

Parsippany-Troy Hills School District

Parsippany
County of Morris
New Jersey

Comprehensive Annual Financial Report
For the Year Ended
June 30, 2019

Parsippany-Troy Hills School District

Comprehensive Annual Financial Report
For the Year Ended June 30, 2019

Parsippany-Troy Hills School District
Parsippany, New Jersey

Prepared by Parsippany-Troy Hills
Business Office

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Introductory Section

Robin C. Tedesco
Business Administrator/Board Secretary

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November 26, 2019

The Honorable President and
Members of the Board of Education
Parsippany-Troy Hills School District
County of Morris, New Jersey

Dear Board Members and Constituents:

The Comprehensive Annual Financial Report of the Parsippany-Troy Hills School District (the "District") for the fiscal year ended June 30, 2019, 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, (designed to complement Management's Discussion and Analysis and should be read in conjunction with it), the District's organizational chart, a roster of officials and a list of professionals that provide services to the District. 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 economic and demographic information, generally presented on a multi-year basis and is unaudited. The District is required to undergo an annual single audit in conformity with the provisions of the Federal Uniform Guidance and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on the internal control over compliance 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 Parsippany-Troy Hills School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB"). All funds and the government-wide financial statements of the District are included in this report. The Parsippany-Troy Hills 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 include general as well as special education for handicapped children. Considerable emphasis is placed on an ESL program serving appropriate students, while both a basic skills and a gifted and talented program are in place to meet students' needs. The District completed the 2018-2019 fiscal year with a population of 7,162 students and an average daily enrollment of 7,130 students, which is an increase of 106 students from the previous year's average daily enrollment.

The following details the changes in the student enrollment of the District over the past five years:

<u>Fiscal Year</u>	<u>Average Daily Enrollment Student Enrollment</u>	<u>Percent Change</u>
2018-2019	7,130	1.51%
2017-2018	7,024	0.44%
2016-2017	6,993	-0.30%
2015-2016	7,014	0.79%
2014-2015	6,959	-0.78%

The District is anticipating an enrollment of approximately 7,259 students for the 2019-2020 school year.

2. ECONOMIC CONDITION AND OUTLOOK

The Township of Parsippany-Troy Hills is a highly desirable community recently ranked by *MONEY* magazine as the #1 Place to Live in NJ. The town's proximity to New York City and local transit make it a desirable area for corporate headquarters, while its older neighborhoods and lake communities have attracted a diverse resident base. The school district has seen an increase in student enrollment in recent years and has partnered with a demographer to better understand future enrollment trends. Newly planned construction in the form of townhomes, apartments, and mixed-use development, some of which will address the township's adherence toward Council on Affordable Housing (COAH) regulations, has the potential to significantly increase enrollment.

3. MAJOR INITIATIVES

Facilities Management

The District partially replaced the roof at Lake Hiawatha Elementary School, replaced the gym floor at Littleton Elementary School, repaired and replaced heat pipes at Mount Tabor Elementary School and began renovating the Foods rooms at Parsippany High School and Central Middle School. In addition to these projects, the District also replaced exterior doors, repaved areas around the schools and did several small projects throughout the 14 schools. Due to the age of the buildings in the District as presented in schedule J-18 and as a guide for budgeting facility projects, the District maintains a Five-Year Facility Plan listing potential projects to be completed each year.

Financial Planning

The District's administration continues to closely monitor the cost of operations and continues to explore cost efficiencies. While expenditures for employee health care, special education costs and contractual salaries increase will above 2%, the District is limited to a 2% tax levy cap. In order to manage such costs and keep the overall budget within the limit of the tax levy cap it is important to analyze all costs and investigate all avenues of cost savings. The District continues to outsource substitutes and investigate areas for shared services in an effort to contain costs. The Business Office maintains streamlined school budgets and plans to broaden this process to other departments in the District in an effort to maximize supplies and services to the students while keeping costs flat.

Personnel Management

The Office of Human Resources uses established procedures to ensure that all candidates hired in the District have the proper credentials under New Jersey law to perform their job. In order to find the best possible candidates for open positions in the District, the Human Resources Department uses Applitrack to manage all job postings and applications. Once a candidate is chosen the District provides orientation and professional development, if needed, to help acclimate the individual. For certain positions in the District, a newly hired employee is given a mentor to help guide them in their work. As on-going service, in collaboration with the Superintendent's Office as well as the Curriculum Office, the District continues to develop and provide professional development activities so that teachers and support staff can meet District and State requirements throughout their employment.

Personnel policies and specified job descriptions are reviewed and revised as necessary in collaboration with Board's Personnel Committee. The Office of Human Resources is continually updating and refining the District's employment practices. The District's evaluation process follows the State's observation and evaluation requirements under the NJAchieve law. The District uses the Marshall Model which utilizes mini observations and builds rapport between administrator and teachers. As Marshall notes in *Rethinking Teacher Supervision and Evaluation*, when administrators conduct frequent, informal classroom visits, teachers begin to become more comfortable, and eventually, an honest give-and-take conversation about teaching and learning can take place. An administrator who makes frequent, unannounced visits to a classroom gets to know the teacher's style and abilities. Thus, the administrator is better able to thoughtfully discuss best practice and how it relates to that teacher's instruction.

Educational Program

The Parsippany-Troy Hills Township School District recently approved a smart and forward-thinking Strategic Plan which focuses on creating innovative and rigorous educational experiences for students, coaching students to develop social and emotional skills so they may become self-aware and responsible citizens, and promoting professional growth experiences for the adult learners in the school community. The District has developed a Curriculum Renewal Plan which provides for the thoughtful and thorough review of all curricular offerings. As a result, NJ Learning Standards and *Next Generation Science Standards* have been infused into the

instructional program and a rich, balanced literacy program is in place in all grade levels. A broad range of STEM and technology electives are available to middle and high school students.

In order to provide students with an instructional environment in which they can thrive, the District has developed a program for professional staff development that encourages self-directed professional growth in specifically targeted areas of instruction. The District's strong, collaborative ongoing relationship with Montclair State University's Network for Educational Renewal affords an opportunity for free and discounted professional development experiences related to district initiatives and statewide initiatives. Additionally, the District provides teachers with opportunities to learn how to best meet the needs of all learners through best practices and research. The District looks to continue the implementation of multiple technology-related experiences and training including providing additional training on how integrate Google Apps for Education into the classroom.

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 are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control environment 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. The legal level of budgetary control is established at line item accounts within each fund. Annual appropriated budgets are adopted for the general fund, the special revenue fund and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section. The legal level of budgetary control is established at line item accounts within each fund.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as assigned fund balance at June 30, 2019, in the basic financial statements generally accepted in the United States.

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 and the government-wide financial statements are explained in "Notes to the Basic Financial Statements," Note 1.

7) OTHER INFORMATION

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Wiss & Company, LLP was selected by the Board's audit committee. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Federal Uniform Guidance and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors' report on the basic financial statements and required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

8) AWARDS

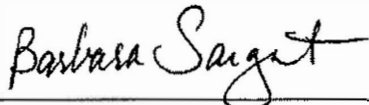
The International Association of School Business Officials (ASBO) awarded a Certificate of Excellence in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended June 30, 2018. This was the second year that the District has applied and received this prestigious award. In order to be awarded this certificate, the District published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both accounting principles generally accepted in the United States and applicable legal requirements.

The Certificate is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Programs' requirements and we are submitting it to ASBO to determine its eligibility for the fiscal year 2018-2019 certificate.

9) ACKNOWLEDGMENTS

We would like to express our appreciation to the members of the Parsippany-Troy Hills School District 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,



Barbara Sargent, Ed. D.
Superintendent of Schools



Robin C. Tedesco
Business Administrator/Board Secretary

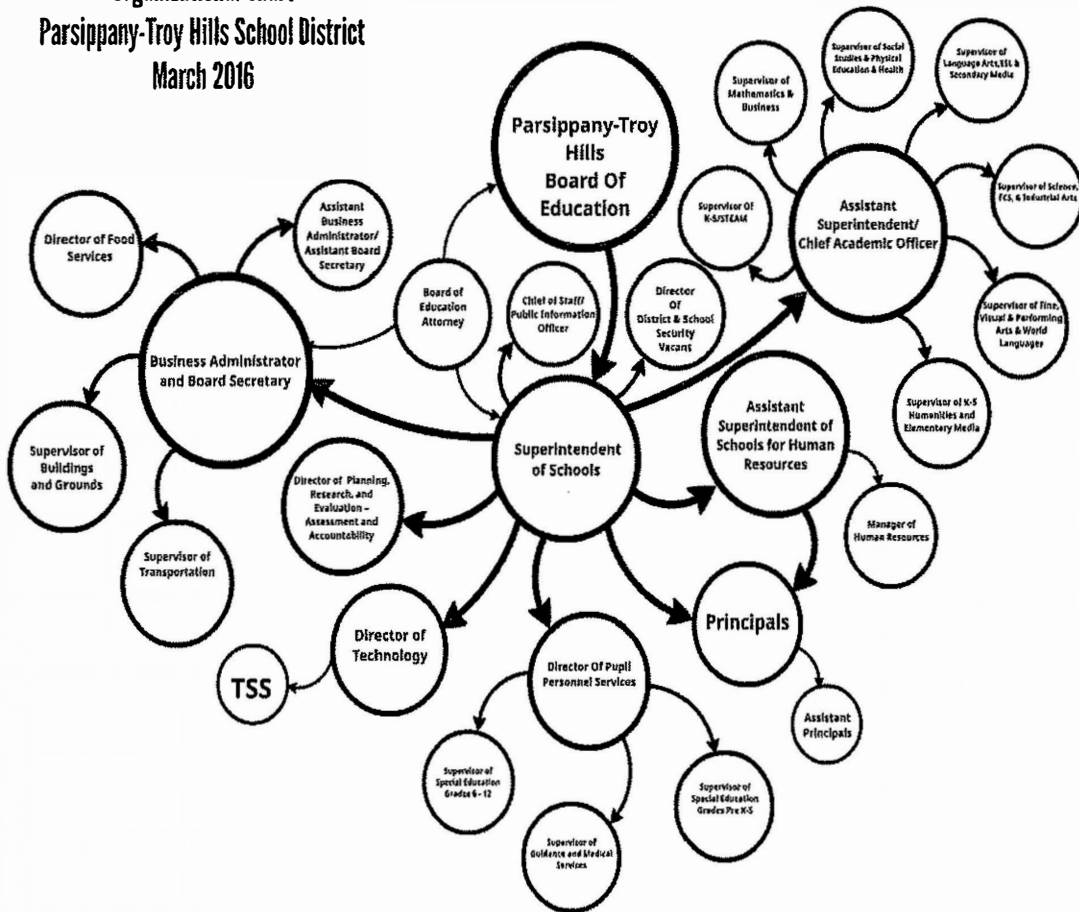
POLICY

PARSIPPANY-TROY HILLS TOWNSHIP SCHOOL DISTRICT

ADMINISTRATION
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Organizational Chart

1110 ORGANIZATIONAL CHART

Organizational Chart
Parsippany-Troy Hills School District
March 2016



Adopted: 8 January 2009
Revised: 25 August 2011
Revised: 24 July 2014
Revised: 22 March 2016



**PARSIPPANY-TROY HILLS SCHOOL DISTRICT
 ROSTER OF OFFICIALS
 JUNE 30, 2019**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Frank Neglia, President	2021
Alison Cogan, Vice President	2019
Timothy Berrios	2020
George Blair	2020
Andrew Choffo	2019
Joseph Cistaro	2019
Matthew DeVitto	2020
Susy Golderer	2021
Judy Mayer	2021

<u>Other Officials</u>	<u>Title</u>
Barbara Sargent, Ed.D.	Superintendent of Schools
Robin Tedesco	Business Administrator/Board Secretary
Tali Axelrod, Ed.D.	Assistant Superintendent for Curriculum and Instruction
Robert Sutter, Ed.D.	Assistant Superintendent of Human Resources
Nancy Gigante, Ed.D.	Director of Planning, Research & Evaluation-Assessment & Accountability
Barry Haines	Director of Technology
Gabrielle Conde	Assistant Business Administrator/Board Secretary (from 9/17/18 through 5/14/19)

PARSIPPANY-TROY HILLS SCHOOL DISTRICT

Independent Auditors and Advisors

June 30, 2019

Attorney

Schenck, Price, Smith & King, LLP

220 Park Avenue

P.O. Box 991

Florham Park, New Jersey 07932

Audit Firm

Wiss & Company, LLP

354 Eisenhower Parkway

Livingston, New Jersey 07039

Official Depository

Wells Fargo Bank

250 Parsippany Road

Parsippany, NJ 07054

State of New Jersey Cash Management Fund

Citi Fund Services

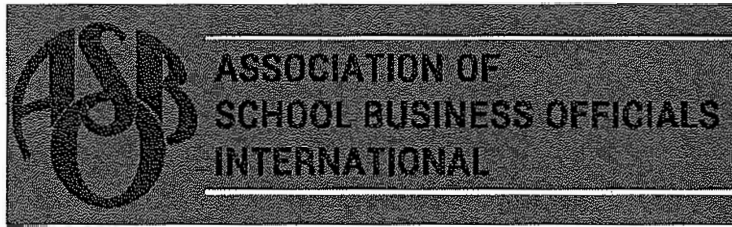
P.O. Box 182218

Columbus, OH 43218-2218

NJ Asset and Rebate Management Program

821 Alexander Road, Suite 110

Princeton, NJ 08540

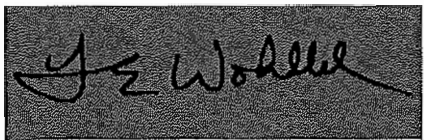


**The Certificate of Excellence in Financial Reporting
is presented to**

**Parsippany-Troy Hills Township
School District**

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2018.**

The CAFR meets the criteria established for
ASBO International's Certificate of Excellence.



Tom Wohlleber, CSR
President



David J. Lewis
Executive Director

Financial Section

Independent Auditors' Report

Honorable President and Members
of the Board of Education
Parsippany-Troy Hills School District
Parsippany, New Jersey
County of Morris

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 Parsippany-Troy Hills School District, County of Morris, New Jersey (the "District"), as of and for the year ended June 30, 2019, 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; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and requirements 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 auditors' 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 District as of June 30, 2019 and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of the District's proportionate share of the net pension liability-PERS, schedule of District pension contributions-PERS, schedule of the State's proportionate share of the net pension liability associated with the District-TPAF, schedule of the State's proportionate share of the net OPEB liability associated with the District and changes in the total OPEB liability and related ratios – (PERS and TPAF), schedule of the changes in the net OPEB liability – District Plan, and budgetary comparison information as identified in the table of contents 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 combining and individual fund financial statements, long-term debt schedules and the schedules of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, and the other information, such as the introductory and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and long-term debt schedules and the schedules of expenditures of federal awards and state financial assistance 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 combining and individual fund financial statements, long-term debt schedules and the schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

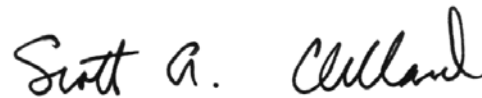
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2019 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 solely 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 the effectiveness of the District's 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.



WISS & COMPANY, LLP



Scott A. Clelland

Licensed Public School Accountant

No. 1049

November 26, 2019
Livingston, New Jersey

Required Supplementary Information
Part I

Management's Discussion and Analysis

Parsippany-Troy Hills School District Management's Discussion and Analysis

Year ended June 30, 2019

As management of the Parsippany-Troy Hills School District, we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the year ended June 30, 2019. We encourage readers to consider the information presented, in conjunction with additional information that we have furnished in our letter of transmittal.

Management's Discussion and Analysis (MD&A) is Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 - *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain comparative information between the current year and the prior year is presented in the MD&A as required by GASB Statement No. 34.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This document also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the assets, deferred outflows of resources, liabilities and deferred inflows of resources of the District, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation and sick leave).

The government-wide financial statements can be found on pages 23 – 24 of this report.

Fund financial statements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, special revenue fund, capital projects fund and debt service fund, all of which are considered to be major funds.

The District adopts an annual appropriated budget for its general fund, special revenue fund and debt service fund. Budgetary comparison statements have been provided as required supplementary information for the general fund and special revenue fund to demonstrate compliance with this budget. The legal level of budgetary control is established at line item accounts within each fund.

The basic governmental fund financial statements can be found on pages 25 – 27 of this report.

Proprietary funds. The District maintains one proprietary fund type, consisting of two enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses enterprise funds to account for the operations of its food service and adult and community education programs.

The basic enterprise fund financial statements can be found on pages 28 – 30 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District uses trust funds to account for the activity of the private-purpose scholarship fund and unemployment compensation trust fund.

The District uses agency funds to account for resources held for student activities and groups, and payroll related liabilities. The basic fiduciary fund financial statements can be found on pages 31 – 32 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 33 – 74 of this report.

Required Supplementary Information (RSI). The District is required to present certain required supplementary information related to pensions and other post-employment benefits. This required supplementary information can be found on pages 75 - 80 of this report.

Other information. The combining statements referred to earlier in connection with governmental funds are presented immediately following the RSI. Combining and individual fund statements and schedules can be found on pages 81 – 101 of this report.

Financial Highlights

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. However, in the case of the District, it does not adequately reflect the District's position. Governmental activities liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$5,396,422 (net position deficit) for the fiscal year ended June 30, 2019. Governmental activities net position increased in the current year by \$3,422,747.

The following table provides a summary of net position relating to the District's governmental and business-type activities at June 30, 2019 and 2018:

Parsippany-Troy Hills School District
Parsippany, New Jersey
Net Position

June 30,

	2019			2018		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 18,935,712	\$ 1,317,708	\$ 20,253,420	\$ 16,539,814	\$ 1,561,086	\$ 18,100,900
Capital assets, net	68,622,854	679,063	69,301,917	70,537,798	504,052	71,041,850
Total assets	87,558,566	1,996,771	89,555,337	87,077,612	2,065,138	89,142,750
Deferred outflows of resources:						
Pension deferrals	8,909,226		8,909,226	12,934,769		12,934,769
Unamortized deferred loss on refunded debt	1,711,422		1,711,422	1,935,995		1,935,995
Total deferred outflows of resources	10,620,648		10,620,648	14,870,764		14,870,764
Current liabilities	9,645,550	651,184	10,296,734	8,425,630	710,042	9,135,672
Net pension liability	36,147,652		36,147,652	44,142,144		44,142,144
Long-term liabilities outstanding	41,543,552		41,543,552	45,175,740		45,175,740
Total liabilities	87,336,754	651,184	87,987,938	97,743,514	710,042	98,453,556
Deferred inflow of resources:						
Pension deferrals	16,238,882		16,238,882	13,024,031		13,024,031
Net position:						
Net investment in capital assets	25,293,312	679,063	25,972,375	24,714,210	504,052	25,218,262
Restricted	12,627,452		12,627,452	10,604,331		10,604,331
Unrestricted (deficit)	(43,317,186)	666,524	(42,650,662)	(44,137,710)	851,044	(43,286,666)
Total net position (deficit)	\$ (5,396,422)	\$ 1,345,587	\$ (4,050,835)	\$ (8,819,169)	\$ 1,355,096	\$ (7,464,073)

Governmental activities

Capital assets, net decreased due to depreciation expense exceeding capital asset acquisitions.

The decrease in the deferred outflows of resources and the increase in the deferred inflow of resources are the result of the actuarial calculation related to GASBs 68 and 71, mainly due to a change in assumptions. Amortization of losses on defeasances account for the decrease in the unamortized loss on refunded debt.

Current liabilities increased due to increases in the current portion of obligations and in accounts payable, accrued expenses and unearned revenue.

The decrease in the net pension liability is the result of the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions (GASB 68)* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68 (GASB 71)*. Long-term liabilities decreased mainly due to the scheduled repayment of serial bonds payable and capital leases. The largest portion of the District's net position is its net investment in capital assets. Restricted net position includes those that are subject to restrictions

(e.g., for capital projects, capital reserve, emergency reserve and excess fund balance in the general fund). Restricted net position increased during the year ended June 30, 2019 resulting from an increase in excess fund balance.

Business-type activities

The business-type activity net position for the year ended June 30, 2019 of \$1,345,587 decreased slightly from the prior year mainly due to the positive operating results in the Food Service Program offset by negative operating results in the Adult and Community Education Program.

Changes in Net Position

Government-wide activities. The key elements of the District's changes in net position for the years ended June 30, 2019 and 2018 follow. The following table provides a summary of changes in net position relating to the District's governmental and business-type activities at June 30, 2019 and 2018:

Parsippany-Troy Hills School District
Parsippany, New Jersey
Changes in Net Position
Year ended June 30,

	2019			2018		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 234,061	\$ 4,705,720	\$ 4,939,781	\$ 232,372	\$ 4,511,027	\$ 4,743,399
Operating grants and contributions	2,605,991	835,020	3,441,011	2,505,444	807,718	3,313,162
General revenues:						
Property taxes	138,781,418		138,781,418	135,017,696		135,017,696
Federal and state aid not restricted to specific purposes	49,634,071		49,634,071	51,706,779		51,706,779
Miscellaneous	629,741		629,741	898,268		898,268
Total revenues	191,885,282	5,540,740	197,426,022	190,360,559	5,318,745	195,679,304
Expenses:						
Instructional	103,426,829	2,750,949	106,177,778	99,714,113	2,815,472	102,529,585
Support services	83,435,579	2,799,300	86,224,959	83,752,634	2,703,009	86,455,643
Charter school	460,411		460,411	231,982		231,892
Interest on long-term debt	1,139,716		1,139,716	1,210,147		1,210,147
Total expenses	188,462,535	5,550,249	194,002,864	184,908,876	5,518,481	190,427,357
Change in net position	3,422,747	(9,509)	3,413,238	5,451,683	(199,736)	5,251,947
Net position (deficit) – beginning of year	(8,819,169)	1,355,096	(7,464,074)	(14,270,852)	1,554,831	(12,716,021)
Net position (deficit) – end of year	\$ (5,396,422)	\$ 1,345,587	\$ (4,050,835)	\$ (8,819,169)	\$ 1,355,095	\$ (7,464,074)

Governmental activities

Property tax revenues increased due to an increase in the school tax levy.

