Technical Services	4,800		4,800		4,800
Other Purchased Services (400-500 series)	32,092		32,092	31,655	437
Supplies and Materials	3,707		3,707	1,120	2,587
Other Objects	100		100		100
Total Guidance	640,290	(93)	640,197	609,114	31,083

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Undistributed Expenditures:					
Child Study Teams:					
Salaries of Other Professional Staff	\$ 678,729		\$ 678,729	\$ 676,914	\$ 1,815
Salaries of Secretarial and Clerical Assistants	44,087		44,087	43,525	562
Purchased Professional - Educational Services	26,500	\$ (500)	26,000	17,721	8,279
Other Purchased Professional and Technical Services	11,600		11,600	10,410	1,190
Other Purchased Professional Services (400-500 series)	4,680		4,680	2,560	2,120
Supplies and Materials	19,522		19,522	8,224	11,298
Other Objects	1,900		1,900	450	1,450
<b>Total Child Study Teams</b>	<b>787,018</b>	<b>(500)</b>	<b>786,518</b>	<b>759,804</b>	<b>26,714</b>
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	159,586		159,586	159,586	
Salaries of Other Professional Staff	762,864	12,282	775,146	775,143	3
Salaries of Secretarial and Clerical Assistants	63,255		63,255	63,255	
Other Purchased Professional and Technical Services	6,000	(4,451)	1,549		1,549
Other Purchased Services (400-500 series)	10,600	(5,776)	4,824	2,335	2,489
Supplies and Materials	8,700	(1,937)	6,763	6,143	620
Other Objects	6,400	(4,108)	2,292	2,292	
<b>Total Improvement of Instructional Services</b>	<b>1,017,405</b>	<b>(3,990)</b>	<b>1,013,415</b>	<b>1,008,754</b>	<b>4,661</b>
Educational Media Services/School Library:					
Salaries	306,470	3,738	310,208	306,969	3,239
Salaries of Technology Coordinators	72,750	1,712	74,462	74,093	369
Purchased Professional and Technical Services	13,135		13,135	7,911	5,224
Other Purchased Services (400-500 series)	200		200		200
Supplies and Materials	34,506	(2,558)	31,948	24,524	7,424
<b>Total Educational Media Services/School Library</b>	<b>427,061</b>	<b>2,892</b>	<b>429,953</b>	<b>413,497</b>	<b>16,456</b>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Undistributed Expenditures:					
Instructional Staff Training Services:					
Other Salaries	\$ 1,000	\$ 2,935	\$ 3,935	\$ 1,548	\$ 2,387
Purchased Professional - Educational Services	19,956	735	20,691	5,548	15,143
Other Purchased Services (400-500 series)	47,250	(19,574)	27,676	17,764	9,912
Supplies and Materials	5,475	(1,534)	3,941	3,941	
Other Objects	5,000	(3,435)	1,565	1,565	
Total Instructional Staff Training Services	78,681	(20,873)	57,808	30,366	27,442
Support Services - General Administration:					
Salaries	266,626		266,626	259,300	7,326
Legal Services	135,000	(20,150)	114,850	65,934	48,916
Audit Fees	43,500		43,500	41,300	2,200
Architectural/Engineering Services	23,850	20,150	44,000	44,000	
Other Purchased Professional Services	15,000	3,336	18,336	8,336	10,000
Purchased Technical Services	4,900	1,975	6,875	6,375	500
Communications/Telephone	62,260	(7,639)	54,621	45,241	9,380
BOE Other Purchased Services	3,500	960	4,460	2,958	1,502
BOE In House Training / Meeting Supplies	1,000	2,000	3,000	1,594	1,406
Miscellaneous Purchased Services (400-500 series)	104,500	2,847	107,347	92,934	14,413
General Supplies	10,000	(2,000)	8,000	1,887	6,113
Miscellaneous Expenditures	1,300	886	2,186	2,186	
BOE Memberships / Dues	18,000	(390)	17,610	16,573	1,037
Total Support Services - General Administration	689,436	1,975	691,411	588,618	102,793

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Undistributed Expenditures:					
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	\$ 956,245	\$ 1	\$ 956,246	\$ 956,246	\$ 51,951
Salaries of Secretarial and Clerical Assistants	445,140	(1)	445,139	393,188	7,246
Purchased Professional and Technical Services	10,500		10,500	3,254	14,361
Other Purchased Services (400-500 series)	61,200		61,200	46,839	32,135
Supplies and Materials	61,323	(465)	60,858	28,723	2,437
Other Objects	16,454		16,454	14,017	108,130
<b>Total Support Services - School Administration</b>	<b>1,550,862</b>	<b>(465)</b>	<b>1,550,397</b>	<b>1,442,267</b>	
Central Services:					
Salaries	410,637		410,637	409,809	828
Purchased Professional Services	13,500		13,500	12,000	1,500
Purchased Technical Services	28,000	3,209	31,209	28,034	3,175
Miscellaneous Purchased Services (400-500 series)	12,200	(34)	12,166	8,236	3,930
Supplies and Materials	16,500	(3,175)	13,325	6,761	6,564
Miscellaneous Expenditures	3,100		3,100	2,555	545
<b>Total Central Services</b>	<b>483,937</b>		<b>483,937</b>	<b>467,395</b>	<b>16,542</b>
Administrative Information Technology:					
Salaries	186,426	(3,585)	182,841	177,191	5,650
Purchased Technical Services	79,000	(1,975)	77,025	65,185	11,840
Other Purchased Services (400-500 series)	3,000		3,000	47	2,953
Supplies and Materials	16,981		16,981	14,114	2,867
<b>Total Administrative Information Technology</b>	<b>285,407</b>	<b>(5,560)</b>	<b>279,847</b>	<b>256,537</b>	<b>23,310</b>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Undistributed Expenditures:					
Required Maintenance of School Facilities:					
Salaries	\$ 243,103	\$ (7,100)	\$ 236,003	\$ 234,175	\$ 1,828
Purchased Professional and Technical Services	4,000	(4,000)			
Cleaning, Repair and Maintenance Services	378,788	172,188	550,976	268,710	282,266
General Supplies	94,690	61,500	156,190	135,365	20,825
Other Objects	5,000	(3,500)	1,500	625	875
<b>Total Required Maintenance of School Facilities</b>	<b>725,581</b>	<b>219,088</b>	<b>944,669</b>	<b>638,875</b>	<b>305,794</b>
<b>Custodial Services:</b>					
Salaries	1,051,296	(1,514)	1,049,782	993,710	56,072
Salaries of Non-Instructional Aides	82,000	(24,800)	57,200	38,169	19,031
Purchased Professional and Technical Services	2,000	4,000	6,000	5,308	692
Cleaning, Repair and Maintenance Services	67,000	3,506	70,506	69,046	1,460
Rental of Buildings (Other Than Lease Purchase Agreements)	2,500		2,500	2,500	
Other Purchased Property Services	50,000		50,000	37,344	12,656
Insurance	160,000	(14,330)	145,670	145,592	78
Miscellaneous Purchased Services	3,000	(2,000)	1,000	775	225
General Supplies	96,722	(7,714)	89,008	88,927	81
Energy (Electricity)	407,000	(25,364)	381,636	292,293	89,343
Energy (Natural Gas)	252,400	15,610	268,010	267,116	894
Energy (Gasoline)		7,714	7,714	7,714	
Other Objects	3,000		3,000	370	2,630
<b>Total Custodial Services</b>	<b>2,176,918</b>	<b>(44,892)</b>	<b>2,132,026</b>	<b>1,948,864</b>	<b>183,162</b>
<b>Care and Upkeep of Grounds:</b>					
Cleaning, Repair and Maintenance Services	72,750		72,750	71,803	947
General Supplies	25,000		25,000	22,869	2,131
<b>Total Care and Upkeep of Grounds</b>	<b>97,750</b>		<b>97,750</b>	<b>94,672</b>	<b>3,078</b>



PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Undistributed Expenditures:					
Security					
Salaries	\$ 124,794		\$ 124,794	\$ 114,936	\$ 9,858
Purchased Professional and Technical Services		4,408	4,408	4,408	
Cleaning Repair and Maintenance	20,000	4,846	24,846	8,147	16,699
General Supplies	54,904		54,904	50,901	4,003
Other Objects		500	500	172	328
Total Security	199,698	9,754	209,452	178,564	30,888
Student Transportation Services:					
Salaries for Non-Instructional Aides	11,500	(7,700)	3,800	3,799	1
Salaries for Pupil Transportation:					
Between Home and School - Regular	115,930	1,593	117,523	117,523	
Between Home and School - Special	121,933	11,399	133,332	133,260	72
Other Than Between Home and School - Regular	65,000	7,700	72,700	71,850	850
Management Fee - ESC and CTSA Transportation Program	20,000		20,000	15,740	4,260
Cleaning, Repair and Maintenance Services	53,000		53,000	39,475	13,525
Contracted Services:					
Other Than Between Home and School - Vendors	75,000	(500)	74,500	56,794	17,706
Special Education Students - Vendors	40,000	(1,000)	39,000	24,979	14,021
Regular Students - ESC's and CTSA's	37,000	(16,500)	20,500	15,930	4,570
Special Education Students - ESC's and CTSA's	465,000	(67,194)	397,806	348,015	49,791
Aid in Lieu of Payments - Nonpublic Students	61,000	38,194	99,194	96,422	2,772
Miscellaneous Purchased Services - Transportation	1,000		1,000	548	452
General Supplies	2,000		2,000	983	1,017
Transportation Supplies	42,000	(9,934)	32,066	20,371	11,695
Other Objects	1,000	500	1,500	1,495	5
Total Student Transportation Services	1,111,363	(43,442)	1,067,921	947,184	120,737

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Unallocated Benefits:					
Social Security Contributions	\$ 450,000		\$ 450,000	\$ 407,570	\$ 42,430
Other Retirement Contributions - PERS	400,000	248	400,248	400,248	
Other Retirement Contributions - Other	20,000	(248)	19,752	14,858	4,894
Unemployment Compensation	29,979		29,979	29,979	
Workmen's Compensation	205,000	(8,035)	196,965	183,159	13,806
Health Benefits	6,133,792	(161,631)	5,972,161	5,323,484	648,677
Tuition Reimbursement	96,492		96,492	64,831	31,661
Other Employee Benefits	127,255	65,000	192,255	135,136	57,119
Unused Sick Payment to Terminated/Retired Staff	65,000	(65,000)			
<b>Total Unallocated Benefits</b>	<b>7,527,518</b>	<b>(169,666)</b>	<b>7,357,852</b>	<b>6,559,265</b>	<b>798,587</b>
<b>On-Behalf Contributions (Non-Budgeted):</b>					
TPAF Pension Contributions (Non-Budgeted)				2,329,274	(2,329,274)
TPAF Post Retirement Medical Benefits (Non-Budgeted)				1,540,937	(1,540,937)
TPAF Long-Term Disability Insurance (Non-Budgeted)				3,604	(3,604)
TPAF Non-Contributory Insurance (Non-Budgeted)				56,526	(56,526)
TPAF Social Security Contributions (Reimbursed)				1,174,396	(1,174,396)
<b>Total On-Behalf Contributions</b>				<b>5,104,737</b>	<b>(5,104,737)</b>
<b>Total Personal Services - Employee Benefits</b>	<b>7,527,518</b>	<b>(169,666)</b>	<b>7,357,852</b>	<b>11,664,002</b>	<b>(4,306,150)</b>
<b>Total Undistributed Expenses</b>	<b>21,068,449</b>	<b>(52,375)</b>	<b>21,016,074</b>	<b>24,034,905</b>	<b>(3,018,831)</b>
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<b>37,778,139</b>	<b>(6,028)</b>	<b>37,772,111</b>	<b>39,860,122</b>	<b>(2,088,011)</b>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CAPITAL OUTLAY:					
Equipment:					
Regular Programs - Instruction:					
Grades 9-12	\$ 11,925	\$ 5,650	\$ 5,650	\$ 2,899	\$ 2,751
Undistributed Expenditures:					
Instruction	\$ 80,556	68,631	80,556	11,925	68,631
School Administration	43,279		43,279	43,279	
Administration Information Technology	329,645	(98,621)	231,024	87,437	143,587
Required Maintenance for School Facilities	102,945	11,845	114,790	114,790	
Non-Instructional Services	16,523	16,523	16,523	13,323	3,200
Total Equipment	487,794	4,028	491,822	273,653	218,169
Facilities Acquisition and Construction Services:					
Construction Services	120,000		120,000	117,120	2,880
Assessment for Debt Service on SDA Funding	2,793		2,793	2,793	
Total Facilities Acquisition and Construction Services	122,793		122,793	119,913	2,880
TOTAL CAPITAL OUTLAY	610,587	4,028	614,615	393,566	221,049
TOTAL EXPENDITURES	38,388,726	(2,000)	38,386,726	40,253,688	(1,866,962)
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(1,619,960)	1,000	(1,618,960)	1,929,404	3,548,364

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Financing Sources/(Uses):					
Transfers In:					
Transfer from Capital Projects Fund to Capital Reserve				4,092	\$ 4,092
Transfer from Capital Projects Fund - Interest				6,337	6,337
Transfer Out:					
Transfer from Capital Reserve to Capital Projects Fund	(1,625,000)	(1,000)	(1,626,000)	(1,625,000)	1,000
Total Other Financing Sources/(Uses)	<u>(1,625,000)</u>	<u>(1,000)</u>	<u>(1,626,000)</u>	<u>(1,614,571)</u>	<u>11,429</u>
Excess/(Deficiency) of Revenues and Other Financing Uses					
Over/(Under) Expenditures and Other Financing Uses	(3,244,960)		(3,244,960)	314,833	\$ 3,559,793
Fund Balance, July 1	7,252,558		7,252,558	7,252,558	
Fund Balance, June 30	4,007,598	-0-	4,007,598	7,567,391	\$ 3,559,793
<u>Recapitulation of Fund Balance at June 30, 2018:</u>					
Restricted:					
Excess Surplus				1,000,000	\$ 1,000,000
Excess Surplus - For Subsequent Year's Expenditures				3,718,334	3,718,334
Capital Reserve				200,000	200,000
Maintenance Reserve					
Assigned:					
Year-End Encumbrances				848,855	848,855
Unassigned				800,202	800,202
				<u>7,567,391</u>	
Reconciliation to Governmental Funds Statement (GAAP):					
Last State Aid Payments not Recognized on GAAP Basis				(220,688)	(220,688)
Fund Balance per Governmental Funds (GAAP)					\$ 7,346,703

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

SPECIAL REVENUE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Local Sources		\$ 4,516	\$ 4,516	\$ 4,516	
State Sources	\$ 216,021	80,729	296,750	268,896	\$ (27,854)
Federal Sources	470,729	161,641	632,370	551,798	(80,572)
<b>Total Revenues</b>	<b>686,750</b>	<b>246,886</b>	<b>933,636</b>	<b>825,210</b>	<b>(108,426)</b>
<b>EXPENDITURES:</b>					
<b>Instruction:</b>					
Purchased Professional - Educational Services	197,576	78,083	275,659	247,805	27,854
Tuition	411,012	(32,376)	378,636	378,636	
General Supplies	2,899	30,189	33,088	21,818	11,270
Textbooks	18,445	2,646	21,091	21,091	
<b>Total Instruction</b>	<b>629,932</b>	<b>78,542</b>	<b>708,474</b>	<b>669,350</b>	<b>39,124</b>
<b>Support Services:</b>					
Salaries of Other Professional Staff	35,192	22,958	58,150	55,095	3,055
Purchased Professional and Technical Services	21,626	119,247	140,873	86,812	54,061
Other Purchased Professional Services		20,066	20,066	9,466	10,600
Supplies and Materials		4,283	4,283	2,697	1,586
Other Objects		1,790	1,790	1,790	
<b>Total Support Services</b>	<b>56,818</b>	<b>168,344</b>	<b>225,162</b>	<b>155,860</b>	<b>69,302</b>
<b>Total Expenditures</b>	<b>686,750</b>	<b>246,886</b>	<b>933,636</b>	<b>825,210</b>	<b>108,426</b>
<b>Excess of Revenues Over Expenditures</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
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	\$ 42,183,092	\$ 825,210
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		(350)
Prior Year Encumbrances		4,354
Prior Year State aid payments recognized for GAAP statements, not recognized for budgetary purposes.	221,294	
Current Year State aid payments recognized for budgetary purposes, not recognized for GAAP statements.	(220,688)	
	<u>42,183,698</u>	<u>829,214</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 42,183,698</u>	<u>\$ 829,214</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 40,253,688	\$ 825,210
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		(350)
Prior Year Encumbrances		4,354
	<u>40,253,688</u>	<u>829,214</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 40,253,688</u>	<u>\$ 829,214</u>

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue, and Debt Service Funds. The budget for the fiscal year ended June 30, 2018 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, 2018  
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, 2018

	IDEA, Part B			Elementary and Secondary Education Act		
	Basic	Preschool	Title I	Title II, Part A	Title III	
<b>REVENUE:</b>						
Local Sources						
State Sources						
Federal Sources	\$ 453,249	\$ 14,217	\$ 58,642	\$ 18,673	\$ 7,017	
Total Revenue	<u>453,249</u>	<u>14,217</u>	<u>58,642</u>	<u>18,673</u>	<u>7,017</u>	
<b>EXPENDITURES:</b>						
Instruction:						
Purchased Professional - Educational Services						
Tuition	378,636					
General Supplies	7,728	7,997			4,017	
Textbooks						
Total Instruction	<u>386,364</u>	<u>7,997</u>			<u>4,017</u>	
Support Services:						
Salaries of Other Professional Staff			54,445			
Purchased Professional and Technical Services	66,885	6,220	1,500	12,207		
Other Purchased Professional Services			2,697	6,466	3,000	
Supplies and Materials						
Other Objects						
Total Support Services	<u>66,885</u>	<u>6,220</u>	<u>58,642</u>	<u>18,673</u>	<u>3,000</u>	
Total Expenditures	<u>\$ 453,249</u>	<u>\$ 14,217</u>	<u>\$ 58,642</u>	<u>\$ 18,673</u>	<u>\$ 7,017</u>	