The decrease in unrestricted federal and state aid is mainly the result of receiving additional state aid in 2019 as compared to the previous year, offset by decreases in the on-behalf pension TPAF and other retirement benefits paid for by the State on behalf of the District.

Business-type activities

Overall, the net position of the business-type activities decreased by \$9,509 due mainly to negative 2019 operating results in the Adult and Community Education Program of \$150,900 offset by the \$141,391 positive 2019 operating results of the Food Service Program.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements.

General Fund. The general fund is the main operating fund of the District. At the end of the current fiscal year, unassigned fund balance was \$3,586,217, while the total fund balance was \$16,591,424. The net change in total fund balance for the General Fund was an increase of \$1,981,939, which was mainly attributable to the District's receiving extraordinary aid of \$1,189,892 in excess of the budgeted amount anticipated and due to the fiscal conservatism in expending budgetary resources.

Special Revenue Fund. The special revenue fund is used to track the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes, other than debt service or capital projects. Revenue and expenditures for the current fiscal year were comparable to the prior fiscal year, with an increase of \$100,547 attributable mostly to an increase in federal and state grants expended. IDEA continues to be the largest grant in the special revenue fund, with expenditures in the current fiscal year of \$1,650,595.

Debt Service Fund. The debt service fund accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The fund balance in the debt service fund is \$0.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund, Special Revenue Fund and Debt Service Fund revenues for the fiscal year ended June 30, 2019, and the increases in relation to prior year. The Capital Projects Fund has been excluded as amounts vary substantially from year to year.

Revenue	Amount	Percent of Total	Increase from 2018	Percent of Increase
Local sources	\$139,664,442	81.62%	\$ 3,488,350	2.56%
State sources	29,062,953	16.98	3,571,315	14.01
Federal sources	2,393,553	1.40	91,480	1.00
Total	\$171,120,948	100.00%	\$ 7,151,145	4.36%

The increase in local sources is mainly attributable to the increase in the local tax levy.

The increase in state sources is due to an increase in transportation aid and on-behalf pension benefits paid by the State on behalf of the District compared to the prior year. The increase in federal sources is due to an increase in Title I, and IDEA offset by the decrease in FEMA revenue compared to the prior year.

The following schedule presents a summary of General Fund, Special Revenue Fund and Debt Service Fund expenditures for the fiscal year ended June 30, 2019, and the increases and decreases related to the prior year. The Capital Projects Fund has been excluded as amounts vary substantially from year to year.

Expenditures	Amount	Percent of Total	Increase (Decrease) from 2018	Percent of Increase (Decrease)
Current expenditures:				
Instruction	\$ 59,284,655	34.85%	\$ 3,062,450	5.44%
Support services	101,985,738	59.95	4,399,905	4.50
Capital outlay	5,010,550	2.94	1,519,896	43.54
Charter schools	460,411	0.27	228,429	98.47
Debt service:				
Principal	2,025,000	1.19	75,000	3.84
Interest	1,354,650	0.80	(69,750)	(4.89)
Total	\$170,121,004	100.00%	\$ 9,215,930	5.73%

The increase in instruction is mainly attributable to salary increases and increased spending on instructional materials. The increase in support services is mainly attributable to the increase in the on-behalf post-retirement benefit contributions paid by the State on behalf of the District.

The increase in capital outlay is attributable to the District completing district-wide capital projects in fiscal year 2019.

General Fund Budgetary Highlights

Budgetary transfers were made between budgetary line items and approved by the Board for various reasons including:

- Total instruction – regular programs – an increase of \$364,922 is due to an increase in substitute coverage, including long-term substitute coverage.
- Unallocated benefits – employee benefits – a decrease of \$972,734 is the result of actual benefit cost increases being less than originally budgeted.

There were also certain variances between the final budget and the actual expenditures that are explained below:

- Total instruction – regular programs – a positive variance of \$1,157,658 is the result of cutting back on general supplies and purchasing of text books due to budget constraints.
- Total undistributed instruction for tuition – a positive variance of \$381,669 is mainly attributable to the actual tuition costs which were lower than anticipated due to fewer students sent to private schools for the disabled.
- Total unallocated benefits – a positive variance of \$1,539,787 is the result of savings in health benefits due to premium increases being less than originally anticipated.

Capital Assets

At the end of the fiscal years ended June 30, 2019 and 2018, the District had \$69,301,917 and \$71,041,850 respectively, invested in land, construction in progress, land improvements, building and building improvements and machinery and equipment, net of accumulated depreciation or amortization.

	Capital Assets (Net of Depreciation)			
	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Land	\$ 3,956,475	\$ 3,956,475		
Land improvements	3,119,907	3,211,912		
Building and building improvements	58,282,467	60,279,665		
Machinery and equipment	3,264,005	3,089,746	\$ 679,063	\$ 504,052
Total	68,622,854	\$ 70,537,798	\$ 679,063	\$ 504,052

The decrease in land improvements and building and building improvements is mainly due to depreciation expense exceeding additions during the 2019 fiscal year. Equipment purchases exceeded depreciation expense related to equipment, resulting in a net increase.

For more detailed information, please refer to Note 4 to the basic financial statements.

Debt Administration

At June 30, 2019, the District had \$82,589,771 of outstanding long-term liabilities. Of this amount, \$977,071 is for compensated absences; \$31,121,848 of serial bonds including an unamortized premium on bonds of \$3,526,848; \$424,084 is for other post-employment retirement benefits payable; and \$13,919,116 is for capital leases. This amount also includes the District's net pension liability of \$36,147,652 at June 30, 2019. For more detailed information on the net pension liability, refer to Note 5 of the basic financial statements.

Economic Factors and Next Year's Budget

The fiscal outlook in the near term is a concern for most school districts and municipalities, including this one. Top-down changes in funding will require flexibility and very careful planning at the local level. With the continued uncertainty from the State of New Jersey's budget, the adoption of a budget that maintains educational services at a higher level becomes more and more difficult. The District will continue to employ prudent and responsible fiscal practices to maintain its sound financial condition.

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

1. The District continues its focus on technological upgrades and advancements in instructional opportunities for students and staff. There are increased budgetary allocations through lease purchase to add and/or upgrade technology on all educational levels in the District.
2. The collective bargaining agreements for the administrators' and paraprofessionals' unions expired on June 30, 2019. The Board is currently in negotiations with both of those unions. The collective bargaining agreement for the secretaries' union expired June 30, 2019 and a new agreement was settled on August 6, 2019. The collective bargaining agreement with the teachers' union expired on June 30, 2018 and was settled on July 12, 2019. The collective bargaining agreement with the maintenance staff, custodians and bus drivers expires on June 30, 2020.
3. The District continues to maintain its facilities. In the 2018-2019 school year the District partially replaced the roof at Lake Hiawatha Elementary School, replaced the gym floor at Littleton Elementary School, repaired and replaced heat pipes at Mount Tabor Elementary School, began to upgrade Foods rooms at Parsippany High School and Central Middle School and various small projects such as exterior door replacements and paving.

All of the above factors were considered in preparing the District's 2019-20 fiscal year budget.

Requests for Information

This financial report is designed to provide a general overview of the Parsippany-Troy Hills School District finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Board of Education Office, PO Box 52, Parsippany, New Jersey 07054.

Basic Financial Statements

Government-wide Financial Statements

The government-wide financial statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the year ended June 30, 2019.

Parsippany-Troy Hills School District

Statement of Net Position

June 30, 2019

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 13,692,331	\$ 1,224,716	\$ 14,917,047
Accounts receivable	1,973,536	37,135	2,010,671
Other assets		29,072	29,072
Inventories		26,785	26,785
Restricted assets:			
Cash held with fiscal agent	22,420		22,420
Cash and cash equivalents	3,269,845		3,269,845
Capital assets, non-depreciable	3,956,475		3,956,475
Capital assets, depreciable, net	64,666,379	679,063	65,345,442
Total assets	<u>87,580,986</u>	<u>1,996,771</u>	<u>89,577,757</u>
Deferred outflows of resources			
Pension deferrals	8,909,226		8,909,226
Unamortized deferred loss on refunded debt	1,711,422		1,711,422
Total deferred outflows of resources	<u>10,620,648</u>		<u>10,620,648</u>
Liabilities			
Accounts payable and accrued liabilities	4,008,563	143,330	4,151,893
Accrued interest payable	663,454		663,454
Payable to state government	57,817		57,817
Other liabilities	22,420		22,420
Unearned revenue	17,149	507,854	525,003
Net pension liability	36,147,652		36,147,652
Current portion of long-term obligations	4,898,567		4,898,567
Noncurrent portion of long-term obligations	41,543,552		41,543,552
Total liabilities	<u>87,359,174</u>	<u>651,184</u>	<u>88,010,358</u>
Deferred inflow of resources			
Pension deferrals	16,238,882		16,238,882
Net position			
Net investment in capital assets	25,293,312	679,063	25,972,375
Restricted for:			
Capital reserve	3,269,845		3,269,845
Excess fund balance	9,357,607		9,357,607
Unrestricted (deficit)	(43,317,186)	666,524	(42,650,662)
Total net position	<u>\$ (5,396,422)</u>	<u>\$ 1,345,587</u>	<u>\$ (4,050,835)</u>

See accompanying notes to the basic financial statements.

Parsippany-Troy Hills School District

Statement of Activities

Year ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities						
Instruction						
Regular	\$ 71,152,943			\$ (71,152,943)		\$ (71,152,943)
Special education	21,959,458		\$ 2,090,014	(19,869,444)		(19,869,444)
Other instruction	6,406,742			(6,406,742)		(6,406,742)
School sponsored instruction	3,907,686			(3,907,686)		(3,907,686)
Support services:						
Tuition	8,553,370	\$ 234,061	515,977	(7,803,332)		(7,803,332)
Student activities	26,020,175			(26,020,175)		(26,020,175)
Instruction services	6,667,870			(6,667,870)		(6,667,870)
General administration services	1,656,472			(1,656,472)		(1,656,472)
School administration services	8,239,799			(8,239,799)		(8,239,799)
Central services	3,033,442			(3,033,442)		(3,033,442)
Admin information technology	2,789,129			(2,789,129)		(2,789,129)
Plant operations and maintenance	16,989,943			(16,989,943)		(16,989,943)
Pupil transportation	9,485,379			(9,485,379)		(9,485,379)
Interest and other charges on long-term debt	1,139,716			(1,139,716)		(1,139,716)
Charter schools	460,411			(460,411)		(460,411)
Total governmental activities	188,462,535	234,061	2,605,991	(185,622,483)		(185,622,483)
Business-type activities						
Food service	2,799,300	2,105,671	835,020		\$ 141,391	141,391
Adult and community education	2,750,949	2,600,049			(150,900)	(150,900)
Total business-type activities	5,550,249	4,705,720	835,020		(9,509)	(9,509)
Total primary government	\$ 194,012,784	\$ 4,939,781	\$ 3,441,011	(185,622,483)	(9,509)	(185,631,992)
General revenues						
Property taxes, levied for general purposes				135,975,887		135,975,887
Property taxes, levied for debt service				2,805,531		2,805,531
State aid not restricted				49,602,377		49,602,377
Federal aid not restricted				31,694		31,694
Investment earnings				54,977		54,977
Miscellaneous income				574,764		574,764
Total general revenues				189,045,230	-	189,045,230
Change in net position				3,422,747	(9,509)	3,413,238
Net position—beginning (deficit)				(8,819,169)	1,355,096	(7,464,073)
Net position—ending (deficit)				\$ (5,396,422)	\$ 1,345,587	\$ (4,050,835)

See accompanying notes to the basic financial statements.

Fund Financial Statements

Governmental Funds

Parsippany-Troy Hills School District

Governmental Funds

Balance Sheet

June 30, 2019

	Major Funds		
	General Fund	Special Revenue Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 13,692,331		\$ 13,692,331
Accounts receivable:			
State	1,585,502		1,585,502
Federal		\$ 325,492	325,492
Interfund	172,028		172,028
Other	12,341	50,201	62,542
Restricted assets:			
Cash held with fiscal agents	22,420		22,420
Cash and cash equivalents	3,269,845		3,269,845
Total assets	<u>\$ 18,754,467</u>	<u>\$ 375,693</u>	<u>\$ 19,130,160</u>
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 2,132,894	\$ 136,428	\$ 2,269,322
Intergovernmental payables:			
State		57,817	57,817
Interfunds payable		172,028	172,028
Other liabilities	22,420		22,420
Unearned revenue	7,729	9,420	17,149
Total liabilities	<u>2,163,043</u>	<u>375,693</u>	<u>2,538,736</u>
Fund balances:			
Restricted for:			
Capital reserve	3,269,845		3,269,845
Excess fund balance-current year	4,497,550		4,497,550
Excess fund balance-prior year	4,860,057		4,860,057
Assigned to:			
Other purposes	377,755		377,755
Unassigned	3,586,217		3,586,217
Total fund balances	<u>16,591,424</u>		<u>16,591,424</u>
Total liabilities and fund balances	<u>\$ 18,754,467</u>	<u>\$ 375,693</u>	

Amounts reported for *governmental activities* in the statement of net position (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$115,184,212 and the accumulated depreciation is \$46,561,358.	68,622,854
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(663,454)
Net deferred pension costs in governmental activities are not financial resources and are therefore not reported in the funds.	(7,329,656)
Losses arising from the issuance of refunding bonds that are a result of the difference in the carrying value of the refunded bonds and the new bonds are deferred and amortized over the life of the new bonds.	1,711,422
Net pension liability is not due and payable in the current period and therefore the liability and related deferred outflows and inflows, are not reported in the funds.	(36,147,652)
Accrued pension contributions for the June 30, 2019 plan year end are not paid with current economic resources and are therefore not reported as a liability in the funds, but are included in accounts payable in the government-wide Statement of Net Position.	(1,739,241)
Long-term liabilities, including bonds payable, capital leases, premiums on bonds, other post-employment benefits payable liabilities and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.	<u>(46,442,119)</u>
Net position (deficit) of governmental activities	<u>\$ (5,396,422)</u>

See accompanying notes to the basic financial statements.

Parsippany-Troy Hills School District
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2019

	Major Funds			Total Governmental Funds
	General Fund	Special Revenue Fund	Debt Service Fund	
Revenues:				
Local sources:				
Local tax levy	\$ 135,975,887		\$ 2,805,531	\$ 138,781,418
Tuition from individuals	234,061			234,061
Interest	54,977			54,977
Miscellaneous	574,764	\$ 19,222		593,986
Total local sources	<u>136,839,689</u>	<u>19,222</u>	<u>2,805,531</u>	<u>139,664,442</u>
State sources	28,265,440	224,910	572,603	29,062,953
Federal sources	31,694	2,361,859		2,393,553
Total revenues	<u>165,136,823</u>	<u>2,605,991</u>	<u>3,378,134</u>	<u>171,120,948</u>
Expenditures:				
Current:				
Regular instruction	40,380,859			40,380,859
Special education instruction	10,956,063	2,090,014		13,046,077
Other instruction	3,528,882			3,528,882
School sponsored instruction	2,328,837			2,328,837
Support services and undist costs:				
Tuition	8,037,393	515,977		8,553,370
Student services	15,321,078			15,321,078
Instruction services	3,979,637			3,979,637
General administration	1,254,622			1,254,622
School administration	4,726,396			4,726,396
Central services	1,850,149			1,850,149
Admin info technology	1,881,983			1,881,983
Plant oper. and maintenance	11,062,999			11,062,999
Pupil transportation	7,834,401			7,834,401
Unallocated benefits	44,615,255			44,615,255
Capital outlay	3,332,462			3,332,462
Charter school	460,411			460,411
Debt service:				
Principal	2,247,349		2,025,000	4,272,349
Interest	336,587		1,354,650	1,691,237
Total expenditures	<u>164,135,363</u>	<u>2,605,991</u>	<u>3,379,650</u>	<u>170,121,004</u>
Excess (deficiency) of revenues over (under) expenditures	1,001,460	-	(1,516)	999,944
Other financing sources:				
Capital leases (non-budgeted)	980,479			980,479
Total other financing sources	<u>980,479</u>			<u>980,479</u>
Net change in fund balances	1,981,939	-	(1,516)	1,980,423
Fund balances, July 1	14,609,485	-	1,516	14,611,001
Fund balances, June 30	<u>\$ 16,591,424</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,591,424</u>

The reconciliation of the fund balances of governmental funds to the net position of governmental activities in the statement of activities is presented in the accompanying schedule (B-3).

Parsippany-Troy Hills School District
Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2019

Total net change in fund balances - governmental funds (from B-2)	\$	1,980,423
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
Capital outlays are reported in 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 depreciation expense exceeded capital assets additions in the period.		
Capital additions	\$ 2,448,892	
Depreciation expense	<u>(4,363,836)</u>	(1,914,944)
In the statement of activities, interest on long-term debt/capital leases is accrued, regardless of when due. In the governmental funds, interest is reported when due. The amount presented is the change from prior year.		
		30,854
2018 capital lease transaction.		
		(1,000,000)
Governmental funds report the effect of refunding transactions when the debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This represents the current year amortization related to the deferred interest costs.		
		(224,573)
Repayments of bond principal are expenditures in the governmental funds, but the payment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.		
		2,025,000
Governmental funds report the effect of premiums on bonds when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
		408,653
Other Postemployment Benefit (OPEB) payable is reported in the statement of net position but does not require the use of current financial resources and therefore is not reported in the Governmental Funds. The amount presented is the change from prior year.		
		(33,346)
Capital Leases entered into by the district are other financing sources in the Governmental Funds, but the acquisition increases long-term liabilities in the statement of net position and is not reported in the the statement of activities.		
		(1,000,000)
Repayment of capital leases 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.		
		2,284,966
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) 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).		
		24,745
Certain expenses reported in the statement of activities do not require the use of current resources and therefore are not reported as expenditures in governmental funds:		
Pension expense		840,969
Change in net position of governmental activities (A-2)	\$	<u>3,422,747</u>

See accompanying notes to the basic financial statements.

Proprietary Fund

Parsippany-Troy Hills School District
Proprietary Fund

Statement of Net Position

June 30, 2019

	Major Enterprise Funds		
	Food Service	Adult and Community Education	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 457,142	\$ 767,574	\$ 1,224,716
Accounts receivable:			
State	1,389		1,389
Federal	32,859		32,859
Other	2,887		2,887
Other assets		29,072	29,072
Inventories	26,785		26,785
Total current assets	<u>521,062</u>	<u>796,646</u>	<u>1,317,708</u>
Non-current assets:			
Capital assets:			
Equipment	1,248,053		1,248,053
Accumulated depreciation	(568,990)		(568,990)
Total capital assets, net	<u>679,063</u>		<u>679,063</u>
Total assets	<u>1,200,125</u>	<u>796,646</u>	<u>1,996,771</u>
Liabilities			
Current liabilities:			
Accounts payable	133,902	9,428	143,330
Unearned revenue	9,921	497,933	507,854
Total current liabilities	<u>143,823</u>	<u>507,361</u>	<u>651,184</u>
Net position			
Investment in capital assets	679,063		679,063
Unrestricted	377,239	289,285	666,524
Total net position	<u>\$ 1,056,302</u>	<u>\$ 289,285</u>	<u>\$ 1,345,587</u>

Parsippany-Troy Hills School District
Proprietary Fund

Statement of Revenues, Expenses and
Changes in Net Position

Year ended June 30, 2019

	Major Enterprise Funds		Total
	Food Service	Adult and Community Education	
Operating revenues:			
Local sources:			
Daily sales-reimbursable programs	\$ 932,260		\$ 932,260
Daily sales-non reimbursable programs	954,380		954,380
Special event income	219,031		219,031
Adult school income		\$ 2,600,049	2,600,049
Total operating revenues	<u>2,105,671</u>	<u>2,600,049</u>	<u>4,705,720</u>
Operating expenses:			
Cost of sales - reimbursable programs	975,331		975,331
Cost of sales - non-reimbursable programs	218,217		218,217
Salaries and wages	846,915	655,909	1,502,824
Purchased professional/technical services		1,326,713	1,326,713
Other purchased services		69,689	69,689
Employee benefits	265,822	107,021	372,843
Supplies, insurance and other costs	306,672	591,617	898,289
Depreciation	54,574		54,574
Management fee	121,492		121,492
Miscellaneous expense	10,277		10,277
Total operating expenses	<u>2,799,300</u>	<u>2,750,949</u>	<u>5,550,249</u>
Operating (loss)	(693,629)	(150,900)	(844,529)
Nonoperating revenues:			
State sources:			
State school lunch program	25,882		25,882
Federal sources:			
National school lunch program	548,990		548,990
National school breakfast program	68,017		68,017
Food donation program	192,131		192,131
Total nonoperating revenues	<u>835,020</u>	<u>-</u>	<u>835,020</u>
Change in net position	141,391	(150,900)	(9,509)
Total net position-beginning	914,911	440,185	1,355,096
Total net position-ending	<u>\$ 1,056,302</u>	<u>\$ 289,285</u>	<u>\$ 1,345,587</u>

Parsippany-Troy Hills School District
Proprietary Fund

Statement of Cash Flows

Year ended June 30, 2019

	Major Enterprise Funds		Totals
	Food Service	Adult and Community Education	
Cash flows from operating activities			
Receipts from customers	\$ 2,195,363	\$ 2,526,732	\$ 4,722,095
Payments for salaries and wages	(846,915)	(107,021)	(953,936)
Payments for employee benefits	(265,822)	(655,909)	(921,731)
Payments to suppliers	(1,651,897)	(2,067,766)	(3,719,663)
Net cash (used for) operating activities	<u>(569,271)</u>	<u>(303,964)</u>	<u>(873,235)</u>
Cash flows from noncapital financing activities			
State school lunch program	25,950		25,950
National school breakfast program	68,172		68,172
National school lunch program	548,576		548,576
Food donation program	196,163		196,163
Net cash provided by noncapital financing activities	<u>838,861</u>		<u>838,861</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	(128,245)		(128,245)
Net cash (used for) capital and related financing activities	<u>(128,245)</u>		<u>(128,245)</u>
Net increase (decrease) in cash and cash equivalents	141,345	(303,964)	(162,619)
Cash and cash equivalents, beginning of year	315,797	1,071,538	1,387,335
Cash and cash equivalents, end of year	<u>\$ 457,142</u>	<u>\$ 767,574</u>	<u>\$ 1,224,716</u>
Reconciliation of operating (loss) to net cash (used for) operating activities			
Operating (loss)	\$ (693,629)	\$ (150,900)	\$ (844,529)
Adjustments to reconcile operating (loss) to net cash (used for) operating activities:			
Depreciation	54,574		54,574
Change in assets and liabilities:			
Decrease in other accounts receivable	89,691		89,691
(Increase) in inventory	(3,158)		(3,158)
(Increase) in prepaid expenses		(5,583)	(5,583)
(Decrease) in accounts payable	(16,749)	(74,163)	(90,912)
(Decrease) in unearned revenue		(73,318)	(73,318)
Net cash (used for) operating activities	<u>\$ (569,271)</u>	<u>\$ (303,964)</u>	<u>\$ (873,235)</u>

Noncash noncapital financing activities:

The District received \$196,163 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2019.