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Nonpublic				
	Auxiliary Services		Nonpublic Handicapped Services		
	Compensatory Education	Home Instruction	Exam and Classification	Supplementary Instruction	Corrective Speech
REVENUE:					
Local Sources					
State Sources	\$ 49,607	\$ 3,034	\$ 47,332	\$ 43,534	\$ 23,213
Federal Sources					
Total Revenue	<u>49,607</u>	<u>3,034</u>	<u>47,332</u>	<u>43,534</u>	<u>23,213</u>
EXPENDITURES:					
Instruction:					
Purchased Professional - Educational Services					
Tuition	49,607	3,034	47,332	43,534	23,213
General Supplies					
Textbooks					
Total Instruction	<u>49,607</u>	<u>3,034</u>	<u>47,332</u>	<u>43,534</u>	<u>23,213</u>
Support Services:					
Salaries of Other Professional Staff					
Purchased Professional and Technical Services					
Other Purchased Professional Services					
Supplies and Materials					
Other Objects					
Total Support Services					
Total Expenditures	<u>\$ 49,607</u>	<u>\$ 3,034</u>	<u>\$ 47,332</u>	<u>\$ 43,534</u>	<u>\$ 23,213</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Local Grants	Nonpublic Nursing	Nonpublic Textbooks	Nonpublic Security	Nonpublic Technology	Totals
<b>REVENUE:</b>						
Local Sources	\$ 4,516					\$ 4,516
State Sources		\$ 37,830	\$ 21,091	\$ 29,010	\$ 14,245	268,896
Federal Sources						551,798
<b>Total Revenue</b>	<b>4,516</b>	<b>37,830</b>	<b>21,091</b>	<b>29,010</b>	<b>14,245</b>	<b>825,210</b>
<b>EXPENDITURES:</b>						
<b>Instruction:</b>						
Purchased Professional - Educational Services		37,830		29,010	14,245	247,805
Tuition						378,636
General Supplies	2,076					21,818
Textbooks			21,091			21,091
<b>Total Instruction</b>	<b>2,076</b>	<b>37,830</b>	<b>21,091</b>	<b>29,010</b>	<b>14,245</b>	<b>669,350</b>
<b>Support Services:</b>						
Salaries of Other Professional Staff	650					55,095
Purchased Professional and Technical Services						86,812
Other Purchased Professional Services						9,466
Supplies and Materials						2,697
Other Objects	1,790					1,790
<b>Total Support Services</b>	<b>2,440</b>					<b>155,860</b>
<b>Total Expenditures</b>	<b>\$ 4,516</b>	<b>\$ 37,830</b>	<b>\$ 21,091</b>	<b>\$ 29,010</b>	<b>\$ 14,245</b>	<b>\$ 825,210</b>

**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, 2018

Revenue and Other Financing Sources:	
Investment Income	\$ 6,337
Transfer from General Fund - Capital Reserve	1,625,000
	<hr/>
Total Revenue and Other Financing Sources	1,631,337
	<hr/>
Expenditures and Other Financing Uses:	
Construction Services	1,499,072
Transfers Out:	
Transfer to Capital Reserve	4,092
Transfer to General Fund - Interest	6,337
Transfer to Debt Service Fund - Unexpended Projects Balances	142,384
	<hr/>
Total Expenditures and Other Financing Uses	1,651,885
	<hr/>
Deficit of Revenue and Other Financing Sources Under Expenditures and Other Financing Uses	(20,548)
	<hr/>
Fund Balance - Beginning	2,306,728
	<hr/>
Fund Balance - Ending	\$ 2,286,180
	<hr/> <hr/>
Committed	\$ 2,286,180
	<hr/>
Reconciliation to Governmental Funds Statement (GAAP):	
State Sources - SDA Grant not Recognized on GAAP Basis	(2,336,746)
	<hr/>
Fund Balance (Deficit) per Governmental Funds - GAAP	\$ (50,566)
	<hr/> <hr/>

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, 2018

	<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
<b>Total Revenue and Other Financing Sources</b>	<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
<b>Total Expenditures</b>	<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, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
Bond Proceeds	\$ 3,350,000		\$ 3,350,000	\$ 3,350,000
Total Revenue and Other Financing Sources	<u>3,350,000</u>		<u>3,350,000</u>	<u>3,350,000</u>
Expenditures and Other Financing Uses:				
Legal Services	12,141		12,141	12,383
Purchased Professional & Technical Services	243,766		243,766	238,500
Construction Services	2,645,171		2,645,171	2,986,567
Other Objects	1,538		1,538	112,550
Transfer to Debt Service Fund	305,000	\$ 142,384	447,384	
Total Expenditures and Other Financing Uses	<u>3,207,616</u>	<u>142,384</u>	<u>3,350,000</u>	<u>3,350,000</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ 142,384</u>	<u>\$ (142,384)</u>	<u>\$ -0-</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, 2018

	<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
<b>Total Revenue and Other Financing Sources</b>	<b>1,208,482</b>		<b>1,208,482</b>	<b>1,208,482</b>
Expenditures:				
Purchased Professional & Technical Services	\$ 78,998		78,998	169,482
Construction Services	661,320		661,320	1,039,000
<b>Total Expenditures</b>	<b>740,318</b>		<b>740,318</b>	<b>1,208,482</b>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 468,164</u>	<u>\$ -0-</u>	<u>\$ 468,164</u>	<u>\$ -0-</u>

## Additional Project Information:

Project Number(s)	4080-100-14-1005
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, 2018

	<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	880,550
<b>Total Revenue and Other Financing Sources</b>	<b>1,134,250</b>		<b>1,134,250</b>	<b>1,334,250</b>
Expenditures:				
Purchased Professional & Technical Services	25,885		25,885	176,750
Construction Services	357,919		357,919	1,157,500
<b>Total Expenditures</b>	<b>383,804</b>		<b>383,804</b>	<b>1,334,250</b>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 750,446</u>	<u>\$ -0-</u>	<u>\$ 750,446</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number(s)	4080-100-14-1001
Grant Date	2/24/2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 1,334,250
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, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
Transfer from Capital Reserve	\$ 589,668	\$ (4,092)	\$ 585,576	\$ 585,576
Total Revenue and Other Financing Sources	<u>589,668</u>	<u>(4,092)</u>	<u>585,576</u>	<u>585,576</u>
Expenditures:				
Salaries				
Legal Services				
Purchased Professional & Technical Services	36,215		36,215	36,215
Other Purchased Services	1,028		1,028	1,028
Construction Services	548,333		548,333	548,333
Total Expenditures	<u>585,576</u>		<u>585,576</u>	<u>585,576</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 4,092</u>	<u>\$ (4,092)</u>	<u>\$ -0-</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
Unexpended Balance Transferred to Capital Reserve	\$ (4,092)
Revised Authorized Cost	\$ 585,576
Change Order Percentage	-0.69%
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, 2018

	Prior Periods	Current Year	Totals	Project Authorization
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	\$ 57,718		57,718	57,719
Construction Services	700,309		700,309	732,200
Total Expenditures	758,027		758,027	789,919
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	\$ 31,892	\$ -0-	\$ 31,892	\$ -0-

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, 2018

	<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	1,156,208		1,156,208	1,156,208
<b>Total Revenue and Other Financing Sources</b>	<b>1,731,013</b>		<b>1,731,013</b>	<b>1,731,013</b>
Expenditures:				
Purchased Professional & Technical Services	98,942		98,942	216,813
Construction Services	1,310,179		1,310,179	1,514,200
<b>Total Expenditures</b>	<b>1,409,121</b>		<b>1,409,121</b>	<b>1,731,013</b>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<b>\$ 321,892</b>	<b>\$ -0-</b>	<b>\$ 321,892</b>	<b>\$ -0-</b>

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  
HIGH SCHOOL STADIUM RENOVATIONS, HIGH SCHOOL AND MIDDLE SCHOOL  
SCIENCE LAB RENOVATIONS AND DISTRICT WIDE SECURITY CAMERAS  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
Transfer from Capital Reserve		\$ 1,625,000	\$ 1,625,000	\$ 1,625,000
Total Revenue and Other Financing Sources		1,625,000	1,625,000	1,625,000
Expenditures:				
Purchased Professional & Technical Services				
Construction Services		1,499,072	1,499,072	1,625,000
Total Expenditures		1,499,072	1,499,072	1,625,000
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	\$ -0-	\$ 125,928	\$ 125,928	\$ -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	\$ 1,625,000
Percentage Completion	92.25%
Original Target Completion Date	6/30/2018

**PROPRIETARY FUNDS**

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2018

	<u>Food Service</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 36,924
Inventory	9,356
	46,280
Total Current Assets	
Non-Current Assets:	
Capital Assets	130,232
Less: Accumulated Depreciation	(91,900)
	38,332
Total Non-Current Assets	
Total Assets	84,612
<b>LIABILITIES:</b>	
Current Liabilities:	
Unearned Revenue - Prepaid Sales	8,182
Accounts Payable - Vendors	7,812
	15,994
Total Liabilities	
<b>NET POSITION:</b>	
Investment in Capital Assets	38,332
Unrestricted	30,286
	68,618
Total Net Position	\$ 68,618



PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
PROPRIETARY FUNDS  
STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN FUND NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Operating Revenue:	<u>Food Service</u>
Local Sources:	
Daily Sales - Nonreimbursable Programs	\$ 766,582
Special Events	1,805
	<hr/>
Total Operating Revenue	768,387
	<hr/>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	19,869
Cost of Sales - Nonreimbursable Programs	344,201
Salaries	223,733
Payroll Taxes	33,121
Employee Benefits	45,731
Management Fee	51,562
Supplies and Materials	50,449
Depreciation Expense	11,289
Miscellaneous Expenditures	18,619
	<hr/>
Total Operating Expenses	798,574
	<hr/>
Operating (Loss)	(30,187)
	<hr/>
Non-Operating Revenue:	
Federal Sources:	
Food Distribution Program	19,869
Local Sources:	
Interest Revenue	1,107
	<hr/>
Total Non-Operating Revenue	20,976
	<hr/>
Change in Net Position	(9,211)
	<hr/>
Net Position - Beginning of Year	77,829
	<hr/>
Net Position - End of Year	<u>\$ 68,618</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Food Service</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 774,566
Payments to Food Service Vendor	(743,821)
Payments to Suppliers	(18,619)
	12,126
Net Cash Provided by Operating Activities	
Cash Flows from Investing Activities:	
Interest Revenue	1,107
	1,107
Net Cash Provided by Investing Activities	
Cash Flows from Capital and Related Financing Activities:	
Purchase of Capital Assets	(27,562)
	(27,562)
Net Cash Used for Capital and Related Financing Activities	
Net Decrease in Cash and Cash Equivalents	(14,329)
Cash and Cash Equivalents, July 1	51,253
Cash and Cash Equivalents, June 30	\$ 36,924
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating (Loss)	\$ (30,187)
Adjustment to Reconcile Operating Loss to Cash Provided by Operating Activities:	
Depreciation	11,289
Federal Food Distribution Program	19,869
Changes in Assets and Liabilities:	
Increase in Prepaid Sales	6,174
Increase in Receivables - Other	5
Increase in Inventory	208
Increase in Accounts Payable	4,768
	12,126
Net Cash Provided by Operating Activities	\$ 12,126

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized Commodities through the Food Distribution Program valued at \$19,869 for the fiscal year ended June 30, 2018.

**FIDUCIARY FUNDS**

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
FIDUCIARY FUND  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2018

	Agency		Total	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust
	Student Activity	Payroll				
<b>ASSETS:</b>						
Cash and Cash Equivalents	\$ 165,550	\$ 455	\$ 166,005	\$ 389,616	\$ 12,007	\$ 148,675
Total Assets	165,550	455	166,005	389,616	12,007	148,675
<b>LIABILITIES:</b>						
Interfund Payable:						
General Fund		355	355			
Payroll Deductions and Withholdings		100	100			
Due to Student Groups	165,550		165,550			
Total Liabilities	165,550	455	166,005			
<b>NET POSITION:</b>						
Held in Trust for:						
Unemployment Claims				389,616		
Flexible Spending Claims Scholarships					12,007	148,675
Total Net Position	\$ -0-	\$ -0-	\$ -0-	\$ 389,616	\$ 12,007	\$ 148,675

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
FIDUCIARY FUND  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust	Totals
<b>ADDITIONS:</b>				
Contributions - Employees	\$ 23,751	\$ 111,109		\$ 134,860
Contributions - District	29,979			29,979
Donations			\$ 1,450	1,450
<b>Total Contributions</b>	<u>53,730</u>	<u>111,109</u>	<u>1,450</u>	<u>166,289</u>
<b>Investment Earnings:</b>				
Interest	4,584	495	850	5,929
<b>Net Investment Earnings</b>	<u>4,584</u>	<u>495</u>	<u>850</u>	<u>5,929</u>
<b>Total Additions</b>	<u>58,314</u>	<u>111,604</u>	<u>2,300</u>	<u>172,218</u>
<b>DEDUCTIONS:</b>				
Unemployment Compensation Claims	57,890			57,890
Flexible Spending Claims		108,560		108,560
Scholarships Awarded			7,775	7,775
<b>Total Deductions</b>	<u>57,890</u>	<u>108,560</u>	<u>7,775</u>	<u>174,225</u>
<b>Change in Net Position</b>	424	3,044	(5,475)	(2,007)
<b>Net Position - Beginning of the Year</b>	<u>389,192</u>	<u>8,963</u>	<u>154,150</u>	<u>552,305</u>
<b>Net Position - End of the Year</b>	<u>\$ 389,616</u>	<u>\$ 12,007</u>	<u>\$ 148,675</u>	<u>\$ 550,298</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 174,232	\$ 333,777	\$ 342,459	\$ 165,550
Total Assets	<u>\$ 174,232</u>	<u>\$ 333,777</u>	<u>\$ 342,459</u>	<u>\$ 165,550</u>
<b>LIABILITIES:</b>				
Due to Student Groups	\$ 174,232	\$ 333,777	\$ 342,459	\$ 165,550
Total Liabilities	<u>\$ 174,232</u>	<u>\$ 333,777</u>	<u>\$ 342,459</u>	<u>\$ 165,550</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2018</u>
Middle School:				
Pequannock Valley	\$ 26,022	\$ 73,758	\$ 74,443	\$ 25,337
Senior High School:				
Pequannock	133,150	252,506	262,346	123,310
Interscholastic Athletics	1,664	468	701	1,431
Future Business Leaders of America	13,396	7,045	4,969	15,472
	<u>13,396</u>	<u>7,045</u>	<u>4,969</u>	<u>15,472</u>
Total All Schools	<u>\$ 174,232</u>	<u>\$ 333,777</u>	<u>\$ 342,459</u>	<u>\$ 165,550</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 3,824	\$ 36,442,639	\$ 36,446,008	\$ 455
Total Assets	<u>\$ 3,824</u>	<u>\$ 36,442,639</u>	<u>\$ 36,446,008</u>	<u>\$ 455</u>
<b>LIABILITIES:</b>				
Interfund Payable - General Fund	\$ 2,924	\$ 2,520	\$ 5,089	\$ 355
Interfund Payable - Unemployment Compensation Trust Fund		53,730	53,730	
Payroll Deductions and Withholdings	<u>900</u>	<u>36,386,389</u>	<u>36,387,189</u>	<u>100</u>
Total Liabilities	<u>\$ 3,824</u>	<u>\$ 36,442,639</u>	<u>\$ 36,446,008</u>	<u>\$ 455</u>



**LONG-TERM DEBT**

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds			Interest Rate	Balance July 1, 2017	Matured	Balance June 30, 2018
			Date	Amount	Outstanding June 30, 2018				
Schools Renovations & Alterations	5/5/2009	\$ 12,990,000				\$ 680,000	\$ 680,000		
School Renovation Project	8/29/2013	3,350,000	8/12/2018	\$ 175,000					
			8/12/2019	185,000	2.000%				
			8/12/2020	200,000	2.000%				
			8/12/2021	210,000	2.500%				
			8/12/2022	220,000	2.750%				
			8/12/2023	225,000	3.000%				
			8/12/2024	250,000	3.000%				
			8/12/2025	265,000	3.250%				
			8/12/2026	275,000	3.375%				
			8/12/2027	285,000	3.625%				
			8/12/2028	290,000	3.750%				
			8/12/2029	300,000	3.875%		3,045,000	\$ 2,880,000	
Refunding Bonds	2/25/2016	9,025,000	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%		8,990,000	8,990,000	
							\$ 12,715,000	\$ 11,870,000	

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOT APPLICABLE

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 827,445		\$ 827,445	\$ 827,445	
State Sources:					
Debt Service Aid Type II	336,072		336,072	336,072	
Total Revenues	<u>1,163,517</u>		<u>1,163,517</u>	<u>1,163,517</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest and Other Charges	462,075		462,075	462,075	
Redemption of Principal	845,000		845,000	845,000	
Total Regular Debt Service	<u>1,307,075</u>		<u>1,307,075</u>	<u>1,307,075</u>	
Total Expenditures	<u>1,307,075</u>		<u>1,307,075</u>	<u>1,307,075</u>	
Excess/(Deficit) of Revenues (Under) Expenditures	<u>(143,558)</u>		<u>(143,558)</u>	<u>(143,558)</u>	
Other Financing Sources:					
Transfers In - Capital Projects	142,384		142,384	142,384	
Total Other Financing Sources	<u>142,384</u>		<u>142,384</u>	<u>142,384</u>	
Excess/(Deficit) of Revenues and Other Financing Sources Over/(Under) Expenditures	<u>(1,174)</u>		<u>(1,174)</u>	<u>(1,174)</u>	
Fund Balance, July 1	<u>5,897</u>		<u>5,897</u>	<u>5,897</u>	
Fund Balance, June 30	<u>\$ 4,723</u>	<u>\$ -0-</u>	<u>\$ 4,723</u>	<u>\$ 4,723</u>	<u>\$ -0-</u>