Fiduciary Funds

Parsippany-Troy Hills School District
Fiduciary Funds

Statement of Fiduciary Net Position

June 30, 2019

	Unemployment Compensation Trust Fund	Private- Purpose Scholarship Trust Funds	Agency Fund
Assets			
Cash and cash equivalents	\$ 1,748,663	\$ 77,687	\$ 3,502,139
Total assets	1,748,663	77,687	\$ 3,502,139
Liabilities			
Accounts payable	15,080		
Due to student groups			\$ 459,379
Payroll deductions and withholdings payable			76,481
Summer savings payable			2,966,279
Total liabilities	15,080		\$ 3,502,139
Net position:			
Held in trust for:			
Unemployment compensation claims	1,733,583		
Scholarships		77,687	
Total net position	\$ 1,733,583	\$ 77,687	

See accompanying notes to the basic financial statements.

Parsippany-Troy Hills School District
Fiduciary Funds

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2019

	<u>Unemployment Compensation Trust Fund</u>	<u>Private-Purpose Scholarship Trust Funds</u>
Additions:		
Employee contributions	\$ 182,601	
Donations and interest		\$ 34,139
Total Additions	<u>182,601</u>	<u>34,139</u>
Deductions:		
Unemployment compensation claims	124,002	
Scholarships awarded		28,050
Total Deductions	<u>124,002</u>	<u>28,050</u>
Change in net position	58,599	6,089
Net position, beginning	<u>1,674,984</u>	<u>71,598</u>
Net position, ending	<u>\$ 1,733,583</u>	<u>\$ 77,687</u>

See accompanying notes to the basic financial statements.

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements

Year ended June 30, 2019

1. Summary of Significant Accounting Policies

The financial statements of the Parsippany-Troy Hills School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental 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 District's accounting policies are described below.

A. Reporting Entity

The financial reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The District is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board of Education ("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.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

The District, as the primary government for financial reporting entity purposes, has oversight responsibility and control over all activities related to the Parsippany-Troy Hills School District in Parsippany, New Jersey. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards is whether:

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

1. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

- the organization is legally separate (can sue or be sued on their own name);
- the District holds the corporate powers of the organization;
- the District appoints a voting majority of the organization's board;
- the District is able to impose its will on the organization;
- the organization has the potential to impose a financial benefit/burden on the District; or
- there is a fiscal dependency by the organization on the District

Based on the aforementioned criteria, the District does not have any component units.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, enterprise funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. The New Jersey Department of Education requires all funds be reported as major to promote consistency among school districts in the State of New Jersey.

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, capital leases, pension liabilities, and other post-employment benefits, are recorded only when payment is due.

Property taxes, interest, and state aid associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered measurable and available only when the District receives cash.

The District has reported the following major governmental funds:

General Fund: The general fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment, which are classified in the capital outlay sub-fund.

Special Revenue Fund: The District maintains one special revenue fund, which includes the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes, other than debt service or capital projects.

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Debt Service Fund: The debt service fund accounts for and reports financial resources that are restricted, committed, or assigned to an expenditure for the principal and interest on long-term general obligation debt of governmental funds.

The District reports the following major proprietary funds:

Food Service Enterprise Fund: The food service enterprise fund accounts for all revenues and expenses pertaining to cafeteria operations. The food service fund 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.

Adult and Community Education Enterprise Fund: The adult and community education enterprise fund accounts for all revenues and expenses pertaining to recreational, academic and vocational curriculum offered to residents. The adult and community education enterprise fund 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 types:

Fiduciary funds of the District include the unemployment compensation and private purpose scholarship trust funds and agency funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurements of results of operations. The following is a description of the fiduciary funds of the District.

Trust and Agency Funds: The trust and agency funds are used to account for assets held by the District on behalf of outside parties, including other governments, or on behalf of other funds within the District.

Trust Funds: The unemployment compensation and private purpose scholarship funds are accounted for in essentially the same manner as governmental funds. The unemployment compensation fund is used to account for contributions from employees and interest earned on the balance as well as payments to the State for reimbursement of unemployment claims. The private purpose scholarship fund is utilized to provide scholarships to students and to account for the related transactions.

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Agency Funds (Payroll and Student Activity Fund): Agency funds are used to account for the assets that the District holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

As a general rule the effect of internal activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) fees charged to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District enterprise funds are charges for sales of food and tuition. Operating expenses for the enterprise funds include the cost of sales, costs of providing education programs, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District reports unearned revenue on its balance sheet and statements of net position. Unearned revenue also arises when resources are received by the District before it has legal claim to them, as when federal assistance is received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and statements of net position and revenue is recognized.

Ad Valorem (Property) taxes are susceptible to accrual as, under New Jersey State Statute, a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable." The County Board of Taxation is responsible for the assessment of properties and the Township Tax Collector is responsible for collection of taxes. Assessments are certified and taxes are levied on January 1; taxes are due February 1, May 1, August 1 and November 1. Unpaid taxes are considered delinquent the following January 1 and are then subject to lien.

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

1. Summary of Significant Accounting Policies (continued)

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 budgets are submitted to the county office for review and approval and are approved by the Board of Education members. Budgets are prepared using the modified accrual basis of accounting and the special revenue fund uses a non-GAAP budget (budgetary basis). 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 referred in N.J.A.C. 6A:23. The over expenditure in the general fund is due to the inclusion of the non-budgeted on behalf payments made by the State of New Jersey as District expenditures. These amounts are offset by related revenues and as such do not represent budgetary over expenditures. All budget amendments must be approved by School Board resolution and certain other require approval by County Superintendent of Schools. Budget amendments were made during the year ended June 30, 2019 and were not significant.

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 accounting principles generally accepted in the United States with the exception of the legally mandated revenue recognition of the last state aid payments for budgetary purposes and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Open encumbrances at year-end are reappropriated in the subsequent year's budget. 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 revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

E. Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, amounts on deposit and short-term investments with original maturities of three months or less.

Investments are stated at fair value in accordance with the Governmental Accounting Standards Board. The District 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 and are stated at cost. All other investments are stated at fair value.

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

1. Summary of Significant Accounting Policies (continued)

F. Interfund Receivables/Payables

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.

G. Inventories

Inventories that benefit future periods, other than those recorded in the enterprise fund, are recorded as an expenditure during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. At June 30, 2019, the unused Food Donation Program commodities of \$9,921 are reported as unearned revenue in the Food Service Enterprise Fund.

H. Capital Assets

Capital assets, which include land, construction in progress, property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or through estimation procedures performed by an independent appraisal company. Donated capital assets are valued at acquisition value on the date of acquisition.

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend the assets lives are not capitalized.

Depreciable capital assets of the District are depreciated using the straight line method. The following estimated useful lives are used to compute depreciation:

	Estimated Useful Life
Buildings	50 years
Site Improvements	20 years
Furniture and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

See Note 4 for additional information regarding capital assets.

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

1. Summary of Significant Accounting Policies (continued)

I. Accrued Salaries and Wages

Certain District employees who provided services to the District over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but not disbursed amounts be retained in a separate bank account. As of June 30, 2019, the amount earned by these employees but not disbursed was \$2,966,279 and is included in liabilities – summer savings payable in the fiduciary fund.

J. Deferred Loss on Defeasance of Debt

The deferred loss on refunding arising from the issuance of the refunding bonds is recorded as a deferred outflow of resources. It is amortized in a systematic and rational manner over the duration of the related debt as a component of interest and other charges on long-term debt. The amortization expense for the year ended June 30, 2019 amounted to \$224,573 and the remaining balance at June 30, 2019 is \$1,711,422.

K. Compensated Absences

A liability for compensated absences that is 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. The District uses the “vesting method” for estimating its accrued sick and vacation leave liability.

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. The amount recorded represents those individuals who have reached retirement age for payment. 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 government-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. The liability for vested compensated absences of the District is recorded in the government-wide governmental activities financial statements amounted to \$977,071 at June 30, 2019. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

1. Summary of Significant Accounting Policies (continued)

L. Unearned Revenue

Unearned revenue in the general and special revenue funds represent cash, which has been received but not yet earned. Unearned revenue in the adult and community education enterprise fund, represents tuition and fees paid in advance, and in the food service enterprise fund represents inventory on hand of food donation commodities.

M. Long-Term Obligations

In the government-wide financial statements, and enterprise fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise fund type statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount on a refunding or bond issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as either capital projects fund or debt service fund expenditures in the year of issuance.

N. Net Position

Net position represents the difference between assets, deferred inflows of resources, deferred outflows of resources and liabilities in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net positions are reported as restricted in the government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

1. Summary of Significant Accounting Policies (continued)

O. Fund Balances

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (“GASB 54”) established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

- 1) Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.
- 2) Restricted - includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- 3) Committed - includes amounts that can be used only for the specific purposes imposed by a formal action of the government’s highest level of decision-making authority. The District’s highest level of decision-making authority is the Board of Education (the “Board”) and formal action is taken by resolution of the Board at publicly held meetings. Once committed, amounts cannot be used for other purposes unless the Board revises or changes the specified use by taking the same action (resolution) taken to originally commit these funds.
- 4) Assigned – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent is expressed by either the Board or Business Administrator, to whom the Board has delegated the authority to assign amounts to be used for specific purposes, including the encumbering of funds.
- 5) Unassigned - includes all spendable amounts not contained in the other classifications in the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In the other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed. For the unrestricted fund balance, the District first spends committed funds, then assigned funds, and finally, unassigned funds.

Of the \$16,591,424 of fund balances in the General Fund at June 30, 2019, \$3,269,845 has been restricted in the capital reserve account, \$4,497,550 has been restricted for excess fund balance - current year, \$4,860,057 has been classified as restricted excess fund balance prior year designated for

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

1. Summary of Significant Accounting Policies (continued)

O. Fund Balances (continued)

subsequent years expenditures, \$377,755 of encumbrances is assigned to other purposes and \$3,586,217 is unassigned.

P. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Q. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District has two items that qualify for reporting in this category, including deferred losses from the refunding of debt and deferred amounts related to pensions. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category, deferred amounts related to pensions.

R. On-Behalf Payments

Revenues and expenditures of the general fund include payments made or reimbursed by the State of New Jersey for social security and post-retirement pension and medical contributions for certified teachers and other members of the New Jersey Teachers Pension and Annuity Fund. Additionally, revenues and expenses related to on-behalf pension contributions in the government-wide financial statements have been increased by \$21,205,187 to adjust for the full accrual basis expense incurred by the State of New Jersey during the most recent measurement period. The amounts are not required to be included in the District's annual budget.

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

1. Summary of Significant Accounting Policies (continued)

S. Calculation of Excess Surplus

The designation for restricted fund balance excess-surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund 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 years' budget. The District has excess fund balance generated during the 2019 fiscal year in the amount of \$4,497,550, which will be utilized in its 2020-21 budget. The District also has prior year excess fund balance in the amount of \$4,860,057 which was utilized in the 2019-20 fiscal year budget.

T. GASB Pronouncements

Recently Issued Accounting Pronouncements

GASB issued Statement No. 84, *Fiduciary Activities* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018. Management of the District have not yet determined the impact of the Statement on its financial statements.

GASB issued Statement No. 87, *Leases* in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019. Management of the District have not yet determined the impact of the Statement on its financial statements.

The GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* in April 2018. This Statement defines debt for purposes of disclosure in notes to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments. The requirements of this Statement are effective for periods beginning after June 15, 2018. Management has adopted this statement in the 2019 fiscal year and it was determined that it did not have an impact on its financial statements or disclosures.

U. Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred between June 30, 2019 and November 26, 2019, the date that the financial statements were available for issuance, for possible disclosure and recognition in the financial statement, no items have come to the attention of the District that would require disclosure.

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds payable, other post-employment benefits, capital leases and compensated absences payable are not due and payable in the current period and therefore are not reported in the funds. The details of this \$46,442,119 difference are as follows:

Bonds payable	\$ 27,595,000
Premium on bonds	3,526,848
Other post-employment benefit payable	424,084
Capital leases payable	13,919,116
Compensated absences	<u>977,071</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position – governmental activities	<u>\$ 46,442,119</u>

3. Deposits and Investments

New Jersey school districts are limited as to the types 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 public 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 savings banks, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value 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 other public depositories, is available to pay the full amount of their deposits to the governmental units. New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund (NJCMF) and New Jersey Asset and Rebate Management Fund (NJARM).

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

3. Deposits and Investments (continued)

New Jersey statutes (GUDPA) require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows.

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

In addition to the above collateral requirement, if the 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 of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

At June 30, 2019, the carrying amount of the District's deposits was \$22,132,501 and the bank balance was \$14,741,460, not including funds deposited in NJARM and NJCMF and funds held with fiscal agent. Of the bank balance, \$250,000 of the District's cash deposits on June 30, 2019 was secured by federal depository insurance. The New Jersey GUDPA covered the bank balance of \$10,589,519. \$3,901,941 of the bank balance of the District's agency accounts are not covered by GUDPA. In addition, the District has restricted cash held with fiscal agents in the amount of \$22,420 related to capital leases where the funds are currently held by the lessor.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the District's operating cash accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the District would not be able to recover the value of its deposits and investments). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name.

The District does not have a policy for the management of custodial credit risk, other than depositing all of its funds in banks covered by GUDPA. At least five percent of the District's deposits were fully collateralized by funds held by the financial institution, but not in the name of the District. Due to the nature of GUDPA, further information is not available regarding the full amount that is collateralized.

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

3. Deposits and Investments (continued)

Investments

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

- a. Bonds and other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- c. Bonds or other obligations of the School District.
- d. New Jersey Cash Management Fund and New Jersey Asset and Rebate Management Fund.

New Jersey Asset and Rebate Management Fund and New Jersey Cash Management Fund

In order to maximize liquidity, the District utilizes the New Jersey Asset and Rebate Management Fund ("NJARM") and New Jersey Cash Management Fund ("NJCMF") as its investments.

The NJARM, which is an investment pool managed by Public Financial Management Company, NJARM allows governments within the state to pool their funds for investment purposes and the Security and Exchange Commission (SEC) does not restrict the pool. Earnings are allocated to all participants based upon shares held in the pool and distributed on the last day of each month. In addition, the fair value of the District's portion of the pool is the same as the value of its shares. Agencies that participate in the NJARM typically earn returns that mirror short-term investments rates. Monies can be freely added or withdrawn from the NJARM on a daily basis without penalty. At June 30, 2019, the District's balance was \$337,781 with NJARM.

The NJCMF is an investment pool administered by the State of New Jersey, Department of the Treasury and issues separate reports that can be obtained directly from the Department of Treasury. It invests pooled monies from various State and non-State agencies in primarily short-term investments. The pooled shares are equal to the value of the District's shares. These investments include: U.S. Treasuries, short-term Commercial Paper, U.S. Agency Bonds, Corporate Bonds, and Certificates of Deposit. Agencies that participate in the NJCMF typically earn returns that mirror short-term investment rates. Monies can be freely added or withdrawn from the NJCMF on a daily basis without penalty. At June 30, 2019, the District's balance with NJCMF was \$1,045,099. The debt instruments in the NJCMF are rated by three national rating agencies.

Custodial Credit Risk: Pursuant to GASB 40, the NJARM and NJCMF, which are a pooled investment, is exempt from custodial credit risk exposure. The District does not have a policy for custodial credit risk.

Credit Risk: The District does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The debt instruments

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

3. Deposits and Investments (continued)

in the NJCMF are rated by three national rating agencies. The NJARM Joint Account portfolio is rated AAA by Standard & Poor's.

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer. At June 30, 2019, all of the District's investments were invested in the NJARM and NJCMF.

Interest Rate Risk: The District does not have a policy to limit interest rate risk. The average maturity of the District's investments in the NJARM and NJCMF are less than one year.

All of the District's investments are classified as cash equivalents at June 30, 2019.

4. Capital Assets

The following is a summarization of the governmental activities changes in capital assets for the fiscal year ended June 30, 2019:

	Beginning Balance	Additions	Dispositions / Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,956,475			\$ 3,956,475
Total capital assets, not being depreciated	3,956,475			3,956,475
Capital assets, being depreciated:				
Land improvements	5,854,463	\$ 176,941		6,031,404
Buildings and building improvements	91,729,476	1,214,411		92,943,887
Machinery, equipment and vehicles	11,294,220	1,057,540	\$ (99,314)	12,252,446
Total capital assets being depreciated	108,878,159	2,448,892	(99,314)	111,227,737
Less accumulated depreciation for:				
Land improvements	(2,642,551)	(268,946)		(2,911,497)
Buildings and building improvements	(31,449,811)	(3,211,609)		(34,661,420)
Machinery, equipment and vehicles	(8,204,474)	(883,281)	99,314	(8,988,441)
Total accumulated depreciation	(42,296,836)	(4,363,836)	99,314	(46,561,358)
Total capital assets, being depreciated, net	66,581,323	(1,914,944)	-	64,666,379
Governmental activities capital assets, net	\$ 70,537,798	\$ (1,914,944)	\$ -	\$ 68,622,854

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

4. Capital Assets (continued)

Depreciation expense was charged to functions/programs of the District as follows:

Instruction	\$ 2,580,921
Student activities	666,994
Instruction services	173,251
Central services	82,329
Plant operations and maintenance	519,273
Pupil transportation	341,068
Total depreciation expense – governmental activities	<u>\$ 4,363,836</u>

Depreciation expense on capital assets acquired through capital leases are included in the amount above.

The following is a summarization of the business-type activities changes in capital assets for the fiscal year ended June 30, 2019:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Ending Balance</u>
Business-type activities:			
Capital assets, being depreciated:			
Equipment and vehicles	\$ 1,018,468	\$ 229,585	\$ 1,248,053
Less accumulated depreciation for:			
Equipment and vehicles	(514,416)	(54,574)	(568,990)
Total business-type activities capital assets, net	<u>\$ 504,052</u>	<u>\$ 175,011</u>	<u>\$ 679,063</u>

5. Long-Term Liabilities

During the fiscal year ended June 30, 2019, the following changes occurred in governmental activities long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Compensated absences payable	\$ 1,001,816	\$ 346,886	\$ 371,631	\$ 977,071	\$ 240,136
Bonds payable	29,620,000		2,025,000	27,595,000	2,115,000
Other postemployment benefit payable	390,738	33,346		424,084	
Premium on bonds	3,935,501		408,653	3,526,848	408,653
Obligations under capital leases	15,204,082	1,000,000	2,284,966	13,919,116	2,134,778
Sub-total	50,152,137	1,380,232	5,090,250	46,442,119	4,898,567
Net pension liability	44,142,144		7,994,492	36,147,652	
Governmental activities long-term liabilities	<u>\$ 94,294,281</u>	<u>\$ 1,380,232</u>	<u>\$ 13,084,742</u>	<u>\$ 82,589,771</u>	<u>\$ 4,898,567</u>

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

5. Long-Term Liabilities (continued)

The District expects to liquidate the balance in its other postemployment retirement benefit liability, compensated absences payable, net pension liability and capital leases with payments made from the District's general fund. Bonds payable will be liquidated with payments from the debt service fund.

Bonds Payable

Bonds are authorized in accordance with State law or 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 District are general obligation bonds. The principal and interest of these bonds will be paid from the debt service fund as required by New Jersey statutes.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending June 30:			
2020	\$ 2,115,000	\$ 1,271,850	\$ 3,386,850
2021	2,205,000	1,185,450	3,390,450
2022	2,240,000	1,096,550	3,336,550
2023	2,240,000	995,750	3,235,750
2024	2,250,000	883,500	3,133,500
2025-2029	10,730,000	2,766,750	13,496,750
2030-2032	5,815,000	417,375	6,232,375
	<u>\$ 27,595,000</u>	<u>\$ 8,617,225</u>	<u>\$ 36,212,225</u>

Bonds Payable

Bonds payable at June 30, 2019 are comprised of the following issues:

\$19,715,000, 2014 refunding school bonds due in annual installments ranging from \$2,115,000 to \$2,265,000 through August 2025 at interest rates ranging from 4.0% to 5.0%.

\$12,025,000, 2015 refunding school bonds due in annual installments ranging from \$1,690,000 to \$2,070,000 commencing in August 2026 through August 2031 at an interest rate of 5.0%.

Bonds Authorized But Not Issued

As of June 30, 2019, the District had no authorized but not issued bonds.

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

5. Long-Term Liabilities (continued)

Capital Leases Payable

The District has capital leases outstanding for various purposes (maintenance vehicles, buses, improvements and various equipment and an Energy Savings Improvement Plan lease) with rates ranging from 0.00% to 2.96%. The following is a schedule of the future minimum lease payments under these capital leases and the present value of the net future minimum lease payments at June 30, 2019:

	<u>Amount</u>
Fiscal year ending June 30:	
2020	\$ 2,459,592
2021	1,685,744
2022	1,396,277
2023	988,027
2024	898,666
2025-2029	4,389,382
2030-2034	<u>4,613,948</u>
Total minimum lease payment	16,431,636
Less amount representing interest	<u>(2,512,520)</u>
Present value of net future minimum lease payments	<u>\$ 13,919,116</u>

On June 12, 2014, the Board of Education approved a resolution to finance energy conservation measures pursuant to an Energy Savings Improvement Plan (“ESIP”) for an amount not to exceed \$14,200,000. A Lease with Bank of America Public Capital Corp (“BOA”) was issued on June 26, 2014 in the amount of \$14,200,000. The lease was issued at a fixed interest rate of 2.655%. Semi-annual principal payments range from \$250,920 to \$722,164 through July 2033.

On July 15, 2014, the Board of Education entered into a capital equipment lease with TD Equipment Finance for an amount not to exceed \$1,200,000. The lease was issued at a fixed interest rate of 1.561%. A final principal of \$252,902 is due July 1, 2019.

On July 1, 2015, the Board of Education entered into a capital equipment lease with Municipal Leasing Consultants for an amount not to exceed \$1,000,000. The lease was issued at an interest rate of 1.499%. A final principal payment of \$229,591 is due August 1, 2019.

On July 13, 2016, the Board of Education entered into an equipment lease with JP Morgan Chase Bank for an amount not to exceed \$440,000. The lease was issued at an interest rate of 1.768%. Remaining principal payments range from \$94,641 to \$98,342 per year payable on each July 1 through 2020.

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

5. Long-Term Liabilities (continued)

Capital Leases Payable (continued)

On August 15, 2016, the Board of Education entered into a computer hardware lease with Apple, Inc. for an amount not to exceed \$656,069. The lease was issued at an interest rate of 0.00%. A final principal payment of \$164,018 is due August 15, 2019.

On June 30, 2017, the Board of Education entered into an equipment lease with US Bancorp Government Leasing & Finance for an amount not to exceed \$1,000,000. The lease was issued at an interest rate of 1.762%. Principal payments range from \$196,852 to \$203,850 per year payable on each August 1 through 2021.

On June 11, 2018, the Board of Education entered into an equipment lease for an amount not to exceed \$501,500. The lease was issued at an interest rate of 2.785%. Principal payments range from \$195,922 to \$201,379 per year through August 2020.

On June 11, 2018, the Board of Education entered into an equipment lease for an amount not to exceed \$498,500. The lease was issued at an interest rate of 2.961%. Principal payments range from \$95,896 to \$104,669 per year through August 2022.

On June 20, 2019, the Board of Education entered into an equipment lease for an amount not to exceed \$640,500. The lease was issued at an interest rate of 2.305%. Principal payments range from \$209,054 to \$217,573 per year through July 2022.

On June 20, 2019, the Board of Education entered into an equipment lease for an amount not to exceed \$359,500. The lease was issued at an interest rate of 2.403%. Principal payments range from \$68,664 to \$74,785 per year through July 2024.

Since 2012, the District's has capitalized assets acquired from capital lease proceeds, net of amortization, of \$24,802,169 at June 30, 2019.

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

6. Pension Plans

Description of Systems

A substantial number of the District's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey. The Teachers' Pension and Annuity Fund Retirement System is considered a cost-sharing multiple-employer plan, with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other related non-contributing employers. The Public Employees' Retirement System is considered a cost-sharing multiple-employer plan. In addition, a number of employees participate in the Defined Contribution Retirement Program, which is a defined contribution pension plan. The plan is administered by Prudential Financial for the State.

Teachers' Pension and Annuity Fund

The Teachers' Pension and Annuity Fund was established in January 1955 under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all fulltime public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

Public Employee's Retirement System

The Public Employees' Retirement System was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all fulltime employees of the State or any county, municipality, school district or public agency, provided the employee is not a member of another State- administered retirement system. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

6. Pension Plans (continued)

three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

Defined Contribution Retirement Program

The Defined Contribution Retirement Program (DCRP) is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A 43:15C-1 et seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a) et seq., and is a "governmental plan" within the meaning of IRC 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in TPAF or PERS on or after July 1, 2007 who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in TPAF or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000.00 annually; and employees otherwise eligible to enroll in TPAF or PERS after May 21, 2010 who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn a salary of at least \$5,000.00 annually.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for TPAF and PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing members. Plan member and employer contributions may be amended by State of New Jersey legislation. Under the provisions of Chapter 78, P.L. 2011, employee contribution rates for TPAF and PERS increased to 7.5% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate in both the TPAF and PERS. DCRP plan members are required to contribute 5.5% of their annual covered salary. In addition to employee contributions, the employer is required to contribute 3% of the covered salary to the DCRP.

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

6. Pension Plans (continued)

The actuarially determined contribution includes funding for noncontributory death benefits and post-retirement medical premiums. Under current statute the District is a non-contributing employer of the TPAF.

During the year ended June 30, 2019, the State of New Jersey contributed \$16,794,908 to the TPAF for on-behalf medical benefits, long-term disability insurance and pension contributions on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66, the State of New Jersey reimbursed the District \$4,410,279 during the year ended June 30, 2019 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the Government-wide and fund financial statements.

The District's actuarially determined contributions to PERS for the years ended June 30, 2019, 2018 and 2017 were \$1,826,112, \$1,756,692, and \$1,723,915, respectively, equal to the required contributions for each year.

For the years ended June 30, 2019, 2018, and 2017, employee contributions to DCRP were \$245,298, \$229,019 and \$195,744, respectively. Employer contributions for the years ended June 30, 2019, 2018, and 2017 were \$133,949, \$126,854 and \$105,720, respectively.

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 PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For the purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Public Employee's Retirement System (PERS)

At June 30, 2019, the District reported a liability of \$36,147,652 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2017, which was rolled forward to June 30, 2018. 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 school districts, actuarially determined. At June 30, 2018, the District's proportion was 0.1835884600 percent, which was a decrease of 0.0060385794 from its proportion measured as of June 30, 2017.

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

6. Pension Plans (continued)

For the year ended June 30, 2019, the District recognized full accrual pension expense of \$1,018,304 in the government-wide financial statements. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 689,341	\$ 186,389
Changes of assumptions	5,956,534	11,558,097
Net difference between projected and actual earnings on pension plan investments		339,067
Changes in proportion and differences between District contributions and proportionate share of contributions	524,110	4,155,329
District contributions subsequent to the measurement date	<u>1,739,241</u>	
	<u>\$ 8,909,226</u>	<u>\$ 16,238,882</u>

\$1,739,241 is reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ (627,117)
2021	(1,489,154)
2022	(3,594,391)
2023	(2,521,189)
2024	<u>(837,046)</u>
	<u>\$ (9,068,897)</u>

Additional Information

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.25%
Salary increases	1.65% - 4.15% based on age
Thereafter	2.65% - 5.15% based on age
Investment rate of return	7.00%

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

6. Pension Plans (continued)

The actuarial assumptions used in the July 1, 2017 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.

Mortality Rates

Pre-retirement mortality rates were based on the RP-2000 Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. 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 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. In addition, the tables for service and retirements and beneficiaries of formers members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the plan actuary's 2014 projection scale thereafter. 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 1 year for females).

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) 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's target asset allocation as of June 30, 2018 are summarized in the following table:

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

6. Pension Plans (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
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 markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
	<u>100.00%</u>	

Discount rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018 and 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 3.87% as of June 30, 2018 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 on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and 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 June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

6. Pension Plans (continued)

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the District's proportionate share of the net pension liability as of June 30, 2018 calculated using the discount rate as disclosed above 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 (4.66 percent) or 1-percentage-point higher (6.66 percent) than the current rate:

	At 1% Decrease (4.66%)	At Current Discount Rate (5.66%)	At 1% Increase (6.66%)
District's proportionate share of the net pension liability	\$ 45,451,507	\$ 36,147,652	\$ 28,342,312

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the State of New Jersey Public Employees Retirement System.

Additional Information

Collective balances of the Local Group at the end of the current measurement period, June 30, 2018 are as follows:

Deferred outflows of resources	\$ 4,684,852,302
Deferred inflows of resources	\$ 7,646,736,226
Net pension liability	\$ 19,689,501,539
District's Proportion	0.1835884600%

Collective pension expense for the Local Group for the measurement period ended June 30, 2018 is \$1,099,708,157.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2018, 2017, 2016, 2015 and 2014 is 5.63, 5.48, 5.57, 5.72, and 6.44 years, respectively.

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

6. Pension Plans (continued)

Teachers Pensions and Annuity Fund (TPAF) – Special Funding Situation

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. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer. The State's proportionate share of the TPAF net pension liability associated with the District as of June 30, 2018 was \$360,441,051. The District's proportionate share was \$0.

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The State's proportionate share of the net pension liability associated with the District was based on a projection of the State's long-term contributions to the pension plan associated with the District relative to the projected contributions by the State associated with all participating school districts, actuarially determined. At June 30, 2018, the State's proportionate share of the TPAF net pension liability associated with the District was 0.5665721794 percent, which was a decrease of 0.0056005687 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized on-behalf pension expense and revenue in the government-wide financial statements of \$21,012,453 for contributions incurred by the State.

Actuarial assumptions

The actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.25%
Salary increases	
2011-2026	1.55 - 4.55%
Thereafter	2.00 - 5.45%
Investment rate of return	7.00%

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

6. Pension Plans (continued)

Mortality Rates

Pre-retirement mortality rates were based on the RP-2006 Employee White Collar Mortality Tables, set back 3 years for males and 5 years for females, projected on a generations basis from a base year of 2006 using a 60-year average of improvement rates based on Social Security data from 1953 to 2013. Post-retirement mortality rates were based on the RP-2006 Healthy Annuitant White collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis form a base year of 2006 using a 60-year average on improvement rates based on Social Security data from 1953 to 2013. Disability mortality rates were based on the RP-2006 Disabled Retiree mortality Tables with rates adjusted by 90%. No mortality improvement is assumed for disabled retiree mortality.

The actuarial assumptions used in the July 1, 2017 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 plan investments (7.00% at June 30, 2018) 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 by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
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 markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
	<u>100.00%</u>	

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

6. Pension Plans (continued)

Discount Rate

The discount rate used to measure the total pension liability was 4.86% as of June 30, 2018. This single blended discount rate was based on the long-term rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018 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 on the contribution rate in the most recent fiscal year. The State contributed 50% of the 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 State's proportionate share of the net pension liability associated with the District to changes in the discount rate

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2018 calculated using the discount rate as disclosed above as well as what the State's proportionate share of the net pension liability associated with the District would be if it were calculated using a discount rate that is 1-percentage-point lower (3.86%) or 1-percentage-point higher (5.86%) than the current rate:

	At 1% Decrease (3.86%)	At Current Discount Rate (4.86%)	At 1% Increase (5.86%)
State's proportionate share of the net pension liability associated with the District	\$ 426,034,477	\$ 360,441,051	\$ 306,065,699

Pension plan fiduciary information

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

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

6. Pension Plans (continued)

Additional Information

Collective balances of the Local Group at June 30, 2018 are as follows:

Deferred outflows of resources	\$	12,599,296,329
Deferred inflows of resources	\$	16,171,861,734
Net pension liability	\$	63,617,852,034

State's proportionate share associated with the District		0.5665721794%
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Collective pension expense of the Local Group for the plan for the measurement period ended June 30, 2018 is \$3,726,181,598.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2018, 2017, 2016, 2015 and 2014 is 8.29, 8.3, 8.3, 8.3, and 8.5 years, respectively.

7. Post-Retirement Benefits

State of New Jersey's Post-Retirement Benefits Plan

Plan description and benefits provided

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health benefits) for State Health Benefit Local Education Retired Employees 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 No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other than Pensions*. The State Health Benefit Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers. The State Health Benefits Program Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SHBP. That report may be obtained by writing to Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295.

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

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

7. Post-Retirement Benefits (continued)

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 or more years 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. In Fiscal Year 2018, the State paid PRM benefits for 148,401 State and local retirees.

The State's contributions to the Fund for TPAF retirees' post-retirement benefits on behalf of the District for the years ended June 30, 2019, 2018 and 2017 were \$5,495,169, \$5,876,126 and \$5,665,302 respectively, which equaled the required contributions for each year.

The State funds post-retirement medical benefits on a "pay-as-you-go" basis, which means that the State does not pre-fund, or otherwise establish a reserve or other pool of assets against the PRM expenses that the State may incur in future years. For Fiscal Year 2018, the State contributed \$1.909 billion to pay for pay-as-you-go PRM benefit costs incurred by covered retirees. The increase in the State's pay-as-you-go contribution between Fiscal Year 2017 and Fiscal Year 2018 is attributed to rising health care costs, an increase in the number of participants qualifying for State-paid PRM benefits at retirement and larger fund balance utilization in Fiscal Year 2017 than in Fiscal Year 2018. The Fiscal Year 2019 Appropriations Act includes \$1.921 billion as the State's contribution to fund pay-as-you-go PRM costs.

In accordance with the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the State is required to quantify and disclose its obligations to pay Other Postemployment Benefits (OPEB) to retired plan members. This new standard supersedes the previously issued guidance, GASB Statement No. 45, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for Fiscal Year 2018. The State is now required to accrue a liability in all instances where statutory language names the State as the legal obligor for benefit payments. As such, the Fiscal Year 2017 total State OPEB liability to provide these benefits has been re-measured to \$97.1 billion, an increase of \$60.6 billion or 166 percent from the previous year's \$36.5 billion liability booked in accordance with GASB Statement No. 45. For Fiscal Year 2018, the total OPEB liability for the State is \$90.5 billion, a decrease of \$6.6 billion or 7 percent from the re-measured total OPEB liability in Fiscal Year 2017.

Total OPEB Liability

The total non-employer (State) OPEB liability from New Jersey's plan is \$46,110,832,982.

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

7. Post-Retirement Benefits (continued)

Changes in the Total OPEB Liability

Below represents the changes in the State's portion of the total OPEB liability associated with the District for the year ended June 30, 2017:

	<u>Total OPEB Liability</u>
Beginning Total OPEB Liability, June 30, 2017	\$ 283,701,117
Changes for the year:	
Service cost	10,160,921
Interest cost	10,407,149
Differences between expected and actual experiences	(22,604,544)
Changes of assumptions	(28,338,825)
Member contributions	228,233
Gross benefit payments	(6,603,373)
Net changes	<u>(36,750,439)</u>
Ending Total OPEB Liability, June 30, 2018	\$ 246,950,678

Employees covered by benefit terms

The following employees were covered by the benefit terms:

<u>Local Education Group</u>	<u>June 30, 2018</u>
Active Plan Members	217,131
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	145,050
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	-
Total Plan Members	<u>362,181</u>

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The District's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the District did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. The State's proportionate share of the net OPEB liability associated with the District as of June 30, 2018 was \$186,048,007. Additional information can be obtained from the State of New Jersey's comprehensive annual financial report.

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

7. Post-Retirement Benefits (continued)

Actuarial assumptions and other inputs

The total OPEB liability in the June 30, 2018 actuarial valuation reported by the State in the State's most recently issued CAFR was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

	TPAF	PERS
Inflation rate	2.50%	2.50%
Salary increase through 2026	1.55 - 4.55%	2.15 - 4.15%
	based on years of service	based on age
Thereafter	2.00 - 5.45%	3.15 - 5.15%
	based on years of service	based on age

Mortality Rates

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy 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-2006 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, 2017 valuation were based on the results of the actual experience studies for the periods July 1, 2012 – June 30, 2015 and July 1, 2011 – June 30, 2014 for TPAF and PERS, respectively.

100% of all retirees who currently have health care coverage are assumed to continue with that coverage. 100% of all active members are considered to participate in the Plan upon retirement, having a coverage blend of 85% and 15% in PPO and HMO, respectively.

Discount Rate

The discount rate for June 30, 2018 and 2017 was 3.87% and 3.58%, respectively. This represents the municipal bond return rate as chosen by the Division. 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.

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

7. Post-Retirement Benefits (continued)

Mortality Rates

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy 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-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially is 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO 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 trend rate after nine years. For prescription drug benefits, the initial trend rate is 8% decreasing to a 5.0% long-term trend rate after seven 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.

The following represents sensitivity of the State's proportionate share of the net OPEB liability associated with the District to changes in the discount rate and healthcare cost trend rate

The following presents the total non-employer OPEB liability associated with the District as of June 30, 2018 calculated using the discount rate as disclosed above as well as what the total non-employer OPEB liability would be if it was calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current discount rate:

	At 1% Decrease (2.87%)	At Current Discount Rate (3.87%)	At 1% Increase (4.87%)
Net OPEB Liability (Allocable to the District and the responsibility of the State)	\$ 335,392,472	\$ 246,950,678	\$ 242,611,828

The following presents the total non-employer OPEB liability associated with the District as of June 30, 2018 calculated using the healthcare cost trend rate as disclosed above as well as what the total non-employer OPEB liability would be if it was calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	At 1% Decrease	At Current Healthcare Cost Trend Rates	At 1% Increase
Net OPEB Liability (Allocable to the District and the responsibility of the State)	\$ 234,495,497	\$ 246,950,678	\$ 348,777,436 ⁷

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

7. Post-Retirement Benefits (continued)

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

For the year ended June 30, 2018, the District recognized on-behalf OPEB expense and revenue in the government-wide financial statements of \$6,061,091 for OPEB expenses incurred by the State.

Collective balances of the Local Education Group at June 30, 2018 are as follows:

Deferred outflows of resources	\$	1,377,313,892
Deferred inflows of resources	\$	16,189,378,926
Collective OPEB Expense	\$	2,129,660,368
District's Proportion		0.54%

Special Funding Situation

The employer contributions for local participating employers are legally required to be funded by the State, therefore, the District records an expense and corresponding revenue for its respective share of total OPEB expense and revenue attributable to the State of New Jersey.

Parsippany-Troy Hills School District's Post-Retirement Health Plan

Plan Description

The District provides postemployment medical benefits, including prescription drug coverage, and vision and dental care, in accordance with state statute to certain participating retirees and their beneficiaries. As of June 30, 2019, the valuation date, approximately 4 retirees and 4 decedents (of surviving spouses) meet the eligibility requirements put forth in P.L. 1992, c126. The District sponsors and participates in a single-employer defined benefit OPEB plan. The OPEB plan is administered by the District and does not issue a stand-alone financial statement.

Individuals with a minimum of twenty years of service with the District and less than twenty-five years of service with the state of New Jersey are eligible for subsidized medical coverage. A minimum of twenty years of service is required for subsidized dental coverage with no migration to the state plan if exceeding twenty-five years of service. The plan is closed to new entrants.

The obligations of the plan members and the District are established by action of the District pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and members vary depending on the applicable agreement.

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

7. Post-Retirement Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation

Actuarial assumptions and other inputs

The total OPEB liability of \$424,084 was reported in the June 30, 2019 actuarial valuation prepared by the District's actuary, Milliman, which was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.29%
Healthcare cost trend rates – Medical	9.50%
Healthcare cost trend rates – Pharmacy	5.00%
Healthcare cost trend rates – Vision	3.00%

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2018 through June 30, 2019.

Changes in the total OPEB liability:

	<u>Total OPEB Liability</u>
Balance at June 30, 2018	\$ 390,738
Changes for the year:	
Service cost	\$ 178,681
Interest	14,419
Effect of economic/demographic gains or losses	(32,613)
Employer contributions	(152,307)
Changes in assumptions or other inputs	<u>25,166</u>
Net changes	\$ <u>33,346</u>
Balance at June 30, 2019	\$ <u>424,084</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.92% in 2018 to 2.29% in 2019.

For the year ended June 30, 2019, the District recognized OPEB expense of \$185,654.

Sensitivity of the total OPEB liability to changes in the discount rate.

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

7. Post-Retirement Benefits – (continued)

The following presents the total OPEB liability of the District for school board retirees, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage -point lower (1.29%) or 1-percentage-point higher (3.29%) than the current discount rate:

	<u>At 1% Decrease</u>	<u>At Current Discount Rate</u>	<u>At 1% Increase</u>
Net OPEB liability associated with the District	\$ 470,422	\$ 424,084	\$ 383,086

Sensitivity of the total OPEB liability to changes in the healthcare trend rates.

The following presents the total OPEB liability of the District for school board retirees, as well as what the District’s total OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage -point lower (8.50%) or 1-percentage-point higher (10.50%) than the current discount rate:

	<u>At 1% Decrease</u>	<u>At Current Healthcare Trend Rate</u>	<u>At 1% Increase</u>
Net OPEB liability associated with the District	\$ 506,447	\$ 424,084	\$ 356,821

8. Interfund Receivables and Payables

The total interfund accounts receivable and payable for the District at June 30, 2019 amounted to \$172,028 analyzed as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 172,028	
Special Revenue Fund		\$ 172,028
	<u>\$ 172,028</u>	<u>\$ 172,028</u>

The interfund between the general fund and the special revenue fund represents allocations of internally pooled cash from the general fund to liquidate a pooled cash deficit. All interfunds are expected to be liquidated within one year.

9. Economic Dependency

The District 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, would have an effect on the District’s programs and activities.

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

10. Contingent Liabilities

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2019 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying combined financial statements for such contingencies. The District is also involved in several claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the Board.

11. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District obtains its health and dental coverage through Horizon Blue Cross Blue Shield.

Property and Liability Insurance

The District maintains commercial insurance coverage for property, liability, student accident and surety bonds and does not retain risk of loss. There have been no significant reductions in insurance coverage from the prior year and no settlements have exceeded insurance coverages over the past three years. A complete schedule of insurance coverage can be found in the statistical section of this report.

The District is a member of the Pooled Insurance Program of New Jersey (the "Fund"). The public entity risk management pool provides general liability, property and automobile coverage and workers' compensation for its members. However, the District receives only workers' compensation coverage from the Fund. The Fund is a risk-sharing public entity risk pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Fund are elected.

As a member of this Fund, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities. The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related 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.

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

11. Risk Management (continued)

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

The Burton Agency
 44 Bergen Street
 P.O. Box 270
 Westwood, New Jersey 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.

The following is a summary of District contributions, employee contributions, reimbursements to the state for benefits paid and the ending balance of the District's unemployment trust fund for the past three years:

	Beginning Balance	Employee Contributions	Amount Paid	Ending Balance
2018-2019	\$ 1,674,984	\$ 182,601	\$ 124,002	\$ 1,733,583
2017-2018	1,740,442	175,417	240,875	1,674,984
2016-2017	1,687,150	178,249	124,957	1,740,442

12. Deferred Compensation Plans

The Board offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency.

The plan administrators are as follows:

403(b) Plan Administrators

- ASP
- AXA Equitable
- Great West Insurance Company
- Lincoln Investment Planning
- Lincoln Financial Advisors
- Metropolitan Insurance Company
- Security Benefit/NEA Value Builder
- Travelers Insurance

457 Plan Administrators

- AXA Equitable
- Great West Insurance Company
- Lincoln Investment Planning
- Lincoln Financial Advisors
- Metropolitan Insurance Company
- Security Benefit/NEA Value Builder
- ASP

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

13. Capital Reserve Account

A capital reserve account was established by the District by inclusion of \$150,000 on July 1, 1996 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the State Department of Education, a district may 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 (June 1 to June 30) 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. 6A:23A-14.1(g), 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 for the July 1, 2018 to June 30, 2019 fiscal year is as follows:

Balance, July 1, 2018	\$ 2,067,845
Increased by Deposits:	
Board resolution – June 2019	1,500,000
Decreased by Withdrawals:	
By resolution of the Board of Education	<u>(298,000)</u>
Balance, June 30, 2019	<u>\$ 3,269,845</u>

The balance in the capital reserve at June 30, 2019 did not exceed the balance of the local support costs of uncompleted capital projects in the District's approved LRFP. The withdrawals from the capital reserve account are for use in a DOE approved facilities project, consistent with the District's Long Range Facilities Plan. The District did not budget any of its capital reserve funds in the 2019-20 approved budget.

14. Emergency Reserve Account

An emergency reserve account was established by the District by inclusion of \$322,000 on June 28, 2010 for the accumulation of funds for use as unanticipated general fund expenditures in subsequent fiscal years. The emergency reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The emergency reserve account is restricted to be used to accumulate funds in accordance with N.J.S.A. 18A:7F-41c(1) to finance unanticipated general fund expenditures required for a thorough and efficient education. Unanticipated means reasonably unforeseeable and shall not include additional costs caused by poor planning. The maximum balance permitted at any time in this reserve is the greater of \$250,000 or 1% of the general fund budget not to exceed one million dollars. Deposits may be made to the emergency reserve account by board resolution at year end of any unanticipated revenue or unexpended

Parsippany-Troy Hills School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2019

14. Emergency Reserve Account (continued)

line item appropriation or both. The department has defined year end for the purpose of depositing surplus into reserve accounts as an amount approved by the District board of education between June 1st and June 30th. Withdrawals from the reserve require the approval of the Commissioner unless the withdrawal is necessary to meet an increase in total health care costs in excess of four percent. The emergency reserve balance at June 30, 2019 and 2018 was \$0 and \$265,506, respectively. The entire June 30, 2018 balance of \$265,506 was utilized in the 2018-19 budget.

15. Restricted Assets

The District has set aside cash and cash equivalents that are classified as restricted assets as they are restricted for use for future capital requirements and emergencies in the general fund.

16. Commitments

The District has contractual commitments at June 30, 2019 to various vendors, for which \$377,755 is recorded in the general fund as fund balance assigned to other purposes.

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. 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 provision 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.

Parsippany Troy-Hills Township has entered into a tax abatement agreement in 2018. For the 2018 year, Parsippany Troy-Hills Township recognized revenue of \$388,220 from the annual service charge in lieu of payment of taxes, while the taxes that would have been paid for this property were \$726,179, resulting in a reduction in taxes collected by the Township of \$337,959. A portion of this would have been allocated to the District.

Required Supplementary Information
Part II

Parsippany-Troy Hills School District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
Public Employee's Retirement System

Last Ten Fiscal Years

	Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
District's proportion of the net pension liability (asset) - Local Group	N/A	N/A	N/A	N/A	N/A	0.2189206180%	0.2208325889%	0.1933744507%	0.1896270394%	0.1835884600%
District's proportionate share of the net pension liability (asset)	N/A	N/A	N/A	N/A	N/A	\$ 40,987,927	\$ 49,572,491	\$ 57,271,966	\$ 44,142,144	\$ 36,147,652
District's covered-employee payroll	\$ 13,859,127	\$ 14,478,807	\$ 13,957,421	\$ 13,947,204	\$ 14,449,640	\$ 14,655,575	\$ 12,967,062	\$ 13,169,259	\$ 12,723,692	\$ 12,861,862
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A	N/A	279.67%	382.30%	434.89%	346.93%	281.05%
Plan fiduciary net position as a percentage of the total pension liability - Local Group	N/A	N/A	N/A	N/A	N/A	52.08%	47.93%	40.14%	48.10%	53.60%

N/A - Information not available

The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

See accompanying notes to required supplementary information.

Parsippany-Troy Hills School District
 Required Supplementary Information
 Schedule of District Contributions
 Public Employee's Retirement System

Last Ten Fiscal Years

	Year ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Contractually required contribution	\$ 1,216,633	\$ 1,591,808	\$ 1,723,171	\$ 1,599,257	\$ 1,576,627	\$ 1,804,750	\$ 1,898,568	\$ 1,723,915	\$ 1,756,692	\$ 1,826,112
Contributions in relation to the contractually required contribution	(1,216,633)	(1,591,808)	(1,723,171)	(1,599,257)	(1,576,627)	(1,804,750)	(1,898,568)	(1,723,915)	(1,756,692)	(1,826,112)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 14,478,807	\$ 13,957,421	\$ 13,947,204	\$ 14,449,640	\$ 14,655,575	\$ 12,967,062	\$ 13,169,259	\$ 12,723,692	\$ 12,861,862	\$ 12,804,059
Contributions as a percentage of covered-employee payroll	8.40%	11.40%	12.35%	11.07%	10.76%	13.92%	14.42%	13.55%	13.66%	14.26%

See accompanying notes to required supplementary information.

Parsippany-Troy Hills School District
 Required Supplementary Information
 Schedule of the State's Proportionate Share of the Net Pension Liability Associated With the District
 Teachers' Pension and Annuity Fund

Last Ten Fiscal Years*

	Year Ended June 30,				
	2015	2016	2017	2018	2019
State's proportion of the net pension liability (asset) associated with the District - Local Group	0.5599059555%	0.5802804165%	0.5602500664%	0.5609716107%	0.5665721794%
District's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	\$ 289,251,510	\$ 354,121,149	\$ 440,728,374	\$ 378,227,288	\$ 360,441,051
Total proportionate share of the net pension liability (asset) associated with the District	<u>\$ 299,251,510</u>	<u>\$ 354,121,149</u>	<u>\$ 440,728,374</u>	<u>\$ 378,227,288</u>	<u>\$ 360,441,051</u>
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%	25.41%	26.49%

The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

* This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years for which information is available.

Covered payroll information is not presented since the Teachers' Pension and Annuity Fund is a special funding situation in which the District does not make a contribution to this plan.

See accompanying notes to required supplementary information.

Parsippany-Troy Hills School District
Required Supplementary Information
Schedule of the State's Proportionate Share of the Net OPEB Liability
Associated with the District and Changes in the Total OPEB Liability and Related Ratios
Public Employee's Retirement System and Teachers' Pension and Annuity Fund

Last Ten Fiscal Years*

	2019	2018	2017
State's proportion of the net OPEB liability (asset) associated with the District	0.5355589176%	0.5288999877%	0.5330000091%
District's proportionate share of the net OPEB liability (asset)	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability (asset) associated with the District	\$ 246,950,678	\$ 283,701,117	\$ 306,508,509
Total proportionate share of the net OPEB liability (asset) associated with the District	<u>\$ 246,950,678</u>	<u>\$ 283,701,117</u>	<u>\$ 306,508,509</u>
Plan fiduciary net position as a percentage of the total OPEB liability -	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
	2019	2018	2017**
Total OPEB Liability			
Service cost	\$ 10,160,921	\$ 12,280,607	
Interest cost	10,407,149	8,995,933	
Differences between expected and actual experiences	(22,604,544)		
Changes of assumptions	(28,338,825)	(37,754,777)	
Member contributions	228,233	241,965	
Gross benefit payments	<u>(6,603,373)</u>	<u>(6,571,120)</u>	
Net change in total OPEB liability	(36,750,439)	(22,807,392)	
Total OPEB liability - beginning	<u>283,701,117</u>	<u>306,508,509</u>	
Total OPEB liability - ending	<u>\$ 246,950,678</u>	<u>\$ 283,701,117</u>	
Covered-employee payroll	<u>\$ 74,397,517</u>	<u>\$ 72,059,808</u>	
Total OPEB liability as a percentage of covered-employee payroll	<u>331.93%</u>	<u>393.70%</u>	

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

** Information not available

See accompanying notes to required supplementary information.

Parsippany-Troy Hills School District
 Required Supplementary Information
 Schedule of the Changes in Net OPEB Liability
 District's Plan

Last Ten Fiscal Years*

	2019	2018
Balance, Beginning of Year	\$ 390,738	\$ 2,321,680
Changes for the year:		
Service Cost	178,681	178,681
Interest	14,419	51,648
Effect of economic/demographic gains or losses	(32,613)	(1,957,042)
Employer contributions	(152,307)	(164,911)
Changes in assumptions or other inputs	25,166	(39,318)
Net changes	33,346	(1,930,942)
Balance, End of Year	\$ 424,084	\$ 390,738
Total OPEB Liability	\$ 424,084	\$ 390,738
OPEB plan's fiduciary net position	\$ -	\$ -
Net OPEB Liability	\$ 424,084	\$ 390,738
Plan fiduciary net position as a percentage of the total OPEB liability -	0.00%	0.00%
Covered employee payroll	\$ -	\$ -
Net OPEB liability as a percentage of covered employee payroll	0.00%	0.00%

* This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

See accompanying notes to required supplementary information.

Parsippany-Troy Hills School District

Notes to Required Supplementary Information
Year Ended June 30, 2019

PENSION

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.00% as of June 30, 2017 to 5.66% as of June 30, 2018.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.25% as of June 30, 2017 to 4.86% as of June 30, 2018.

OTHER POST EMPLOYMENT BENEFITS

A. Parsippany-Troy Hills Post-Employment Retirement Plan

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 2.92% as of June 30, 2018 to 2.29% as of June 30, 2019.

B. State of New Jersey Post-Employment Retirement Plan – PERS and TPAF

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018.

Required Supplementary Information
Part III

Budgetary Comparison Schedules

Parsippany-Troy Hills School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)
Year ended June 30, 2019

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final Budget to Actual
Revenues					
Local sources:					
Local tax levy	\$ 135,975,887		\$ 135,975,887	\$ 135,975,887	
Tuition from individuals	225,000		225,000	234,061	\$ 9,061
Interest	6,000		6,000	54,977	48,977
Rents and Royalties	50,000		50,000	45,383	(4,617)
Miscellaneous	549,000		549,000	529,381	(19,619)
Total revenues - local sources	136,805,887		136,805,887	136,839,689	33,802
State sources:					
Special education categorical aid	4,122,500		4,122,500	4,122,500	
Equalization aid	92,029		92,029	92,029	
Security aid	152,564		152,564	152,564	
Extraordinary aid	300,000		300,000	1,489,892	1,189,892
Transportation aid	1,163,059		1,163,059	1,163,059	
Additional nonpublic transportation aid				95,610	95,610
On-behalf TPAF post-retirement medical (non-budgeted)				5,237,624	5,237,624
On-behalf TPAF long-term disability contributions (non-budgeted)				10,453	10,453
On-behalf TPAF pension contributions (non-budgeted)				11,546,831	11,546,831
Reimbursed TPAF social security contributions (non-budgeted)				4,410,279	4,410,279
Total - state sources	5,830,152		5,830,152	28,320,841	22,490,689
Federal sources:					
Medicaid reimbursement	17,408		17,408	31,694	14,286
Total - Federal sources	17,408		17,408	31,694	14,286
Total revenues	142,653,447		142,653,447	165,192,224	22,538,777
Expenditures					
Current Expenditures:					
Instruction - regular programs:					
Salaries of teachers:					
Preschool	128,863	\$ 15,639	144,502	144,502	
Kindergarten	2,475,322	(114,983)	2,360,339	2,257,345	102,994
Grades 1-5	12,421,777	81,590	12,503,367	12,252,993	250,374
Grades 6-8	10,331,816	(176,220)	10,155,596	9,964,754	190,842
Grades 9-12	12,185,302	239,559	12,424,861	12,401,750	23,111
Home Instruction:					
Salaries of teachers	70,000	(5,750)	64,250	30,278	33,972
Purchased professional - educational services	80,000	5,750	85,750	72,346	13,404
Undistributed Instruction:					
Purchased professional - educational services	1,294,775	299,550	1,594,325	1,593,430	895
Purchased technical services	56,000	(864)	55,136	23,375	31,761
Other purchased services	438,926	31,843	470,769	407,639	63,130
General supplies	1,269,583	(3,294)	1,266,289	916,768	349,521
Textbooks	389,506	(5,768)	383,738	309,967	73,771
Other objects	32,125	(2,530)	29,595	5,712	23,883
Total instruction - regular programs	41,173,995	364,522	41,538,517	40,380,859	1,157,658
Special Education: Learning / Language Disabilities:					
Salaries of teachers	856,411	40,340	896,751	886,729	10,022
Other salaries for instruction	218,524	(27,742)	190,782	190,782	
Purchased professional - educational services	31,000	55,674	86,674	86,121	553
General supplies	45,150	(35,249)	9,901	5,847	4,054
Total learning/language disabilities	1,151,085	33,023	1,184,108	1,169,479	14,629

Parsippany-Troy Hills School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)
Year ended June 30, 2019

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Special Education - Behavioral Disabilities:					
Salaries of teachers	\$ 100,980	\$ (31,554)	\$ 69,426	\$ 69,426	
Purchased professional - educational services	1,000	(1,000)			
General supplies		7,000	7,000	6,271	\$ 729
Total behavioral disabilities	101,980	(25,554)	76,426	75,697	729
Special Education - Multiple Disabilities:					
Salaries of teachers	1,018,486	(97,485)	921,001	902,787	18,214
Other salaries for instruction	304,229	12,048	316,277	316,277	
Purchased professional - educational services	9,000	16,790	25,790	25,790	
Purchased technical services	2,000		2,000	1,480	520
General supplies	18,043	8,786	26,829	15,186	11,643
Textbooks	6,200	26,510	32,710	27,268	5,442
Total multiple disabilities	1,357,958	(33,351)	1,324,607	1,288,788	35,819
Resource Room/Center:					
Salaries of teachers	6,231,807	145,004	6,376,811	6,362,871	13,940
Other Salaries for Instruction	421,032	(30,873)	390,159	390,159	
Purchased professional - educational services	75,000	84,578	159,578	159,578	
General supplies	35,200	1,730	36,930	27,308	9,622
Textbooks		6,436	6,436	5,942	494
Total resource room/center	6,763,039	206,875	6,969,914	6,945,858	24,056
Special Education - Autism:					
Salaries of teachers	400,436	(10,002)	390,434	384,820	5,614
Other salaries for instruction	156,460	4,600	161,060	161,060	
Purchased professional - educational services	10,000	4,214	14,214	14,214	
General supplies	4,290	5,000	9,290	5,063	4,227
Total autism	571,186	3,812	574,998	565,157	9,841
Special Education - Preschool Disabilities - Part Time:					
Salaries of teachers	772,974	(6,903)	766,071	706,746	59,325
Other salaries of instruction	173,671	(7,940)	165,731	165,731	
Purchased professional - educational services	21,000	6,028	27,028	27,028	
General supplies	7,150	5,000	12,150	11,579	571
Total preschool disabilities - part time	974,795	(3,815)	970,980	911,084	59,896
Total Special Education - Instruction	10,920,043	180,990	11,101,033	10,956,063	144,970
Basic Skills/Remedial Instruction:					
Salaries of teachers	2,318,369	(115,603)	2,202,766	2,092,385	110,381
Purchased professional - educational services	14,000	1,285	15,285	15,285	
General supplies	1,100		1,100	763	337
Total basic skills/remedial instruction	2,333,469	(114,318)	2,219,151	2,108,433	110,718
Bilingual Education - Instruction:					
Salaries of teachers	1,315,750	15,083	1,330,833	1,330,833	
Other salaries of instruction	9,031	(848)	8,183	8,183	
Purchased professional - educational services	7,000	2,279	9,279	9,279	
General supplies	3,012		3,012	1,902	1,110
Total bilingual education - instruction	1,334,793	16,514	1,351,307	1,350,197	1,110
Vocational Programs - Local - Instruction:					
Salaries of teachers	46,388	18,174	64,562	64,562	
Other purchased services	1,300		1,300		1,300
General supplies	15,500		15,500	5,690	9,810
Total vocational programs - local- instruction	63,188	18,174	81,362	70,252	11,110
School-Sponsored Cocurricular Activities:					
Salaries	496,976	(58,208)	438,768	396,932	41,836
Purchased services	9,640	1,684	11,324	7,970	3,354
Supplies and materials	31,940	(14,545)	17,395	2,897	14,498
Other objects	88,400	22,300	110,700	90,989	19,711
Total school-sponsored cocurricular activities	626,956	(48,769)	578,187	498,788	79,399

Parsippany-Troy Hills School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)
Year ended June 30, 2019

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
School-Sponsored Athletics - Instruction:					
Salaries	\$ 1,329,475	\$ 53,072	\$ 1,382,547	\$ 1,382,547	
Purchased services	98,750	(517)	98,233	73,297	\$ 24,936
Supplies and materials	228,000	(9,400)	218,600	185,422	33,178
Other objects	93,250	10,699	103,949	93,052	10,897
Transfers to cover deficit (Agency funds)	100,000		100,000	95,731	4,269
Total school-sponsored athletics - instruction	1,849,475	53,854	1,903,329	1,830,049	73,280
Total Instruction	58,301,919	470,967	58,772,886	57,194,641	1,578,245
Undistributed Instruction:					
Tuition to other LEAs within the state-regular		19,794	19,794	17,835	1,959
Tuition to other LEAs within the state-special	293,183	32,550	325,733	308,882	16,851
Tuition to county voc. school dist.-regular	2,038,400	111,278	2,149,678	2,103,703	45,975
Tuition to county voc. school dist.-special	16,500	11,000	27,500	27,500	
Tuition to CSSD and regional day schools	342,274	(68,939)	273,335	272,660	675
Tuition to private school for the disabled - within state	5,967,274	(380,499)	5,586,775	5,270,566	316,209
Tuition - other	36,247		36,247	36,247	
Total undistributed instruction	8,693,878	(274,816)	8,419,062	8,037,393	381,669
Attendance and Social Work:					
Salaries	100,869		100,869	100,869	
Total attendance and social work	100,869		100,869	100,869	
Health Services:					
Salaries	1,407,599	(64,016)	1,343,583	1,343,583	
Purchased professional and technical services	83,000	1,926	84,926	81,426	3,500
Other purchased services	6,000	(3,000)	3,000	1,536	1,464
Supplies and materials	33,100	(14,750)	18,350	16,484	1,866
Other objects	19,200		19,200	4,008	15,192
Total health services	1,548,899	(79,840)	1,469,059	1,447,037	22,022
Other Support Services-Speech, OT, PT & Related Services:					
Salaries	2,159,877	(71,631)	2,088,246	2,084,799	3,447
Purchased professional - educational services	1,328,000	126,350	1,454,350	1,423,441	30,909
Supplies and materials	6,718	8,776	15,494	14,886	608
Total other support services-speech, OT, PT & related services	3,494,595	63,495	3,558,090	3,523,126	34,964

Parsippany-Troy Hills School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)
Year ended June 30, 2019