Recapitulation of Fund Balance at June 30, 2018:

Restricted:

    For Subsequent Year's Expenditures

\$ 4,723

\$ 4,723

**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,				
	2009	2010	2011	2012	2013
Governmental Activities:					
Net Investment in Capital Assets	\$ 9,792,774	\$ 10,576,913	\$ 7,260,551	\$ 11,386,194	\$ 11,779,227
Restricted	4,851,595	4,918,814	7,127,061	6,444,812	6,678,692
Unrestricted/(Deficit)	(33,250)	94,613	1,762,414	(580,527)	48,615
Total Governmental Activities Net Position	<u>\$ 14,611,119</u>	<u>\$ 15,590,340</u>	<u>\$ 16,150,026</u>	<u>\$ 17,250,479</u>	<u>\$ 18,506,534</u>
Business-type Activities:					
Net Investment in Capital Assets	\$ 16,131	\$ 57,596	\$ 10,804	\$ 3,947	\$ 2,667
Unrestricted	111,160	67,142	66,987	41,516	62,735
Total Business-type Activities Net Position	<u>\$ 127,291</u>	<u>\$ 124,738</u>	<u>\$ 77,791</u>	<u>\$ 45,463</u>	<u>\$ 65,402</u>
District-wide:					
Net Investment in Capital Assets	\$ 9,808,905	\$ 10,634,509	\$ 7,271,355	\$ 11,390,141	\$ 11,781,894
Restricted	4,851,595	4,918,814	7,127,061	6,444,812	6,678,692
Unrestricted/(Deficit)	77,910	161,755	1,829,401	(539,011)	111,350
Total District-wide Net Position	<u>\$ 14,738,410</u>	<u>\$ 15,715,078</u>	<u>\$ 16,227,817</u>	<u>\$ 17,295,942</u>	<u>\$ 18,571,936</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

UNAUDITED

*(Accrual Basis of Accounting)*

	June 30,			
	2014	2015	2016	2017*
	2018			
<b>Governmental Activities:</b>				
Net Investment in Capital Assets	\$ 10,897,989	\$ 15,002,450	\$ 19,449,441	\$ 15,601,657
Restricted	9,175,464	6,680,364	4,808,520	6,023,368
Unrestricted/(Deficit)	(8,832,048)	(9,700,752)	(8,036,597)	(10,039,782)
<b>Total Governmental Activities Net Position</b>	<b>\$ 11,241,405</b>	<b>\$ 11,982,062</b>	<b>\$ 16,221,364</b>	<b>\$ 11,585,243</b>
				<b>\$ 12,812,919</b>
<b>Business-type Activities:</b>				
Net Investment in Capital Assets	\$ 15,429	\$ 11,678	\$ 22,579	\$ 22,059
Unrestricted	24,308	57,625	49,483	55,770
<b>Total Business-type Activities Net Position</b>	<b>\$ 39,737</b>	<b>\$ 69,303</b>	<b>\$ 72,062</b>	<b>\$ 77,829</b>
				<b>\$ 68,618</b>
<b>District-wide:</b>				
Net Investment in Capital Assets	\$ 10,913,418	\$ 15,014,128	\$ 19,472,020	\$ 15,623,716
Restricted	9,175,464	6,680,364	4,808,520	6,023,368
Unrestricted/(Deficit)	(8,807,740)	(9,643,127)	(7,987,114)	(9,984,012)
<b>Total District-wide Net Position</b>	<b>\$ 11,281,142</b>	<b>\$ 12,051,365</b>	<b>\$ 16,293,426</b>	<b>\$ 11,663,072</b>
				<b>\$ 12,881,537</b>

\* - 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	2018
<b>Expenses:</b>										
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	\$ 24,311,883
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	6,880,544
Other Special Instruction	278,841	269,116	214,625	545,078	337,613	335,517	635,573	712,544	471,048	402,146
School Sponsored Instruction	587,190	609,241	653,558	756,034	889,036	974,701	1,180,467	1,259,036	1,479,322	1,469,927
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	2,253,517
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	6,054,130
General Administration Services	764,705	581,531	861,243	944,958	809,157	794,428	707,109	639,725	623,713	684,108
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	2,944,449
Central Services	557,846	555,533	518,487	583,280	532,573	507,535	526,938	508,638	594,207	594,457
Administrative Information Technology	240,077	258,045	264,221	203,608	242,416	243,475	52,889	83,497	326,248	311,476
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	3,659,460
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	1,322,997
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	406,202
Unallocated Depreciation	173,464	102,931								
Capital Outlay	23,208	184,295					2,793			
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	51,295,296
Business-type Activities:										
Food Service	694,376	729,498	699,178	710,854	667,338	712,616	630,439	615,384	691,714	798,574
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	798,574
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	52,093,870
<b>Program Revenues:</b>										
Governmental Activities:										
Charges for Services:										
Tuition	285,191	280,000	290,475	282,211	403,512	306,786	313,874	331,675	416,809	321,868
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	16,107,937
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	16,429,805



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	2018
<b>Program Revenues:</b>										
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	\$ 768,387
Imagine Program	85,060	98,112	90,186	91,244	100,690	107,539	106,463	79,101	1,704	19,869
Operating Grants and Contributions	711,274	726,401	695,254	678,294	687,045	686,653	659,865	617,829	696,876	788,256
Total Business-type Activities 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	17,218,061
Total District-wide Program Revenues										
Net (Expense)/Revenue:										
Governmental Activities:										
Business-Type 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)	(34,865,491)
Total District-wide Net (Expense)/Revenue	(12,610)	(3,097)	(7,293)	(32,560)	(31,665,828)	(25,963)	29,426	2,445	5,162	(10,318)
	(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)	(34,875,809)
<b>General Revenues and Other Changes in Net Position:</b>										
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	33,802,109
Taxes Levied for Debt Service	345,474	603,675	893,390	769,537	714,845	730,986	874,265	820,694	795,800	827,445
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	1,115,278
Investment Earnings	60,735	123,748	15,201	11,117	10,888	19,133	8,306	19,223	9,715	10,323
Miscellaneous Income	411,239	101,484	191,161	357,666	289,936	610,611	446,994	415,703	258,167	338,012
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	36,093,167
Business-type Activities:										
Investment Earnings	2,117	544	281	232	232	298	140	314	605	1,107
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	1,107
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	36,094,274
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	1,227,676
Business-type Activities	(10,493)	(2,553)	(46,947)	(32,328)	(19,939)	(25,665)	29,566	2,759	5,767	(9,211)
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	\$ 1,218,465

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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>General Fund:</b>										
Reserved	\$ 4,735,207	\$ 3,962,959								
Unreserved	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	\$ 5,918,334
Assigned			1,074,876	945,272	1,780,852	928,189	411,086	698,570	520,960	848,855
Unassigned			960,563	937,516	744,819	614,034	548,804	526,287	492,833	579,514
<b>Total General Fund</b>	<b>\$ 5,426,323</b>	<b>\$ 5,200,326</b>	<b>\$ 5,595,456</b>	<b>\$ 6,306,570</b>	<b>\$ 7,229,970</b>	<b>\$ 7,134,178</b>	<b>\$ 6,363,124</b>	<b>\$ 5,556,644</b>	<b>\$ 7,031,264</b>	<b>\$ 7,346,703</b>
<b>Other Governmental Funds:</b>										
Unreserved	\$ 11,101,669	\$ 4,356,688								
Restricted			\$ 3,567,044	\$ 2,021,030	\$ 1,974,393	\$ 3,583,479	\$ 1,277,130	\$ 476,733	\$ 5,897	\$ 4,723
Committed			310,785			42,947				
Unassigned/(Deficit)				(2,000,000)	(2,000,000)	(1,440,000)	(1,707,875)	913,054	(30,018)	(50,566)
<b>Total Other Governmental Funds</b>	<b>\$ 11,101,669</b>	<b>\$ 4,356,688</b>	<b>\$ 3,877,829</b>	<b>\$ 21,030</b>	<b>\$ (25,607)</b>	<b>\$ 2,186,426</b>	<b>\$ (430,745)</b>	<b>\$ 1,389,787</b>	<b>\$ (24,121)</b>	<b>\$ (45,843)</b>
<b>Total Governmental Funds:</b>										
Reserved	\$ 4,735,207	\$ 3,962,959								
Unreserved	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	\$ 5,923,057
Committed			310,785			42,947				
Assigned			1,074,876	945,272	1,780,852	928,189	411,086	698,570	520,960	848,855
Unassigned/(Deficit)			960,563	937,516	(1,255,181)	(825,966)	(1,159,071)	1,439,341	462,815	528,948
<b>Total Governmental Funds</b>	<b>\$ 16,527,992</b>	<b>\$ 9,557,014</b>	<b>\$ 9,473,285</b>	<b>\$ 8,327,600</b>	<b>\$ 7,204,363</b>	<b>\$ 9,320,604</b>	<b>\$ 5,932,379</b>	<b>\$ 6,946,431</b>	<b>\$ 7,007,143</b>	<b>\$ 7,300,860</b>