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Undistributed Expenditures (continued):					
Other support services - students - extra services:					
Salaries	\$ 3,653,441	\$ 28,333	\$ 3,681,774	\$ 3,681,774	
Purchased professional - educational services	150,000	363,971	513,971	513,971	
Total other support services - students - extra services	3,803,441	392,304	4,195,745	4,195,745	
Guidance:					
Salaries of other professional staff	2,957,081	(33,094)	2,923,987	2,923,987	
Salaries of secretarial and clerical assistants	304,420	17,204	321,624	321,623	\$ 1
Purchased professional - educational services	28,932	6,708	35,640	34,901	739
Supplies and materials	5,140	(10)	5,130	3,312	1,818
Total guidance	3,295,573	(9,192)	3,286,381	3,283,823	2,558
Child Study Teams:					
Salaries of other professional staff	2,677,234	(19,973)	2,657,261	2,651,537	5,724
Other purchased services	25,000	(150)	24,850	23,281	1,569
Miscellaneous purchased services	131,000	(44,542)	86,458	58,165	28,293
Supplies and materials	60,000	(21,176)	38,824	35,086	3,738
Other objects	2,650	150	2,800	2,409	391
Total child study teams	2,895,884	(85,691)	2,810,193	2,770,478	39,715
Improvement of Instructional Services:					
Salaries of supervisor of instruction	1,460,239	128,831	1,589,070	1,589,070	
Sal of secr & clerical assist.	446,627	4,476	451,103	451,103	
Purchased professional educational services	4,000	(4,000)			
Other purchased services	19,000	4,166	23,166	17,688	5,478
Supplies & materials	4,000		4,000	3,505	495
Other objects	27,500		27,500	19,274	8,226
Total improvement of instructional services	1,961,366	133,473	2,094,839	2,080,640	14,199
Educational Media Services/School Library:					
Salaries	1,395,735	190,657	1,586,392	1,586,187	205
Purchased professional and technical services	91,100	5,180	96,280	79,452	16,828
Other purchased services	1,700	3,261	4,961	4,038	923
Supplies and materials	158,600	(3,261)	155,339	142,750	12,589
Total educational media services/school library	1,647,135	195,837	1,842,972	1,812,427	30,545

Parsippany-Troy Hills School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)
Year ended June 30, 2019

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Instructional Staff Training Services:					
Salaries of other professional staff	\$ 99,000	\$ (72,175)	\$ 26,825	\$ 26,825	
Purchased professional - educational services		15,425	15,425	15,425	
Purchased professional and technical services		1,094	1,094	1,094	
Other purchased services	103,420	(37,518)	65,902	18,112	\$ 47,790
Supplies and materials		1,624	1,624	1,549	75
Other objects	4,500	19,315	23,815	23,565	250
Total instructional staff training services	206,920	(72,235)	134,685	86,570	48,115
Support Services-General Administration:					
Salaries	598,922		598,922	576,678	22,244
Legal Services	235,000		235,000	164,305	70,695
Audit Fees	80,100	80,900	161,000	80,100	80,900
Communications / telephone	427,000		427,000	334,261	92,739
BOE other purchased services	17,300	267	17,567	11,691	5,876
Miscellaneous purchased services	10,000	(2,563)	7,437	2,585	4,852
General supplies	6,000	(1,586)	4,414	1,463	2,951
BOE in-house training/meeting supplies	35,000	893	35,893	33,121	2,772
Judgments against the school district	125,000	20,000	145,000	20,000	125,000
Miscellaneous expenditures	6,200	(243)	5,957	3,755	2,202
BOE membership and dues	28,000	(1,337)	26,663	26,663	
Total support services-general administration	1,568,522	96,331	1,664,853	1,254,622	410,231
Support Services-School Administration:					
Salaries of principals/assistant principals	3,211,637	44,369	3,256,006	3,250,464	5,542
Salaries of other professional staff	143,435	(44,369)	99,066	29,824	69,242
Salaries of secretarial and clerical assistants	1,293,573	36,500	1,330,073	1,330,072	1
Purchased professional and technical services	35,000	561	35,561	33,318	2,243
Other purchased services	24,000	9,394	33,394	25,818	7,576
Supplies and materials	34,011	(800)	33,211	26,815	6,396
Miscellaneous expenditures	41,400	(2,350)	39,050	30,085	8,965
Total support services-school administration	4,783,056	43,305	4,826,361	4,726,396	99,965
Support Services - Central Services:					
Salaries	1,417,818	(40,648)	1,377,170	1,344,315	32,855
Purchased professional services	104,425	(2,998)	101,427	68,072	33,355
Purchased technical services	17,790	(63)	17,727	14,251	3,476
Miscellaneous purchased services	395,809	(640)	395,169	387,967	7,202
Supplies and materials	26,800	(4,051)	22,749	16,549	6,200
Interest on lease purchase agreements	48,183		48,183	40,970	7,213
Other objects	16,100	4,051	20,151	18,995	1,156
Total support services-central services	2,026,925	(44,349)	1,982,576	1,891,119	91,457
Support Services - Administration Information Technology:					
Salaries	1,165,900	52,463	1,218,363	1,190,375	27,988
Purchased professional services	218,000	(26,840)	191,160	178,729	12,431
Purchased technical services	24,723		24,723	11,088	13,635
Other purchased services	498,792	(9,629)	489,163	479,378	9,785
Supplies and materials	32,700		32,700	9,921	22,779
Other objects	12,985		12,985	12,492	493
Total support services-administration information technology	1,953,100	15,994	1,969,094	1,881,983	87,111
Required Maintenance for School Facilities:					
Salaries	1,530,378	71,903	1,602,281	1,602,281	
Cleaning, repair and maintenance services	742,896	86,491	829,387	748,726	80,661
General supplies	377,812	54,535	432,347	402,182	30,165
Other objects	73,955	(14,198)	59,757	45,667	14,090
Total required maintenance for school facilities	2,725,041	198,731	2,923,772	2,798,856	124,916

Parsippany-Troy Hills School District
General Fund

Budgetary Comparison Schedule
(Budgetary Basis)
Year ended June 30, 2019

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Care and Upkeep of Grounds:					
Salaries	\$ 3,771,504	\$ (52,998)	\$ 3,718,506	\$ 3,718,506	
Salaries of non-instructional aides	910,653	(39,803)	870,850	870,850	
Purchased professional and technical services	57,000	40,056	97,056	96,816	\$ 240
Cleaning, repair and maintenance services	22,000	27,060	49,060	47,348	1,712
Other purchased property services	300,000		300,000	215,101	84,899
Insurance	774,240	(15,573)	758,667	748,248	10,419
General supplies	350,000	(84,121)	265,879	263,473	2,406
Energy (electricity, oil and gas)	1,735,000	7,704	1,742,704	1,664,540	78,164
Interest - energy savings improvement program	295,617		295,617	295,617	
Principal - energy savings improvement program	606,662	(37,401)	569,261	569,261	
Total care and upkeep of grounds	8,822,676	(155,076)	8,667,600	8,489,760	177,840
Security:					
Salaries	216,236	6,155	222,391	222,391	
Purchased professional and technical services	359,700	13,700	373,400	311,585	61,815
Cleaning, repair and maintenance services	100,000	(19,855)	80,145	76,915	3,230
General supplies	11,100	23,035	34,135	28,370	5,765
Total security	687,036	23,035	710,071	639,261	70,810
Total operation of plant	12,234,753	66,690	12,301,443	11,927,877	373,566
Total Undist. Expenditures	50,214,916	441,306	50,656,222	49,020,105	1,636,117
Student Transportation Services:					
Salaries of non-instructional aides	278,943	110,362	389,305	389,305	
Between home and school - regular	220,039	35,299	255,338	255,338	
Between home and school - special	923,327	(42,258)	881,069	881,069	
Other purchased professional and technical services	40,700	(26,310)	14,390	12,625	1,765
Cleaning repair and maintenance services	307,500	(181,179)	126,321	126,321	
Contr serv (bet. Home & Sch) - vendors	3,000,000	(129,793)	2,870,207	2,870,114	93
Contr serv (oth than bet. Home & Sch) - vendors	378,700	81,460	460,160	356,348	103,812
Contract. Serv. (sp ed stds) vendors	7,000	6,890	13,890	9,796	4,094
Contract. Serv. (reg. students) - ESCs & CTSA's	247,500	193,135	440,635	440,635	
Contract. Serv. (spl. Ed. Students) - ESCs & CTSA's	2,100,000	103,982	2,203,982	2,203,982	
Contract. Serv. - aid in lieu pymts - non pub sch	350,000	(69,967)	280,033	280,033	
General supplies	13,000	(5,960)	7,040	7,040	
Other objects	4,100	(2,186)	1,914	1,795	119
Total student transportation services	7,870,809	73,475	7,944,284	7,834,401	109,883

Parsippany-Troy Hills School District
General Fund

Budgetary Analytics Comparison Schedule

(Budgetary Basis)
Year ended June 30, 2019

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Current expenditures (continued):					
Undistributed expenditures (continued):					
Unallocated Benefits - Employee Benefits:					
Group insurance	\$ 42,000	\$ 6,500	\$ 48,500	\$ 48,266	\$ 234
Social security contributions	1,850,000	(119,744)	1,730,256	1,730,187	69
Other retirement contributions - PERS	1,975,000	(6,565)	1,968,435	1,864,666	103,769
Other retirement contributions - regular	130,000	4,190	134,190	133,949	241
Workers' compensation	433,193	6,565	439,758	439,758	
Health benefits	20,136,396	(867,004)	19,269,392	17,929,425	1,339,967
Tuition reimbursement	240,000		240,000	186,878	53,122
Other employee benefits	1,116,000	3,324	1,119,324	1,076,939	42,385
Total unallocated benefits	25,922,589	(972,734)	24,949,855	23,410,068	1,539,787
On-Behalf Contributions					
On-behalf TPAF Pension Contribution (non-budgeted)				11,546,831	(11,546,831)
On-behalf TPAF Post Retirement Medical contributions (non-budgeted)				5,237,624	(5,237,624)
On-behalf TPAF Long-term Disability Contributions (non-budgeted)				10,453	(10,453)
Reimbursed TPAF social security contributions (non-budgeted)				4,410,279	(4,410,279)
Total on-behalf contributions				21,205,187	(21,205,187)
Total Personal Services - Employee Benefits	25,922,589	(972,734)	24,949,855	44,615,255	(19,665,400)
Capital Outlay:					
Interest Deposit to Capital Reserve	5,000	(5,000)			
Equipment:					
Grades 1-5	20,000		20,000	3,635	16,365
Grades 6-8	20,000	13,743	33,743	13,743	20,000
Grades 9-12	90,000	46,000	136,000	102,625	33,375
Multiple Disabilities		2,400	2,400	2,400	
Undistributed expenditures - required maint for school facilities		15,565	15,565	15,354	211
Undistributed expenditures - custodial		7,018	7,018	7,018	
Undistributed expenditures -security	265,506	83,886	349,392	349,392	
Total equipment	395,506	168,612	564,118	494,167	69,951
Facilities Acquisition and Construction Services:					
Other purchased professional and technical services	100,000	153,747	253,747	231,902	21,845
Construction services	1,515,791	432,420	1,948,211	1,579,281	368,930
Non-budgeted - capital leases				980,479	(980,479)
Lease purchase agreements - principal	1,682,877	(4,789)	1,678,088	1,678,088	
Other objects - debt service assessment	46,633		46,633	46,633	
Total facilities and construction services	3,345,301	581,378	3,926,679	4,516,383	(589,704)
Total Expenditures - Capital Outlay	3,745,807	744,990	4,490,797	5,010,550	(519,753)

Parsippany-Troy Hills School District
General Fund

Budgetary Analytics Comparison Schedule
(Budgetary Basis)
Year ended June 30, 2019

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures (continued)					
Transfer of funds to charter schools	\$ 273,836	\$ 186,575	\$ 460,411	\$ 460,411	
Total Expenditures	146,329,876	944,579	147,274,455	164,135,363	\$ (16,860,908)
(Deficiency) excess of revenues (under) over expenditures	(3,676,429)	(944,579)	(4,621,008)	1,056,861	5,677,869
Other financing sources:					
Assets acquired under capital leases (non-budgeted)				980,479	980,479
Total other financing sources				980,479	980,479
(Deficiency) excess of revenues (under) over expenditures and other financing sources	(3,676,429)	(944,579)	(4,621,008)	2,037,340	6,658,348
Fund balances, July 1	15,092,363		15,092,363	15,092,363	
Fund balances, June 30	\$ 11,415,934	\$ (944,579)	\$ 10,471,355	\$ 17,129,703	\$ 6,658,348
Recapitulation of (deficiency) excess of revenues (under) over expenditures and other financing sources					
Budgeted fund balance	\$ (3,410,923)		\$ (3,410,923)	\$ 3,247,425	\$ 6,658,348
Net (decrease) in capital reserve		\$ (298,000)	(298,000)	(298,000)	
Net (decrease) in emergency reserve	(265,506)		(265,506)	(265,506)	
Adjustment for prior year encumbrances		(646,579)	(646,579)	(646,579)	
Total	\$ (3,676,429)	\$ (944,579)	\$ (4,621,008)	\$ 2,037,340	\$ 6,658,348
Recapitulation of fund balance:					
Capital reserve account - restricted				\$ 3,269,845	
Excess fund balance - current year - restricted				4,497,550	
Prior year - excess fund balance designated for subsequent year's expenditures - restricted				4,860,057	
Year end encumbrances - assigned				377,755	
Unassigned				4,124,496	
				<u>17,129,703</u>	
Reconciliation to Governmental Funds statements (GAAP):					
Last state aid payments not recognized on GAAP basis				(538,279)	
Fund balance per Governmental Funds (GAAP)				<u>\$ 16,591,424</u>	

Parsippany-Troy Hills School District
Special Revenue Fund

Budgetary Comparison Schedule
(Budgetary Basis)
Year ended June 30, 2019

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
State sources	\$ 282,726		\$ 282,726	\$ 224,909	\$ (57,817)
Federal sources	2,735,662		2,735,662	2,433,921	(301,741)
Local sources	28,642		28,642	19,222	(9,420)
Total revenues	<u>3,047,030</u>		<u>3,047,030</u>	<u>2,678,052</u>	<u>(368,978)</u>
Expenditures:					
Instruction:					
Salaries of teachers	555,288	\$ 2,354	557,642	552,542	5,100
Purchased professional & technical services	116,198		116,198	107,582	8,616
Other purchased services	8,285		8,285	8,285	
Tuition	1,308,654		1,308,654	1,275,619	33,035
General supplies	325,788	(274)	325,514	196,168	129,346
Textbooks	26,594		26,594	20,773	5,821
Total instruction	<u>2,340,807</u>	<u>2,080</u>	<u>2,342,887</u>	<u>2,160,969</u>	<u>181,918</u>
Undistributed:					
Support services:					
Salaries of other professional staff	33,295		33,295	27,709	5,586
Personal services—employee benefits	110,415	13,542	123,957	121,945	2,012
Purchased professional educational services	293,849	1,517	295,366	238,248	57,118
Other purchased services	48,306		48,306	46,723	1,583
Supplies and materials	220,358	(17,139)	203,219	82,458	120,761
Total support services	<u>706,223</u>	<u>(2,080)</u>	<u>704,143</u>	<u>517,083</u>	<u>187,060</u>
Total expenditures	<u>3,047,030</u>	<u>-</u>	<u>3,047,030</u>	<u>2,678,052</u>	<u>368,978</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Parsippany-Troy Hills School District
Note to Required Supplementary Information

Budget to GAAP Reconciliation

Year ended June 30, 2019

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule (C-1, C-2)	\$ 165,192,224	\$ 2,678,052
Differences - Budgetary to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior year, net of cancellations		19,632
Current year		(91,693)
State aid payments recognized for budgetary purposes, not recognized for GAAP statements.		
Prior year	482,878	
Current year	<u>(538,279)</u>	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (B-2)	<u>\$ 165,136,823</u>	<u>\$ 2,605,991</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule (C-1, C-2)	\$ 164,135,363	\$ 2,678,052
Differences - Budgetary 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.		
Prior year, net of cancellations		19,632
Current year		<u>(91,693)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 164,135,363</u>	<u>\$ 2,605,991</u>

Supplementary Information

Special Revenue Fund

Parsippany-Troy Hills School District
Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures
Budgetary Basis

Year ended June 30, 2019

	Nonpublic Aid				
	Local Grants	Corrective Speech	Examination & Classification	Supplementary Instruction	Compensatory Education
Revenues:					
State sources		\$ 17,945	\$ 30,770	\$ 25,534	\$ 33,333
Federal sources					
Local sources	\$ 19,222				
Total revenues	<u>\$ 19,222</u>	<u>\$ 17,945</u>	<u>\$ 30,770</u>	<u>\$ 25,534</u>	<u>\$ 33,333</u>
Expenditures:					
Instruction:					
Salaries of teachers					
Purchased professional & technical services		\$ 17,945	\$ 30,770	\$ 25,534	\$ 33,333
Other purchased services	\$ 8,285				
Tuition					
Instructional supplies	4,687				
Textbooks					
Total instruction	<u>12,972</u>	<u>17,945</u>	<u>30,770</u>	<u>25,534</u>	<u>33,333</u>
Support services:					
Salaries	6,250				
Personal services—employee benefits					
Purchased professional educational services					
Other purchased services					
Supplies and materials					
Total support services	<u>6,250</u>				
Total expenditures	<u>\$ 19,222</u>	<u>\$ 17,945</u>	<u>\$ 30,770</u>	<u>\$ 25,534</u>	<u>\$ 33,333</u>

Parsippany-Troy Hills School District
Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures
Budgetary Basis

Year ended June 30, 2019

	Nonpublic Aid				Title I, Part A
	Security Aid	Nursing Aid	Technology Aid	Textbook Aid	
Revenues:					
State sources	\$ 36,300	\$ 46,250	\$ 14,004	\$ 20,773	
Federal sources					\$ 449,225
Local sources					
Total revenues	<u>\$ 36,300</u>	<u>\$ 46,250</u>	<u>\$ 14,004</u>	<u>\$ 20,773</u>	<u>\$ 449,225</u>
Expenditures:					
Instruction:					
Salaries of teachers					\$ 297,983
Purchased professional & technical services					
Other purchased services					
Tuition					
Instructional supplies					50,326
Textbooks				\$ 20,773	
Total instruction				<u>20,773</u>	<u>348,309</u>
Support services:					
Salaries					
Personal services—employee benefits					100,916
Purchased professional educational services	\$ 36,300	\$ 46,250			
Other purchased services					
Supplies and materials			\$ 14,004		
Total support services	<u>36,300</u>	<u>46,250</u>	<u>14,004</u>		<u>100,916</u>
Total expenditures	<u>\$ 36,300</u>	<u>\$ 46,250</u>	<u>\$ 14,004</u>	<u>\$ 20,773</u>	<u>\$ 449,225</u>

Parsippany-Troy Hills School District
Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures
Budgetary Basis

Year ended June 30, 2019

	<u>Title II, Part A</u>	<u>Title III</u>	<u>Title III Immigrant</u>	<u>Title IV</u>
Revenues:				
State sources				
Federal sources	\$ 127,821	\$ 136,190	\$ 52,114	\$ 17,976
Local sources				
Total revenues	<u>\$ 127,821</u>	<u>\$ 136,190</u>	<u>\$ 52,114</u>	<u>\$ 17,976</u>
Expenditures:				
Instruction:				
Salaries of teachers		\$ 98,269	\$ 12,690	
Purchased professional & technical services				
Other purchased services				
Tuition				
Instructional supplies		439	29,975	\$ 14,004
Textbooks				
Total instruction		<u>98,708</u>	<u>42,665</u>	<u>14,004</u>
Support services:				
Salaries		20,295	164	
Personal services—employee benefits		9,072	971	
Purchased professional educational services	\$ 91,263	4,000	3,500	3,300
Other purchased services	30,111	4,115		672
Supplies and materials	6,447		4,814	
Total support services	<u>127,821</u>	<u>37,482</u>	<u>9,449</u>	<u>3,972</u>
Total expenditures	<u>\$ 127,821</u>	<u>\$ 136,190</u>	<u>\$ 52,114</u>	<u>\$ 17,976</u>

Parsippany-Troy Hills School District
Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures
Budgetary Basis

Year ended June 30, 2019

	<u>I.D.E.A.</u>		
	<u>Part B Basic</u>	<u>Preschool</u>	<u>Total</u>
Revenues:			
State sources			\$ 224,909
Federal sources	\$ 1,579,087	\$ 71,508	2,433,921
Local sources			19,222
Total revenues	<u>\$ 1,579,087</u>	<u>\$ 71,508</u>	<u>\$ 2,678,052</u>
Expenditures:			
Instruction:			
Salaries of teachers	\$ 143,600		\$ 552,542
Purchased professional & technical services			107,582
Other purchased services			8,285
Tuition	1,204,111	\$ 71,508	1,275,619
Instructional supplies	96,737		196,168
Textbooks			20,773
Total instruction	<u>1,444,448</u>	<u>71,508</u>	<u>2,160,969</u>
Support services:			
Salaries	1,000		27,709
Personal services—employee benefits	10,986		121,945
Purchased professional educational services	53,635		238,248
Other purchased services	11,825		46,723
Supplies and materials	57,193		82,458
Total support services	<u>134,639</u>		<u>517,083</u>
Total expenditures	<u>\$ 1,579,087</u>	<u>\$ 71,508</u>	<u>\$ 2,678,052</u>

Fiduciary Funds

Parsippany-Troy Hills School District
Trust and Agency Funds

Combining Statement of Fiduciary Net Position

June 30, 2019

	<u>Agency</u>			<u>Trust</u>		
	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency</u>	<u>Unemployment Compensation</u>	<u>Private- Purpose Scholarship</u>	<u>Total Trust</u>
Assets						
Cash and cash equivalents	\$ 459,379	\$ 3,042,760	\$ 3,502,139	\$ 1,748,663	\$ 77,687	\$ 1,826,350
Total assets	<u>\$ 459,379</u>	<u>\$ 3,042,760</u>	<u>\$ 3,502,139</u>	<u>1,748,663</u>	<u>77,687</u>	<u>1,826,350</u>
Liabilities						
Accounts payable				15,080		15,080
Due to student groups	\$ 459,379		\$ 459,379			
Payroll deductions and withholdings payable		\$ 76,481	76,481			
Summer savings payable		2,966,279	2,966,279			
Total liabilities	<u>\$ 459,379</u>	<u>\$ 3,042,760</u>	<u>\$ 3,502,139</u>	<u>15,080</u>		<u>15,080</u>
Net position						
Held in trust for:						
Unemployment compensation claims				1,733,583		1,733,583
Scholarships					77,687	77,687
Total net position				<u>\$ 1,733,583</u>	<u>\$ 77,687</u>	<u>\$ 1,811,270</u>

Parsippany-Troy Hills School District
Trust Funds

Combining Statement of Changes in Fiduciary Net Position

Year ended June 30, 2019

	Unemployment Compensation Trust Fund	Private-Purpose Scholarship Trust Fund	Total Trust Funds
Additions:			
Contributions:			
Employee contributions	\$ 182,601		\$ 182,601
Donations		\$ 34,139	34,139
Total additions	<u>182,601</u>	<u>34,139</u>	<u>216,740</u>
Deductions:			
Unemployment compensation claims	124,002		124,002
Scholarships awarded		28,050	28,050
Total deductions	<u>124,002</u>	<u>28,050</u>	<u>152,052</u>
Change in net position	58,599	6,089	64,688
Net position, beginning	<u>1,674,984</u>	<u>71,598</u>	<u>1,746,582</u>
Net position, ending	<u>\$ 1,733,583</u>	<u>\$ 77,687</u>	<u>\$ 1,811,270</u>

Parsippany-Troy Hills School District
 Student Activity Agency Fund

Schedule of Cash Receipts and Cash Disbursements

Year ended June 30, 2019

	<u>Balance July 1, 2018</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2019</u>
Elementary Schools:				
Eastlake	\$ 4,741	\$ 3,087	\$ 2,840	\$ 4,988
Intervale	1,087	1,072	1,427	732
Knollwood	6,260		895	5,365
Lake Hiawatha	7,556	2,104	2,920	6,740
Lake Parsippany	5,661	11,205	11,424	5,442
Littleton	5,525	2,520	3,122	4,923
Mt. Tabor	3,199	3,425	3,713	2,911
Northvail	5,834	1,292	1,325	5,801
Rockaway Meadow	2,504	3,168	2,930	2,742
Troy Hills	11,799	3,010	7,465	7,344
Total Elementary Schools	<u>54,166</u>	<u>30,883</u>	<u>38,061</u>	<u>46,988</u>
Middle Schools:				
Brooklawn	76,193	139,052	132,013	83,232
Central	45,367	96,939	96,381	45,925
Total Middle Schools	<u>121,560</u>	<u>235,991</u>	<u>228,394</u>	<u>129,157</u>
High Schools:				
Parsippany High	85,906	151,058	148,660	88,304
Parsippany Hills High	128,018	189,644	174,494	143,168
Total High Schools	<u>213,924</u>	<u>340,702</u>	<u>323,154</u>	<u>231,472</u>
Athletic Accounts:				
Parsippany High		47,251	47,251	
Parsippany Hills High		50,579	50,579	
Brooklawn	5,059	10,000	8,064	6,995
Central	5,455	10,000	10,038	5,417
Total Athletic Accounts	<u>10,514</u>	<u>117,830</u>	<u>115,932</u>	<u>12,412</u>
Total Other Accounts	<u>37,290</u>	<u>2,060</u>		<u>39,350</u>
Total All Schools	<u>\$ 437,454</u>	<u>\$ 727,466</u>	<u>\$ 705,541</u>	<u>\$ 459,379</u>

Parsippany-Troy Hills School District
Payroll Agency Fund

Schedule of Cash Receipts and Cash Disbursements

Year ended June 30, 2019

	Balance July 1, 2018	Cash Receipts	Cash Disbursements	Balance June 30, 2019
Assets				
Cash and cash equivalents	\$ 1,419,895	\$ 96,491,659	\$ 94,868,794	\$ 3,042,760
Total assets	<u>\$ 1,419,895</u>	<u>\$ 96,491,659</u>	<u>\$ 94,868,794</u>	<u>\$ 3,042,760</u>
Liabilities				
Payroll deductions and withholdings	\$ 33,594	\$ 93,525,380	\$ 93,482,493	\$ 76,481
Summer savings payable	<u>1,386,301</u>	<u>2,966,279</u>	<u>1,386,301</u>	<u>2,966,279</u>
Total liabilities	<u>\$ 1,419,895</u>	<u>\$ 96,491,659</u>	<u>\$ 94,868,794</u>	<u>\$ 3,042,760</u>

Long-Term Debt

Parsippany-Troy Hills School District
 Long-Term Debt

Schedule of Serial Bonds Payable

Year Ended June 30, 2019

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding at June 30, 2019		Interest Rate	Balance June 30, 2018	Retired	Balance June 30, 2019
			Date	Amount				
2014 Refunding Bonds	4/24/14	\$ 19,715,000	8/15/19	\$ 2,115,000	4.000%	\$ 17,595,000	\$ 2,025,000	\$ 15,570,000
			8/15/20	2,205,000	4.000%			
			8/15/21	2,240,000	4.000%			
			8/15/22	2,240,000	5.000%			
			8/15/23	2,250,000	5.000%			
			8/15/24	2,255,000	5.000%			
			8/15/25	2,265,000	5.000%			
2015 Refunding Bonds	2/26/15	12,025,000	8/15/26	2,070,000	5.000%	12,025,000		12,025,000
			8/15/27	2,070,000	5.000%			
			8/15/28	2,070,000	5.000%			
			8/15/29	2,065,000	5.000%			
			8/15/30	2,060,000	5.000%			
			8/15/31	1,690,000	5.000%			
						<u>12,025,000</u>		<u>12,025,000</u>
						<u>\$ 29,620,000</u>	<u>\$ 2,025,000</u>	<u>\$ 27,595,000</u>

Parsippany-Troy Hills School District
Long-Term Debt

Schedule of Obligations Under Capital Leases

Year ended June 30, 2019

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance June 30, 2018</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance June 30, 2019</u>
Equipment	1.476%	\$ 1,300,000	\$ 205,221		\$ 205,221	
Energy Savings Improvement Plan	2.655%	14,200,000	11,285,000		606,662	\$ 10,678,338
Equipment	1.561%	1,200,000	502,345		249,443	252,902
Equipment	0.000%	1,370,893	342,724		342,724	
Equipment	1.499%	1,000,000	456,338		226,747	229,591
Equipment	0.000%	656,069	328,035		164,017	164,018
Equipment	1.768%	440,000	289,952		94,969	194,983
Equipment	1.762%	1,000,000	794,467		193,444	601,023
Equipment	2.785%	501,500	501,500		104,199	397,301
Equipment	2.961%	498,500	498,500		97,540	400,960
Equipment	2.305%	640,500		\$ 640,500		640,500
Equipment	2.403%	359,500		359,500		359,500
			<u>\$ 15,204,082</u>	<u>\$ 1,000,000</u>	<u>\$ 2,284,966</u>	<u>\$ 13,919,116</u>

Parsippany-Troy Hills School District
Debt Service Fund

Budgetary Comparison Schedule

Year ended June 30, 2019

	<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	\$ 2,805,531		\$ 2,805,531	\$ 2,805,531	
State sources:					
Debt service aid type II	572,603		572,603	572,603	
Total revenues	<u>3,378,134</u>		<u>3,378,134</u>	<u>3,378,134</u>	
Expenditures:					
Principal on bonds	2,025,000		2,025,000	2,025,000	
Interest on bonds	1,354,650		1,354,650	1,354,650	
Total expenditures	<u>3,379,650</u>		<u>3,379,650</u>	<u>3,379,650</u>	
(Deficiency) of revenues (under) expenditures	(1,516)		(1,516)	(1,516)	
Fund balance, July 1	1,516	-	1,516	1,516	
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Statistical Section

(Unaudited)

Statistical Section
Unaudited

This part of the 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 condition.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the district's financial performance and financial position changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.

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.

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.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year.*

Parsippany-Troy Hills School District
 Net Position by Component
 Last Ten Fiscal Years
(accrual basis of accounting)
 Unaudited

	June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net investment in capital assets	\$ 22,926,163	\$ 26,048,380	\$ 27,005,258	\$ 26,440,800	\$ 11,372,718	\$ 18,025,158	\$ 22,246,363	\$ 24,712,844	\$ 24,714,210	\$ 25,293,312
Restricted	9,295,591	8,939,059	6,719,424	8,459,009	10,621,377	10,500,851	5,164,320	4,983,274	10,604,331	12,627,452
Unrestricted (deficit)	(1,967,791)	(2,081,659)	989,401	4,839,908	4,000,475	(37,452,068)	(38,481,590)	(42,284,433)	(44,137,710)	(43,317,186)
Total governmental activities net position	<u>\$ 30,253,963</u>	<u>\$ 32,905,780</u>	<u>\$ 34,714,083</u>	<u>\$ 39,739,717</u>	<u>\$ 25,994,570</u>	<u>\$ (8,926,059)</u>	<u>\$ (11,070,907)</u>	<u>\$ (12,588,315)</u>	<u>\$ (8,819,169)</u>	<u>\$ (5,396,422)</u>
Business-type activities										
Investment in capital assets	\$ 182,101	\$ 179,208	\$ 244,661	\$ 322,111	\$ 520,820	\$ 568,799	\$ 608,450	\$ 556,348	\$ 504,052	\$ 679,063
Unrestricted	201,553	246,165	235,887	259,755	307,418	1,118,984	1,543,153	998,484	851,043	666,524
Total business-type activities net position	<u>\$ 383,654</u>	<u>\$ 425,373</u>	<u>\$ 480,548</u>	<u>\$ 581,866</u>	<u>\$ 828,238</u>	<u>\$ 1,687,783</u>	<u>\$ 2,151,603</u>	<u>\$ 1,554,832</u>	<u>\$ 1,355,095</u>	<u>\$ 1,345,587</u>
Government-wide										
Net investment in capital assets	\$ 23,108,264	\$ 26,227,588	\$ 27,249,919	\$ 26,762,911	\$ 11,893,538	\$ 18,593,957	\$ 22,854,813	\$ 25,269,192	\$ 25,218,262	\$ 25,972,375
Restricted	9,295,591	8,939,059	6,719,424	8,459,009	10,621,377	10,500,851	5,164,320	4,983,274	10,604,331	12,627,452
Unrestricted (deficit)	(1,766,238)	(1,835,494)	1,225,288	5,099,663	4,307,893	(36,333,084)	(36,938,437)	(41,285,949)	(43,286,667)	(42,650,662)
Total government-wide net position	<u>\$ 30,637,617</u>	<u>\$ 33,331,153</u>	<u>\$ 35,194,631</u>	<u>\$ 40,321,583</u>	<u>\$ 26,822,808</u>	<u>\$ (7,238,276)</u>	<u>\$ (8,919,304)</u>	<u>\$ (11,033,483)</u>	<u>\$ (7,464,074)</u>	<u>\$ (4,050,835)</u>

Source: CAFR Schedule A-1 and District records.

Note: GASB 63 was implemented in the 2013 fiscal year, which required the reclassification of balances previously reported as net assets to net position. 2014 was restated in 2015 to reflect a District-wide capital assets appraisal.

2015 Business-type activities include the adult school program, previously accounted for in the General Fund.

GASB 68 was implemented during the 2015 fiscal year, which required the restatement of beginning net position in the amount of (\$39,991,097). This amount is not reflected in the June 30, 2014 Net Position, above.

Parsippany-Troy Hills School District
 Changes in Net Position, Last Ten Fiscal Years
 (accrual basis of accounting)

Unaudited

	Year ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities										
Instruction										
Regular	\$ 51,971,182	\$ 52,549,584	\$ 53,320,040	\$ 54,157,270	\$ 55,225,305	\$ 60,058,776	\$ 67,327,824	\$ 71,089,105	\$ 68,605,225	\$ 71,152,943
Special Education	11,354,873	12,654,225	12,830,312	13,587,574	14,182,455	15,759,413	17,544,548	21,551,188	20,373,590	21,959,458
Other Instruction	4,469,379	4,240,729	4,359,857	4,981,003	4,748,278	5,318,379	4,345,044	6,598,537	6,834,339	6,406,742
School Sponsored Instruction	2,468,444	2,474,035	2,627,716	2,759,048	2,780,564	3,148,624	3,611,060	3,829,286	3,900,959	3,907,686
Support Services:										
Tuition	8,619,040	8,761,180	9,157,295	8,690,359	9,133,292	8,927,366	9,723,979	9,043,014	9,778,393	8,553,370
Student & Instruction Related Services	19,619,802	19,596,193	21,527,642	21,889,834	22,698,468	25,166,820	30,173,891	31,256,188	32,322,979	32,688,045
General Administration Services	1,164,924	963,155	1,207,241	955,550	951,226	987,411	1,365,393	1,369,649	1,349,845	1,656,472
School Administrative Services	6,091,861	6,255,485	6,496,651	6,781,852	7,039,916	7,216,319	7,300,094	8,852,596	8,401,715	8,239,799
Central Services	2,435,522	2,272,678	2,107,571	1,988,419	2,359,078	2,601,763	2,637,523	2,776,339	3,170,089	3,033,442
Administrative Information Technology	964,932	893,122	797,503	934,141	894,481	2,010,378	2,417,212	2,621,780	2,728,705	2,789,129
Plant Operations & Maintenance	11,718,139	10,517,142	10,921,748	11,334,513	11,702,498	14,561,451	15,682,039	15,619,037	16,829,592	16,989,943
Pupil Transportation	7,170,884	6,140,864	7,183,376	7,128,369	7,392,761	7,799,413	7,879,781	9,203,411	9,171,316	9,485,379
Capital Outlay	905,430	442,538								
Special Schools	1,561,611	1,673,357	1,805,198	1,800,842	1,780,943	1,666				460,411
Charter School	133,619	160,727	285,780	359,963	385,109	343,519	338,426	259,712	231,982	1,139,716
Interest on long-term debt	2,026,635	2,974,627	1,750,922	1,828,112	1,721,809	2,048,389	1,118,186	1,245,936	1,210,147	
Unallocated Depreciation	1,327,476	1,369,785								
Total governmental activities expenses	134,003,753	133,939,426	136,378,852	139,176,849	142,996,183	155,949,687	171,465,000	185,315,778	184,908,876	188,462,535
Business-type activities:										
Food service	2,279,417	2,211,868	2,326,674	2,152,061	2,195,791	2,474,470	2,529,796	2,562,331	2,703,009	2,799,300
Adult and community education						2,015,253	2,103,524	2,691,092	2,815,472	2,750,949
Total business-type activities expense	2,279,417	2,211,868	2,326,674	2,152,061	2,195,791	4,489,723	4,633,320	5,253,423	5,518,481	5,550,249
Total district expenses	\$ 136,283,170	\$ 136,151,294	\$ 138,705,526	\$ 141,328,910	\$ 145,191,974	\$ 160,439,410	\$ 176,098,320	\$ 190,569,201	\$ 190,427,357	\$ 194,012,784
Program Revenues										
Governmental activities:										
Charges for services:										
Special Education	\$ 183,603									
Tuition		\$ 240,890	\$ 336,014	\$ 336,408	\$ 288,409	\$ 216,116	\$ 281,529	\$ 339,572	\$ 232,372	\$ 234,061
Special Schools	1,816,985	1,661,821	1,952,286	2,095,236	2,023,902					
Operating grants and contributions	15,272,528	14,557,527	2,309,757	2,401,594	2,087,374	2,191,240	2,788,827	2,152,592	2,505,444	2,605,991
Capital grants and contributions		1,144,458	404,041		407,602	349,442		250,000		
Total governmental activities program revenues	\$ 17,273,116	\$ 17,604,696	\$ 5,002,098	\$ 4,833,238	\$ 4,807,287	\$ 2,756,798	\$ 3,070,356	\$ 2,742,164	\$ 2,737,816	\$ 2,840,052
Business-Type Activities										
Charges for services:										
Food Service	\$ 1,825,265	\$ 1,815,329	\$ 1,820,456	\$ 1,639,914	\$ 1,684,107	\$ 1,772,352	\$ 1,748,269	\$ 1,872,086	\$ 1,912,129	\$ 2,105,671
Adult School						2,878,501	2,609,041	1,979,086	2,598,898	2,600,049
Operating grants and contributions	536,429	514,526	574,150	580,525	625,454	698,415	739,830	805,480	807,718	835,020
Total governmental activities program revenues	\$ 2,361,694	\$ 2,329,855	\$ 2,394,606	\$ 2,220,439	\$ 2,309,561	\$ 5,349,268	\$ 5,097,140	\$ 4,656,652	\$ 5,318,745	\$ 5,540,740
Total District Program Revenues	\$ 19,634,810	\$ 19,934,551	\$ 7,396,704	\$ 7,053,677	\$ 7,116,848	\$ 8,106,066	\$ 8,167,496	\$ 7,398,816	\$ 8,056,561	\$ 8,380,792
Net (Expense)/Revenue Governmental Activities	\$(116,730,637)	\$(116,334,730)	\$(131,376,754)	\$(134,343,611)	\$(138,188,896)	\$(153,192,889)	\$(168,394,644)	\$(182,573,614)	\$(182,171,060)	\$(185,622,483)
Business-Type Activities	82,277	117,987	67,932	68,378	113,770	859,545	463,820	(596,771)	(199,736)	(9,509)
Total District-Wide Net Position	\$(116,648,360)	\$(116,216,743)	\$(131,308,822)	\$(134,275,233)	\$(138,075,126)	\$(152,333,344)	\$(167,930,824)	\$(183,170,385)	\$(182,370,796)	\$(185,631,992)

Parsippany-Troy Hills School District
 Changes in Net Position, Last Ten Fiscal Years
 (accrual basis of accounting)

Unaudited

	Year ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Property Taxes Levied for General Purposes	\$ 111,498,049	\$ 115,157,971	\$ 114,831,204	\$ 117,978,486	\$ 120,740,876	\$ 122,152,214	\$ 125,598,736	\$ 128,110,712	\$ 132,215,563	\$ 135,975,887
Taxes Levied for Debt Service	2,583,484	2,664,792	2,355,480	2,432,893	2,511,028	2,784,536	2,788,077	2,789,167	2,802,133	2,805,531
Federal and State Aid not Restricted	1,485,655	716,732	13,765,153	18,161,615	16,374,275	31,151,966	37,599,051	49,505,740	51,706,779	49,634,071
Investment Earnings	94,085	77,310	45,399	40,140	13,816	693	2,990	7,070	17,278	54,977
Miscellaneous Income	555,424	292,535	96,908	337,075	654,483	105,326	260,942	643,517	880,990	574,764
Insurance proceeds				430,889						
Transfers	(9,009)	77,207	13,518	(11,853)	(2,069)					
Total Governmental Activities	116,207,688	118,986,547	131,107,662	139,369,245	140,292,409	156,194,735	166,249,796	181,056,206	187,622,743	189,045,230
Business-Type Activities:										
Investment Earnings	200	939	761	768						
Insurance proceeds				20,319						
Transfers	9,009	(77,207)	(13,518)	11,853	2,069					
Total Business-Type Activities	9,209	(76,268)	(12,757)	32,940	2,069	-	-	-	-	-
Total District-Wide	\$ 116,216,897	\$ 118,910,279	\$ 131,094,905	\$ 139,402,185	\$ 140,294,478	\$ 156,194,735	\$ 166,249,796	\$ 181,056,206	\$ 187,622,743	\$ 189,045,230
Change in Net Position:										
Governmental Activities	\$ (522,949)	\$ 2,651,817	\$ (269,092)	\$ 5,025,634	\$ 2,103,513	\$ 3,001,846	\$ (2,144,848)	\$ (1,517,408)	\$ 5,451,683	\$ 3,422,747
Business-Type Activities	91,486	41,719	55,175	101,318	115,839	859,545	463,820	(596,771)	(199,736)	(9,509)
Total District	\$ (431,463)	\$ 2,693,536	\$ (213,917)	\$ 5,126,952	\$ 2,219,352	\$ 3,861,391	\$ (1,681,028)	\$ (2,114,179)	\$ 5,251,947	\$ 3,413,238

Source: District records

GASB 63 was implemented in the 2013 fiscal year, which required the reclassification of balances previously reported as net assets to net position.

GASB 75 was implemented in the 2018 fiscal year, which increased the federal and state aid not restricted and various expense lines from the previous year.

Parsippany-Troy Hills School District
 Fund Balances, Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

Unaudited

	June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
				(as restated)						
General Fund										
Reserved/Restricted	\$ 8,041,629	\$ 7,003,336	\$ 6,561,945	\$ 7,951,867	\$ 9,713,770	\$ 10,164,659	\$ 4,828,128	\$ 4,689,221	\$ 10,604,331	\$ 12,627,452
Assigned		1,966,726	1,464,329	4,679,708	3,633,704	3,205,980	3,802,392	3,246,177	646,579	377,755
Unassigned		2,379,650	2,177,866	2,686,143	2,759,671	2,685,084	2,449,794	2,314,752	3,358,575	3,586,217
Unreserved	2,412,467									
Total general fund	<u>\$ 10,454,096</u>	<u>\$ 11,349,712</u>	<u>\$ 10,204,140</u>	<u>\$ 15,317,718</u>	<u>\$ 16,107,145</u>	<u>\$ 16,055,723</u>	<u>\$ 11,080,314</u>	<u>\$ 10,250,150</u>	<u>\$ 14,609,485</u>	<u>\$ 16,591,424</u>
All Other Governmental Funds										
Restricted	\$ 735,639	\$ 1,063,680	\$ 861,145	\$ 509,338	\$ 12,100,903	\$ 3,147,328	\$ 373,501	\$ 296,122	\$ 1,516	
Unassigned (deficit)		(41,015)								
Unreserved, Reported In:										
Capital projects fund	180,041									
Debt service fund	19,489									
Total all other governmental funds	<u>\$ 935,169</u>	<u>\$ 1,022,665</u>	<u>\$ 861,145</u>	<u>\$ 509,338</u>	<u>\$ 12,100,903</u>	<u>\$ 3,147,328</u>	<u>\$ 373,501</u>	<u>\$ 296,122</u>	<u>\$ 1,516</u>	
Total All Funds	<u>\$ 11,389,265</u>	<u>\$ 12,372,377</u>	<u>\$ 11,065,285</u>	<u>\$ 15,827,056</u>	<u>\$ 28,208,048</u>	<u>\$ 19,203,051</u>	<u>\$ 11,453,815</u>	<u>\$ 10,546,272</u>	<u>\$ 14,611,001</u>	<u>\$ 16,591,424</u>

Source: CAFR Schedule B-1 and District records.