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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues:</b>										
Tax Levy	\$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	\$34,629,554
Tuition Charges	285,191	280,000	290,475	282,211	403,512	306,786	313,874	331,675	416,809	321,868
Transportation Fees	47,076	32,987	35,429	25,755	22,073	13,505	19,004	30,326		
Interest Earnings	60,735	128,873	15,201	11,117	10,888	19,133	2,480	19,223	9,715	10,323
Budget Appropriation						560,000	615,000	625,000	200,000	
Miscellaneous	411,239	102,431	198,925	391,362	292,215	612,171	458,854	415,703	262,431	342,178
State Sources	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	8,325,987
Federal Sources	556,895	779,890	861,168	929,011	578,380	584,739	603,845	591,506	576,073	552,856
<b>Total Revenues</b>	<b>36,968,687</b>	<b>37,419,227</b>	<b>37,887,094</b>	<b>39,081,836</b>	<b>39,475,909</b>	<b>40,179,412</b>	<b>41,042,488</b>	<b>42,024,718</b>	<b>42,906,081</b>	<b>44,182,766</b>

Expenditures:

Instruction:

Regular Instruction	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	11,793,419
Special Education	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	3,499,052
Other Special Instruction	273,841	262,115	203,088	257,122	213,635	207,555	213,033	216,700	221,804	184,310
School Sponsored Instruction	606,745	609,241	653,558	658,558	652,332	717,004	756,647	771,571	832,795	799,014
<b>Support Services:</b>										
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	2,253,517
Student/Instruction-related Serv.	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	3,933,046
General Administration	643,909	660,728	740,097	738,003	725,016	696,628	607,792	536,175	528,380	588,618
School Administration	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	1,442,267
Central Services	415,313	445,747	420,510	430,495	432,548	403,781	416,117	401,429	470,613	467,395
Administrative Info. Technology	187,711	199,071	198,838	182,371	191,793	197,617	52,889	81,672	274,972	256,537
Plant Operations/Maintenance	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	2,860,975
Pupil Transportation	880,920	956,396	896,063	861,911	758,934	881,959	922,299	986,734	982,248	947,184

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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenditures:</b>										
Support Services:										
Allocated Benefits	\$ 4,997,184	\$ 5,522,472	\$ 5,599,083							
Unallocated Benefits	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	\$ 11,664,002
Charter Schools			21,119	22,590						
Capital Outlay	2,015,375	7,191,022	951,297	4,596,668	769,666	2,766,955	4,630,044	796,642	2,153,047	1,892,638
Debt Service:										
Principal	450,000	470,000	740,000	555,000	575,000	1,160,000	1,235,000	1,415,000	1,050,000	845,000
Interest & Other Charges	104,550	481,275	591,275	561,700	538,412	514,275	634,820	566,950	452,231	462,075
Total Expenditures	37,543,778	44,334,651	37,970,823	42,229,533	38,601,159	41,415,185	44,430,713	41,010,666	42,845,369	43,889,049
<b>Other Financing Sources (Uses):</b>										
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	1,777,813
Transfers Out	(108,618)	(472,352)	(12,499)	(183,956)	(45,918)	(780,928)	(1,736,403)	(3,330,065)	(932,208)	(1,777,813)
Total Other Financing Sources/(Uses)	12,933,242	(55,554)				3,350,000		(779,617)		
<b>Net Change in Fund Balances</b>	<b>\$ 12,358,151</b>	<b>\$ (6,970,978)</b>	<b>\$ (83,729)</b>	<b>\$ (3,147,697)</b>	<b>\$ 874,750</b>	<b>\$ 2,114,227</b>	<b>\$ (3,388,225)</b>	<b>\$ 234,435</b>	<b>\$ 60,712</b>	<b>\$ 293,717</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	1.56%	2.56%	3.60%	2.97%	2.94%	4.33%	4.70%	4.93%	3.69%	3.11%

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)*

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Transportation</u> <u>Fees</u>	<u>Tuition</u>	<u>Rentals - Use</u> <u>of Facilities</u>	<u>Other</u>	<u>Total</u>
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
2018	67,695		321,868	118,221	156,082	663,866

\* - 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 <sup>a</sup>	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
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
2017	12,659,700	1,765,833,500	10,820,600	102,000	227,905,800	57,595,400	361,542,500	2,436,459,500	100	2,436,459,600	209,817,600	1.42	2,593,009,384

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.

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

<sup>b</sup> - Tax rates are per \$100 of assessed value.

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
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct	Pequannock Township	Morris County	
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
2017	1.39	0.03	1.42	0.48	0.25	2.16

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.

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

<sup>b</sup> - Rates for debt service are based on each year's requirements.

Source: Pequannock Township Tax Collector and School Business Administrator.

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

Taxpayer	2017				2008				
	Taxable Assessed Value	Rank	% of Total District Net Valuation Taxable	Taxable Assessed Value	Rank	% of Total District Net Valuation Taxable	Taxable Assessed Value	Rank	% of Total District Net Valuation Taxable
Point View Campus LLC	\$ 300,000,000	1	12.39%	\$ 329,630,600	1	11.43%			
Plaza Twenty Three Station LLC	44,946,100	2	1.86%						
ABN Realty	10,585,600	3	0.44%	27,743,100	2	0.96%			
New EKC Corporation	9,179,700	4	0.38%						
Pompton Realty	7,995,400	5	0.33%	7,436,500	3	0.26%			
Balaji LLC	7,732,500	6	0.32%	6,291,200	5	0.22%			
West End Road Associates	7,280,000	7	0.30%	6,412,100	4	0.22%			
Perrin Associates LLC	7,196,500	8	0.30%	6,200,400	6	0.21%			
Pequanock Joint Venture	5,856,500	9	0.24%	5,948,700	7	0.21%			
Romont Corporation	5,183,100	10	0.21%						
Panraq Associates				4,812,200	8	0.17%			
Adventure Holdings LLC				4,639,200	9	0.16%			
Virginia Industries, LLC				4,542,500	10	0.16%			
<b>Total</b>	<b>\$ 405,955,400</b>		<b>14.72%</b>	<b>\$ 403,656,500</b>		<b>13.84%</b>			

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

Source: Pequannock Township Tax Assessor.



PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
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 -
2018	34,629,554	34,629,554	100.00%	- 0 -

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

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

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

Year Ended June 30,	Governmental Activities						Percentage of Personal Income <sup>a</sup>		Per Capita <sup>a</sup>
	General Obligation Bonds	Certificates of Participation	Bond Anticipation Notes	Capital Leases	Total District	Income <sup>a</sup>	Per Capita <sup>a</sup>		
2009	\$ 15,000,000	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ 15,000,000	1.21%	\$ 897.34		
2010	14,530,000	- 0 -	- 0 -	- 0 -	14,530,000	1.22%	868.50		
2011	13,790,000	- 0 -	- 0 -	- 0 -	13,790,000	1.19%	888.47		
2012	13,235,000	- 0 -	2,000,000	- 0 -	15,235,000	1.27%	980.31		
2013	12,660,000	- 0 -	2,000,000	- 0 -	14,660,000	1.18%	942.70		
2014	15,410,000	- 0 -	1,440,000	- 0 -	16,850,000	1.34%	1,080.82		
2015	14,790,000	- 0 -	825,000	- 0 -	15,615,000	1.20%	1,005.08		
2016	13,565,000	- 0 -	200,000	- 0 -	13,765,000	1.01%	889.44		
2017	12,715,000	- 0 -	- 0 -	- 0 -	12,715,000	0.92%	823.56		
2018	11,870,000	- 0 -	- 0 -	- 0 -	11,870,000	0.86%	770.28		

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

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

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 <sup>a</sup>	Per Capita <sup>b</sup>
	General Obligation Bonds	Bond Anticipation Notes	Deductions	Net General Bonded Debt Outstanding		
2009	\$ 15,000,000	\$ -0-	\$ -0-	\$ 15,000,000	0.519%	\$ 896.59
2010	14,530,000	-0-	-0-	14,530,000	0.503%	936.15
2011	13,790,000	-0-	-0-	13,790,000	0.477%	887.33
2012	13,235,000	2,000,000	-0-	15,235,000	0.526%	980.31
2013	12,660,000	2,000,000	-0-	14,660,000	0.508%	942.70
2014	15,410,000	1,440,000	-0-	16,850,000	0.697%	1,080.82
2015	14,790,000	825,000	-0-	15,615,000	0.646%	1,008.98
2016	13,565,000	200,000	-0-	13,765,000	0.569%	891.57
2017	12,715,000	-0-	-0-	12,715,000	0.512%	825.11
2018	11,870,000	-0-	-0-	11,870,000	0.487%	770.28

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

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

<sup>b</sup> - See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

Source: Pequannock Township School District Financial Reports.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2017  
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Pequannock Township	\$ 217,648	100.00%	\$ 217,648
Morris County General Obligation Debt	221,180,986	3.05%	<u>6,755,150</u>
Subtotal Overlapping Debt			6,972,798
Pequannock Township School District Direct Debt			<u>11,870,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 18,842,798</u></u>

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

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

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

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

	Fiscal Year				
	2009	2010	2011	2012	2013
Debt Limit	\$ 111,423,919	\$ 113,462,340	\$ 112,594,702	\$ 111,177,615	\$ 106,140,352
Total Net Debt Applicable to Limit	15,000,000	14,530,000	13,790,000	15,235,000	14,660,000
Legal Debt Margin	<u>\$ 96,423,919</u>	<u>\$ 101,849,795</u>	<u>\$ 98,804,702</u>	<u>\$ 99,672,340</u>	<u>\$ 98,804,702</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	13.46%	12.81%	12.25%	13.70%	13.81%

	Fiscal Year				
	2014	2015	2016	2017	2018
Debt Limit	\$ 102,652,324	\$ 100,339,682	\$ 101,819,326	\$ 103,833,439	\$ 105,628,538
Total Net Debt Applicable to Limit	16,850,000	15,615,000	13,765,000	12,715,000	11,870,000
Legal Debt Margin	<u>\$ 85,802,324</u>	<u>\$ 84,724,682</u>	<u>\$ 88,054,326</u>	<u>\$ 91,118,439</u>	<u>\$ 93,758,538</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	16.41%	15.56%	13.52%	12.25%	11.24%

Legal Debt Margin Calculation for Fiscal Year 2018

	Year Ended December 31,	Equalized Valuation Basis
	2015	\$ 2,582,621,786
	2016	2,635,600,828
	2017	2,703,917,749
		<u>\$ 7,922,140,363</u>
Average Equalized Valuation of Taxable Property		<u>\$ 2,640,713,454</u>
Debt Limit (4% of Average Equalization Value) <sup>a</sup>		\$ 105,628,538
Net Bonded School Debt		11,870,000
Legal Debt Margin		<u>\$ 93,758,538</u>

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

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

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

Year	Township Population <sup>a</sup>	Morris County Per Capita Personal Income <sup>b</sup>	Township Personal Income <sup>c</sup>	Township Unemployment Rate <sup>d</sup>
2009	16,730	\$ 71,361	\$ 1,193,869,530	8.20%
2010	15,521	74,460	1,155,693,660	8.20%
2011	15,541	77,207	1,199,873,987	8.00%
2012	15,551	80,027	1,244,499,877	8.30%
2013	15,590	80,868	1,260,732,120	5.60%
2014	15,536	83,687	1,300,161,232	5.10%
2015	15,476	87,896	1,360,278,496	4.50%
2016	15,439	89,065	1,375,074,535	4.10%
2017	15,410	89,065 *	1,372,491,650	4.00%
2018	15,410 **	89,065 *	1,372,491,650 **	N/A

\* - Latest Morris County per capita personal income available (2016) was used for calculation purposes.

\*\* - Latest Pequannock Township population available (2017) was used for calculation purposes.

N/A - Not Available

Source:

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

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

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

<sup>d</sup> - Unemployment data provided by the NJ Department of Labor and Workforce Development.

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

2018		2009			
Employer	Employees	Percentage of Total Employment	Employer	Employees	Percentage of Total Employment
U.S. Army Armament R&D	6,000	2.31%	Novartis	6,300	1.89%
Atlantic Health System	5,455	2.10%	Atlantic Health System	3,575	1.53%
Novartis Corporation	4,220	1.62%	Picatinny Arsenal	3,573	1.29%
Bayer Healthcare, LLC	2,800	1.08%	Morris County	2,342	0.82%
County of Morris	1,817	0.70%	Lucent Technologies	2,126	0.75%
Wyndham Worldwide Corporation	1,708	0.66%	United Parcel Service	2,019	0.73%
Accenture	1,688	0.65%	Wyndham Worldwide	1,941	0.52%
St. Clare's	1,613	0.62%	Greystone Psychiatric	1,500	0.49%
BASF Corporation	1,400	0.54%	Tiffany & Company	1,500	0.45%
PricewaterhouseCoopers	1,360	0.52%	Accenture	1,395	0.45%
<b>Total</b>	<b>28,061</b>	<b>10.80%</b>		<b>26,271</b>	<b>8.92%</b>
<b>Total County Labor Force</b>	<b>259,756</b>			<b>N/A</b>	

N/A - Total amount of Employment is not available in order to do the percentage calculation

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>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>	<u>2018</u>
Instruction:										
Regular	166.64	165.63	160.00	158.80	161.69	158.50	150.90	147.30	144.70	146.10
Special Education	63.90	63.90	66.40	66.20	62.30	65.50	67.60	70.00	73.10	72.13
Support Services:										
Student/Instruction-Related	41.84	41.84	40.30	43.90	47.56	39.90	47.20	48.80	49.38	50.98
General Administration	4.00	4.00	2.00	2.00	3.00	3.00	3.00	3.00	2.50	2.50
School Administration	19.35	19.35	18.40	18.00	19.00	16.50	17.00	17.00	16.00	15.68
Plant Operations/Maintenance	24.50	24.50	23.50	23.00	22.00	21.00	21.00	23.00	23.00	24.00
Pupil Transportation	5.50	5.50	4.50	5.00	3.97	4.70	5.00	6.20	6.00	6.00
Business & Other Support	8.00	8.00	8.00	8.00	7.00	8.00	5.00	5.00	5.00	5.00
<b>Total</b>	<b>333.73</b>	<b>332.72</b>	<b>323.10</b>	<b>324.90</b>	<b>326.52</b>	<b>317.10</b>	<b>316.70</b>	<b>320.30</b>	<b>319.68</b>	<b>322.39</b>

Source: Pequannock Township School District Personnel Records.



PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
OPERATING STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Costs Per Pupil <sup>b</sup>	% Change	Teaching Staff <sup>c</sup>	Pupil/Teacher Ratio				Average Daily Enrollment (ADE) <sup>d</sup>	Average Daily Attendance (ADA) <sup>d</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage	
						Elementary								
						Hillview	Boulevard	Stephen J. Gerace	Middle School					High School
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%
2018	2,130	40,689,336	19,103	4.22%	198	11.2:1	10.7:1	12.1:1	10.5:1	10.3:1	2,119	2,027	-0.64%	95.66%

Note: Enrollment based on annual October District count.

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

<sup>b</sup> - Cost per pupil is calculated based upon the enrollment and operating expenditures presented above which may not be the same as other cost per pupil calculations.

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

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

Source: Pequannock Township School District records.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
SCHOOL BUILDING INFORMATION  
LAST TEN FISCAL YEARS  
UNAUDITED

District/Building	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Hillview School (1962):</b>										
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	372	367	385	373	351	349	349	302	296	314
<b>North Boulevard School (1954):</b>										
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	374	337	301	301	307	305	305	327	328	351
<b>Stephen J. Gerace School (1969):</b>										
Square Feet	34,834	34,834	34,834	34,834	34,834	34,834	34,834	34,834	34,834	44,350
Capacity (Students)	278	278	278	278	278	278	278	278	278	357
Enrollment	329	324	304	305	285	291	291	281	298	286
<b>Pequannock Valley Middle School (1950):</b>										
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	578	619	606	570	557	557	557	536	513	481
<b>Pequannock High School (1957):</b>										
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	772	735	734	708	749	739	739	719	703	698
<b>Board Office:</b>										
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, 2018:

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

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

Source: Pequannock Township School District Facilities Office.

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*
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
2018	75,188	122,858	109,778	128,967	202,084	638,875

\* - 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, 2018  
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, 2018  
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**



Mount Arlington Corporate Center  
200 Valley Road, Suite 300  
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Lawrence Business Park  
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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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 18, 2019.

**Internal Control Over Financial Reporting**

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

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

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

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

### Compliance and Other Matters

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

### Purpose of this Report

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

*Nisivoccia, LLP*

Mount Arlington, New Jersey  
January 18, 2019

NISIVOCCIA, LLP

*Kathryn L. Mantell*

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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 the District's major state program for the year ended June 30, 2018. The District's major state program is 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 the District's major state program 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 the 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 its major state program for the fiscal year ended June 30, 2018.

### **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 the major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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  
January 18, 2019

*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, 2018

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, 2017	Cash Received	Budgetary Expenditures	Balance at June 30, 2018	Amount Provided to Subrecipients
					Budgetary Accounts Receivable			Budgetary Accounts Receivable	
U.S. Department of Education Passed-through State Department of Education:									
Special Revenue Fund:									
IDEA Special Education Cluster:									
I.D.E.A. Part B, Basic	84.027	IDEA408018	7/1/17-6/30/18	\$ 495,710	\$ (63,659)	\$ 442,232	\$ (453,249)	\$ (11,017)	
I.D.E.A. Part B, Basic	84.027	IDEA408017	7/1/16-6/30/17	553,431		63,659			
I.D.E.A. Part B, Preschool	84.173	IDEA408018	7/1/17-6/30/18	21,652		13,348	(14,217)	(869)	
I.D.E.A. Part B, Preschool	84.173	IDEA408017	7/1/16-6/30/17	15,035	(96)	96			
Total IDEA Special Education Cluster					(63,755)	519,335	(467,466)	(11,886)	
Elementary and Secondary Education Act									
Title I	84.010A	ESEA408018	7/1/17-6/30/18	87,492		52,037	(58,642)	(6,605)	
Title I	84.010A	NCLB408017	7/1/16-6/30/17	78,678	(4,379)	4,379			
Title II, Part A	84.367A	ESEA408018	7/1/17-6/30/18	32,259		14,037	(18,673)	(4,636)	
Title II, Part A	84.367A	NCLB408017	7/1/16-6/30/17	38,780	(6,598)	6,598			
Title III	84.865	NCLB408017	7/1/16-6/30/17	6,295	(6,295)	6,295			
Title IV	84.865	ESEA408018	7/1/17-6/30/18	10,000	(17,272)	3,000	(7,017)	(4,017)	
Total Elementary and Secondary Education Act					(17,272)	86,346	(84,332)	(15,258)	
Total Special Revenue Fund					(81,027)	605,681	(551,798)	(27,144)	
Total U.S. Department of Education					(81,027)	605,681	(551,798)	(27,144)	
U.S. Department of Agriculture Passed-through State Department of Agriculture:									
Child Nutrition Cluster:									
Food Distribution Program	10.555	N/A	7/1/17-6/30/18	19,869		19,869	(19,869)		
Total U. S. Department of Agriculture/Child Nutrition Cluster						19,869	(19,869)		
Total Federal Awards					\$ (81,027)	\$ 625,550	\$ (571,667)	\$ (27,144)	\$ -0-

N/A - Not Applicable.

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2017		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2018		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	18-495-034-5120-089	7/1/17 - 6/30/18	\$1,420,585			\$1,281,104	\$(1,420,585)				\$ (139,481)	\$ 1,420,585
Equalization Aid	18-495-034-5120-078	7/1/17 - 6/30/18	406,379			366,478	(406,379)				(39,901)	406,379
Categorical Security Aid	18-495-034-5120-084	7/1/17 - 6/30/18	38,758			34,953	(38,758)				(3,805)	38,758
School Choice Aid	18-495-034-5120-068	7/1/17 - 6/30/18	82,548			74,443	(82,548)				(8,105)	82,548
Categorical Transportation Aid	18-495-035-5120-014	7/1/17 - 6/30/18	48,084			43,363	(48,084)				(4,721)	48,084
Adjustment Aid	18-495-034-5120-085	7/1/17 - 6/30/18	185,383			167,181	(185,383)				(18,202)	185,383
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17 - 6/30/18	22,260			20,074	(22,260)				(2,186)	22,260
PARCC Readiness Aid	18-495-034-5120-098	7/1/17 - 6/30/18	22,260			20,074	(22,260)				(2,186)	22,260
Professional Learning Community Aid	18-495-034-5120-101	7/1/17 - 6/30/18	21,400			19,299	(21,400)				(2,101)	21,400
Extraordinary Aid	18-495-034-5120-044	7/1/17 - 6/30/18	330,301				(330,301)		\$330,301		(330,301)	330,301
Additional Nonpublic Transportation Aid	18-495-034-5120-014	7/1/17 - 6/30/18	34,422				(34,422)		(34,422)		(34,422)	34,422
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	7/1/17 - 6/30/18	1,174,396				(1,174,396)		(58,046)		(58,046)	1,174,396
Categorical Special Education Aid	17-495-034-5094-003	7/1/16 - 6/30/17	1,174,090	\$ (82,766)		1,116,350						1,174,090
Equalization Aid	17-495-034-5120-089	7/1/16 - 6/30/17	1,420,311	(139,855)		139,855						1,420,311
Categorical Security Aid	17-495-034-5120-078	7/1/16 - 6/30/17	406,379	(40,015)		40,015						406,379
School Choice Aid	17-495-034-5120-084	7/1/16 - 6/30/17	38,758	(3,816)		3,816						38,758
Categorical Transportation Aid	17-495-034-5120-068	7/1/16 - 6/30/17	82,548	(8,128)		8,128						82,548
Adjustment Aid	17-495-035-5120-014	7/1/16 - 6/30/17	48,084	(4,735)		4,735						48,084
Per Pupil Growth Aid	17-495-034-5120-085	7/1/16 - 6/30/17	185,383	(18,254)		18,254						185,383
PARCC Readiness Aid	17-495-034-5120-097	7/1/16 - 6/30/17	22,260	(2,192)		2,192						22,260
Professional Learning Community Aid	17-495-034-5120-101	7/1/16 - 6/30/17	21,400	(2,107)		2,107						21,400
Extraordinary Aid	17-495-034-5120-044	7/1/16 - 6/30/17	188,603	(188,603)								188,603
Additional Nonpublic Transportation Aid	17-495-034-5120-014	7/1/16 - 6/30/17	18,355	(18,355)								18,355
On-Behalf TPAF Post Retirement Contributions	18-495-034-5094-001	7/1/17 - 6/30/18	1,540,937			1,540,937	(1,540,937)					1,540,937
On-Behalf Long Term Disability Insurance Contributions	18-495-034-5094-004	7/1/17 - 6/30/18	3,604			3,604	(3,604)					3,604
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	7/1/17 - 6/30/18	2,329,274			2,329,274	(2,329,274)					2,329,274
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	7/1/17 - 6/30/18	56,526			56,526	(56,526)					56,526
Total General Fund				(511,018)		7,584,678	(7,717,117)		(422,769)		(643,457)	11,345,548
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					\$ 3,779		\$ 4,002		45,760
Corrective Speech	17-100-034-5120-066	7/1/16 - 6/30/17	31,806					7,421				24,385
Auxiliary Services:												
English as a Second Language	17-100-034-5120-067	7/1/16 - 6/30/17	914									822
Handicapped Services:												
Examination and Classification	18-100-034-5120-066	7/1/17 - 6/30/18	51,334			51,334	(47,332)			\$ 4,002		47,332
Supplementary Instruction	18-100-034-5120-066	7/1/17 - 6/30/18	46,785			46,785	(43,534)			3,251		43,534
Corrective Speech	18-100-034-5120-066	7/1/17 - 6/30/18	33,926			33,926	(23,213)			10,713		23,213
Security Aid	18-100-034-5120-084	7/1/17 - 6/30/18	32,100			32,100	(29,010)			3,090		29,010
Textbook Aid	18-100-034-5120-064	7/1/17 - 6/30/18	23,173			23,173	(21,091)			2,082		21,091
Technology Initiative	18-100-034-5120-373	7/1/17 - 6/30/18	15,651			15,651	(14,245)			1,406		14,245
Nursing Services	18-100-034-5120-070	7/1/17 - 6/30/18	41,516			41,516	(37,830)			3,686		37,830
Auxiliary Services:												
Compensatory Education	18-100-034-5120-067	7/1/17 - 6/30/18	52,265			52,265	(49,607)			2,658		49,607
Home Instruction	16-201-603-2520-007	7/1/17 - 6/30/18	3,034				(3,034)			(3,034)		3,034
Total Special Revenue Fund						296,750	(268,896)	11,292	(3,034)	30,888	(3,034)	383,492

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2017		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2018		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	18-100-034-5120-075	7/1/17 - 6/30/18	\$ 336,072			\$ 336,072	\$ (336,072)					\$ 336,072
Total Debt Service Fund						336,072	(336,072)					336,072
Total New Jersey Department of Education				\$ (511,018)	\$ 11,292	8,217,500	(8,322,085)	\$ 11,292	(425,803)	\$ 30,888	\$ (646,491)	12,065,112
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				(2,336,746)							(2,336,746)	
Total State Awards Subject to Single Audit Determination				\$ (2,847,764)	\$ 11,292	\$ 8,217,500	(8,322,085)	\$ 11,292	\$(425,803)	\$ 30,888	\$(2,983,237)	\$ 12,065,112
Less: On-Behalf TPAF Pension System Contributions:												
On-Behalf TPAF Post Retirement Contributions	18-495-034-5094-001	7/1/17 - 6/30/18	1,540,937				1,540,937					
On-Behalf Long Term Disability Insurance Contributions	18-495-034-5094-004	7/1/17 - 6/30/18	3,604				3,604					
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	7/1/17 - 6/30/18	2,329,274				2,329,274					
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	7/1/17 - 6/30/18	56,526				56,526					
Subtotal - On-Behalf TPAF Pension System Contributions							3,930,341					
Total State Awards Subject to Single Audit Major Program Determination							\$(4,391,744)					

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, 2018

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, 2018. 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 \$606 for the general fund and \$4,004 for the special revenue fund which excludes \$350 related to local encumbrances. 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, 2018

(Continued)

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

	Federal	State	Total
General Fund		\$ 7,717,723	\$ 7,717,723
Special Revenue Fund	\$ 552,856	272,192	825,048
Debt Service Fund		336,072	336,072
Proprietary Fund - Food Service Enterprise Fund	19,869		19,869
Total Financial Assistance	\$ 572,725	\$ 8,325,987	\$ 8,898,712

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, 2018. 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, 2018

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 the major state program 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 the major state program.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2018 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 program tested as a major state program for the current fiscal year consisted of the following:

State Grant	Grant Period	Award Amount	Budgetary Expenditures
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State:

Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	7/1/17 - 6/30/18	\$1,174,396	\$ 1,174,396
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- 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.



PEQUANNOCK TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

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 200.516(a) 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, 2018

Status of Prior Year Findings:

The District had no prior year audit findings.