The change in the reserved fund balance is the result of capital project fund expenditures incurred for projects in which the funding was received in prior years through the issuance of bonds.

GASB 54 was implemented in the 2012 fiscal year, which required the presentation of fund balances to be reported in different classifications from those presented in prior years. (See footnote 1 in the basic financial statements). Prior years have not been restated above, nor are they required to be.

Parsippany-Troy Hills School District
 Changes in Fund Balances, Governmental Funds
 Last Ten Fiscal Years

Unaudited

	Year ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	(as restated)									
Revenues										
Tax levy	\$ 114,081,533	\$ 117,822,763	\$ 117,186,684	\$ 120,411,379	\$ 123,251,904	\$ 124,936,750	\$ 128,386,814	\$ 130,899,879	\$ 135,017,696	\$ 138,781,418
Interest Earned	4,511	4,698	2,286	1,294	5,000	641	2,990	7,070	17,278	54,977
Miscellaneous	2,679,306	2,302,668	2,480,810	2,843,613	2,992,863	360,040	567,041	1,002,520	1,141,118	828,047
State sources	14,420,722	12,346,912	13,983,424	18,230,758	16,888,358	18,479,058	20,547,750	22,816,589	25,491,638	29,062,953
Federal sources	2,303,741	4,036,994	2,443,038	2,296,403	1,963,640	2,101,583	2,678,852	2,267,535	2,302,073	2,393,553
Total revenue	133,489,813	136,514,035	136,096,242	143,783,447	145,101,765	145,878,072	152,183,447	156,993,593	163,969,803	171,120,948
Expenditures										
Instruction										
Regular instruction	39,381,191	39,611,735	38,093,643	37,666,229	38,751,056	37,702,859	40,039,248	39,263,178	38,322,588	40,380,859
Special Education Instruction	8,478,729	9,885,294	9,282,035	9,594,060	10,061,739	10,152,000	10,899,360	12,415,890	11,834,645	13,046,077
Other Instruction	3,321,850	3,131,972	3,087,861	3,426,107	3,301,429	3,288,987	3,412,509	3,553,680	3,706,079	4,027,670
School-Sponsored Instruction	1,959,883	1,959,090	1,992,630	2,062,973	2,079,676	2,125,281	2,341,778	2,317,783	2,358,893	1,830,049
Support Services:										
Tuition	8,619,040	8,761,180	8,958,958	8,804,359	9,217,629	8,927,366	9,719,962	9,042,358	9,777,529	8,553,370
Student Service	10,978,064	11,029,504	12,107,814	12,141,029	12,626,735	11,917,449	12,718,187	13,616,939	14,930,575	15,321,078
Student & Instruction Related Service	4,320,904	3,978,174	3,799,859	3,657,933	3,906,220	4,480,159	4,298,685	4,496,247	3,614,699	3,979,637
General Administration	888,499	886,793	1,085,949	833,270	860,115	793,255	1,091,645	959,859	972,171	1,254,622
School Administration	4,524,606	4,616,791	4,694,512	4,816,528	5,092,002	4,622,005	4,410,527	4,907,815	4,726,857	4,726,396
Central Services	1,637,641	1,637,544	1,573,062	1,428,299	1,710,503	1,714,308	1,631,073	1,622,304	1,968,240	1,891,119
Administrative Information Technology	823,754	754,861	640,210	773,555	751,374	1,505,088	1,678,728	1,712,591	1,813,103	1,881,983
Plant Operations & Maintenance	9,673,943	8,693,102	8,313,218	8,695,511	9,211,480	10,636,370	11,233,188	12,086,546	11,699,083	11,927,877
Pupil Transportation	6,626,853	5,661,933	6,600,429	6,417,563	6,629,720	6,822,465	6,659,821	7,734,890	7,586,885	7,834,401
Unallocated Benefits	26,293,718	26,795,395	29,149,709	31,073,806	30,156,485	31,330,454	34,681,213	37,088,006	40,496,691	44,615,255
Debt service:										
Principal	1,200,000	1,250,000	1,350,000	1,500,000	1,600,000	3,371,565	1,800,000	1,900,000	1,950,000	2,025,000
Interest	2,026,635	1,973,041	1,916,166	1,853,823	2,030,538	1,507,119	1,557,778	1,495,213	1,424,400	1,354,650
Cost of Issuance						146,300				
Capital outlay	5,350,781	4,151,440	3,684,818	3,539,862	9,339,852	15,184,910	11,791,448	3,868,125	3,490,654	5,010,550
Charter school	133,619	160,727	285,780	359,963	385,109	343,519	338,426	259,712	231,982	460,411
Special Schools	1,559,717	1,674,554	1,805,199	1,800,842	1,721,809	1,666				
Total expenditures	137,799,427	136,613,130	138,421,852	140,445,712	149,433,471	156,573,125	162,303,576	158,341,136	160,905,074	170,121,004
Excess (Deficiency) of revenues over (under) expenditures	(4,309,614)	(99,095)	(2,325,610)	3,337,735	(4,331,706)	(10,695,053)	(10,120,129)	(1,347,543)	3,064,729	999,944
Other financing sources (uses)										
Capital leases (non-budgeted)	1,005,000	1,005,000	1,005,000	1,005,000	15,577,899	1,543,756	2,370,893	440,000	1,000,000	980,479
Bond proceeds					19,715,000	12,025,000				
Premium on bonds					2,808,788	2,712,779				
Payment to escrow agent					(22,334,260)	(14,591,479)				
Insurance proceeds				430,889						
Transfers in	45,998	89,443	473,119	350,895	1,612,942	50,052	552	37,212	294,053	
Transfers out	(55,007)	(12,236)	(459,601)	(362,748)	(1,615,011)	(50,052)	(552)	(37,212)	(294,053)	
Total other financing sources (uses)	995,991	1,082,207	1,018,518	1,424,036	15,765,358	1,690,056	2,370,893	440,000	1,000,000	980,479
Net change in fund balances	\$ (3,313,623)	\$ 983,112	\$ (1,307,092)	\$ 4,761,771	\$ 11,433,652	\$ (9,004,997)	\$ (7,749,236)	\$ (907,543)	\$ 4,064,729	\$ 1,980,423
Debt service as a percentage of noncapital expenditures	2.44%	2.43%	2.42%	2.45%	2.59%	3.45%	2.23%	2.20%	2.14%	2.05%

Source: CAFR Schedule B-2

Parsippany-Troy Hills School District
 General Fund Other Local Revenues by Source
 Last Ten Fiscal Years
 Unaudited

Fiscal Year Ended June 30,	Interest	Adult and Community Education and Regular Tuition *	Rentals	Refunds	Other	Total
2010	\$ 86,775	\$ 2,000,590	\$ 64,826		\$ 490,596	\$ 2,642,787
2011	74,609	2,031,360	58,484		105,402	2,269,855
2012	44,098	2,288,300	46,886		50,022	2,429,306
2013	39,245	2,431,644	53,312		283,763	2,807,964
2014	12,743	2,312,311	57,029		296,302	2,678,385
2015	641	216,116	39,491		65,835	322,083
2016	2,438	281,529	36,669	\$ 77,501	146,771	544,908
2017	5,554	339,572	44,428	57,832	541,259	988,645
2018	17,278	232,372	63,036	179,965	637,989	1,130,640
2019	54,977	234,061	45,383	144,748	384,633	863,802

Source: District records.

* During the 2015 fiscal year, the District moved its Adult and Community Education Program into a separate Enterprise Fund, resulting in a decrease in miscellaneous revenue in the general fund, which was offset with a reduction in general fund expenditures.

Parsippany-Troy Hills School District
 Assessed Value and Actual Value of Taxable Property
 Last Ten Fiscal Years

Unaudited

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax-Exempt Property	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2010	\$ 78,507,700	\$ 4,405,406,300	\$ 326,400	\$ 3,100	\$2,246,593,800	\$ 282,858,500	\$ 390,988,700	\$ 7,404,684,500	\$ 584,988,900	\$ 11,066,916	\$ 7,415,751,416	\$ 1.57	\$ 9,332,851,651
2011	77,607,500	4,408,878,400	326,400	3,100	2,198,373,300	258,335,800	390,988,700	7,334,513,200	585,116,700	12,432,565	7,346,945,765	1.66	9,082,278,672
2012	72,717,000	4,405,119,200	326,400	4,400	2,131,211,300	250,480,800	390,988,700	7,250,847,800	585,077,700	12,432,565	7,263,280,365	1.72	8,467,896,741
2013	66,904,400	4,403,242,200	326,400	4,400	2,070,234,400	254,664,800	401,241,700	7,196,618,300	576,340,400	10,643,519	7,207,261,819	1.69	8,418,714,892
2014	68,028,800	4,391,472,200	326,400	4,400	2,053,077,500	250,009,200	403,241,700	7,166,160,200	576,340,400	10,643,519	7,176,803,719	1.73	8,489,705,248
2015	67,577,600	4,399,306,700	326,400	8,900	2,045,286,500	244,410,200	403,241,700	7,160,158,000	592,396,100	422,050	7,160,580,050	1.75	8,482,594,479
2016	67,209,400	4,405,575,800	326,400	8,900	2,039,260,500	241,396,100	407,631,100	7,161,408,200	541,694,900	422,000	7,161,830,200	1.77	8,506,908,491
2017	66,696,500	4,412,211,300	326,400	8,900	2,055,900,100	245,653,300	408,131,100	7,188,927,600	534,875,600	415,750	7,189,343,350	1.81	8,645,733,734
2018	75,139,700	4,422,342,000	-	-	2,030,709,600	257,430,800	417,871,100	7,203,493,200	563,604,800	418,700	7,203,911,900	1.85	8,584,819,202
2019	66,964,400	4,440,741,500	-	-	2,032,704,100	258,224,400	445,301,100	7,243,935,500	573,584,700	417,000	7,244,352,500	1.94	8,686,273,981

Source: District records, Tax list summary & Municipal Tax Assessor and Collector, abstract of ratables, County Board of Taxation.

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.

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

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

Parsippany-Troy Hills School District
 Property Tax Rates - Direct and Overlapping Governments
 Last Ten Fiscal Years
(rate per \$100 of assessed value)
 Unaudited

Fiscal Year Ended December 31,	Parsippany Troy Hills Schools			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Township of Parsippany- Troy Hills	Morris County	
2010	\$ 1.53	\$ 0.04	\$ 1.57	\$ 0.58	\$ 0.30	\$ 2.45
2011	1.60	0.06	1.66	0.54	0.30	2.50
2012	1.66	0.06	1.72	0.56	0.28	2.56
2013	1.66	0.03	1.69	0.61	0.30	2.60
2014	1.69	0.04	1.73	0.61	0.30	2.64
2015	1.71	0.04	1.75	0.62	0.30	2.67
2016	1.73	0.04	1.77	0.63	0.30	2.70
2017	1.77	0.04	1.81	0.66	0.30	2.77
2018	1.81	0.04	1.85	0.66	0.31	2.82
2019	1.90	0.04	1.94	0.68	0.26	2.88

Source: District Records and Municipal Tax Collector

a The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net valuation taxable.

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

N/A Not available.

Parsippany-Troy Hills School District
Principal Property Tax Payers
Current Year and Nine Years Ago
Unaudited

Taxpayer	2019		Taxpayer	2010	
	Taxable Assessed Value	% of Total District Net Assessed Value		Taxable Assessed Value	% of Total District Net Assessed Value
Knoll Manor	\$ 61,015,400	0.84%	State Farm Insurance	\$ 82,500,000	1.11%
Morris Corporate Ctr HDQ III	58,875,100	0.81%	Knoll Manor Associates	61,015,400	0.82%
Morris Corporate Ctr HDQ I & II	57,660,700	0.80%	Teachers Ins ASC of America	60,875,100	0.82%
Powder Mill Heights	51,831,300	0.72%	OTR-MCC LLC % Deloitte & Touche	57,660,700	0.78%
NJ Kimball, LLC	49,544,700	0.68%	One Campus Drive	57,268,000	0.77%
MCC IV Phase I LLC	43,526,900	0.60%	Lake Lenore % Powder Mill Heights	51,831,300	0.70%
Troy Hills Village	42,906,500	0.59%	Sylvan/Campus Rjty, LLC	49,101,800	0.66%
Wells REIT-Multi	40,677,800	0.56%	HH FP Portfolio LLC % Highland Hosp	44,762,300	0.60%
Wyndham Worldwide	39,807,200	0.55%	Acquiport Parsippany LLC % Withthrop	43,526,900	0.59%
Sylvan/Campus, LLC	39,601,800	0.55%	Troy Hills Village	41,506,500	0.56%
Total	\$ 485,447,400	6.70%		\$ 550,048,000	7.42%
 Net Assessed Value	 <u>\$ 7,244,352,500</u>			 <u>\$ 7,415,751,416</u>	

Source: Municipal Tax Collector

Parsippany-Troy Hills 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		Collections in Subsequent Years
		Amount	Percentage of Levy	
2010	\$ 114,081,533	\$ 114,081,533	100.00%	-
2011	117,822,763	117,822,763	100.00%	-
2012	117,186,684	117,186,684	100.00%	-
2013	120,411,379	120,411,379	100.00%	-
2014	123,251,904	123,251,904	100.00%	-
2015	124,936,750	124,936,750	100.00%	-
2016	128,386,814	128,386,814	100.00%	-
2017	130,899,879	130,899,879	100.00%	-
2018	135,017,696	135,017,696	100.00%	-
2019	138,781,418	138,781,418	100.00%	-

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

Note: 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 certified prior to the end of the school year.

Parsippany-Troy Hills School District
 Ratios of Outstanding Debt by Type
 Last Ten Fiscal Years
 Unaudited

Fiscal Year Ended June 30,	Governmental Activities			Total District	Percentage of Personal Income ^(a)	Per Capita ^(a)
	General Obligation Bonds	Capital Leases				
2009	\$ 46,383,000	\$ 2,721,823	\$ 49,104,823	1.36%	\$ 984	
2010	45,183,000	2,923,428	48,106,428	1.30%	962	
2011	43,933,000	3,004,835	46,937,835	1.24%	882	
2012	42,583,000	3,045,125	45,628,125	1.15%	854	
2013	41,083,000	3,042,587	44,125,587	1.07%	823	
2014	38,848,000	18,567,079	57,415,079	1.30%	1,070	
2015	35,270,000	18,798,211	54,068,211	1.25%	1,010	
2016	33,470,000	18,994,034	52,464,034	1.17%	981	
2017	31,570,000	16,891,317	48,461,317	1.03%	910	
2018	29,620,000	15,204,082	44,824,082	0.95%	843	
2019	27,595,000	13,919,333	41,514,333	0.84%	794	

Source: School District Financial Reports

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

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

Parsippany-Troy Hills School District
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Net Valuation Taxable ^(a)	Per Capita ^(b)
	General Obligation Bonds	Deductions			
2009	\$ 46,383,000		\$ 46,383,000	0.62%	\$ 984
2010	45,183,000		45,183,000	0.61%	962
2011	43,933,000		43,933,000	0.60%	882
2012	42,583,000		42,583,000	0.59%	854
2013	41,083,000		41,083,000	0.57%	823
2014	38,848,000		38,848,000	0.54%	1,070
2015	35,270,000	\$ 37,829	35,232,171	0.49%	1,010
2016	33,470,000	37,309	33,432,691	0.47%	981
2017	31,570,000	2,069	31,567,931	0.44%	910
2018	29,620,000	1,516	29,618,484	0.41%	843
2019	27,595,000		27,595,000	0.38%	794

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

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

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

Parsippany-Troy Hills School District
 Ratios of Overlapping Governmental Activities Debt
 As of December 31, 2018
 Unaudited

	Debt Authorized and Outstanding	Estimated Percentage Applicable ^a	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Township of Parsippany	\$ 100,332,833	100.00%	\$ 100,332,833
Morris County General Obligation Debt	216,647,700	9.06%	19,628,282
Subtotal overlapping debt			119,961,115
Parsippany-Troy Hills School District Direct Net Debt			27,595,000
Total direct and overlapping debt			\$ 147,556,115

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.

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 the residents and businesses of Parsippany-Troy Hills. This process recognizes that, when considering the District's ability to issue and repay long-term debt, 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 payment.

a For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of Parsippany-Troy Hills Township's equalized property value that is within the Morris County's boundaries and dividing it by Morris County's total equalized property value.

Parsippany-Troy Hills School District
 Legal Debt margin Information
 Last Ten Fiscal Years
 Unaudited

Legal Debt Margin Calculation for Fiscal Year 2018
 Equalized valuation basis

2019	\$ 8,686,273,981
2018	8,584,819,202
2017	8,645,733,734
	<u>\$ 25,916,826,917</u>
Average equalized valuation of taxable property	
	<u>\$ 8,638,942,306</u>
Debt limit ^a (4 % of average equalization value)	
	\$ 345,557,692
	<u>27,595,000</u>
	<u>\$ 317,962,692</u>

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt limit	\$ 386,019,056	\$ 260,753,615	\$ 385,435,807	\$ 368,325,696	\$ 346,251,871	\$ 338,350,892	\$ 338,546,862	\$ 339,722,776	\$ 341,145,899	\$ 343,166,152	\$ 345,557,692
Total net debt applicable to limit	<u>46,383,000</u>	<u>45,183,000</u>	<u>43,933,000</u>	<u>42,583,000</u>	<u>41,083,000</u>	<u>38,848,000</u>	<u>35,232,171</u>	<u>33,432,691</u>	<u>31,567,931</u>	<u>29,618,484</u>	<u>27,595,000</u>
Legal debt margin	<u>\$ 339,636,056</u>	<u>\$ 215,570,615</u>	<u>\$ 341,502,807</u>	<u>\$ 325,742,696</u>	<u>\$ 305,168,871</u>	<u>\$ 299,502,892</u>	<u>\$ 303,314,691</u>	<u>\$ 306,290,085</u>	<u>\$ 309,577,968</u>	<u>\$ 313,547,668</u>	<u>\$ 317,962,692</u>
Total net debt applicable to the limit as a percentage of debt limit	12.02%	17.33%	11.40%	11.56%	11.87%	11.48%	10.41%	9.84%	9.25%	8.63%	7.99%

a Limit set by NJSA 18A:24-19 for a K through 12 District; other % limits would be applicable for other Districts

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

Parsippany-Troy Hills School District
 Demographic and Economic Statistics
 Last Ten Fiscal Years
 Unaudited

Year	Population ^a	Personal Income ^b	Morris County Per Capita Personal Income ^a	Unemployment Rate ^a
2009	49,880	\$ 3,599,939,360	\$ 72,172	7.60%
2010	49,982	3,709,164,220	74,210	7.60%
2011	53,239	3,799,188,279	71,361	7.10%
2012	53,447	3,979,663,620	74,460	7.30%
2013	53,594	4,137,831,958	77,207	7.30%
2014	53,681	4,403,291,387	82,027	6.10%
2015	53,544	4,329,996,192	80,868	4.20%
2016	53,476	4,475,246,012	83,687	4.20%
2017	53,278	4,682,923,088	87,896	4.00%
2018	53,201	4,738,347,065	89,065	3.70%
2019	52,265	4,926,446,635	94,259	3.30%

^a Provided by the NJ Dept of Education.

^b Personal income was not available, only county average.

Parsippany-Troy Hills School District
Principal Employers
Current Year and Nine Years Ago
Unaudited

2019			2009		
Employer	Employees	Percentage of Total Employment	Employer	Employees	Percentage of Total Employment
United Parcel Post	2,850	N/A	United Parcel Service	1,927	N/A
Wyndham Worldwide	1,500	N/A	Automatic Data Processing	1,400	N/A
Tiffany and Company	1,000	N/A	Wyndham	1,366	N/A
Avis	900	N/A	Avis	1,025	N/A
Common Health	900	N/A	Deloitte & Touche	1,000	N/A
GAF	800	N/A	Realogy	900	N/A
ADP	400	N/A	State Farm	870	N/A
NJ Manufacturers Insurance	750	N/A	Tiffany & Co.	800	N/A
Deloitte	750	N/A	EBI	580	N/A
Day Pitney	750	N/A	Common Health	555	N/A
	<u>10,600</u>			<u>10,423</u>	

Source: Various Agencies of the Township

N/A Total amount of employment is not available in order to calculate percentage of total employment.

Parsippany-Troy Hills School District
 Full-time Equivalent District Employees by Function/Program
 Last Ten Fiscal Years
 Unaudited

<u>Function/Program</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>	<u>2019</u>
Instruction:										
Regular	539.7	516.4	513.1	519.2	521.7	509.0	519.8	524.7	521.8	527.1
Special Education	104.0	106.0	109.6	113.0	112.6	108.0	116.0	115.4	117.4	118.5
Support Services:										
Student & Instruction Related Services	106.0	107.2	109.0	102.4	118.9	104.8	104.9	105.6	113.0	111.0
School Administrative Services	32.0	32.0	32.0	37.3	35.0	38.0	40.0	38.0	36.0	36.0
General & Business Administrative Services	5.0	5.0	5.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Plant Operations and Maintenance	113.5	94.0	94.0	98.5	103.5	110.0	110.5	108.0	110.5	114.5
Pupil Transportation	23.0	23.0	23.0	22.0	22.0	25.0	26.0	27.0	27.0	27.0
Business and Other Support Services	80.5	80.5	81.5	81.5	87.0	85.5	85.0	81.0	78.0	73.5
Total	<u>1,003.7</u>	<u>964.1</u>	<u>967.2</u>	<u>976.9</u>	<u>1,003.7</u>	<u>983.3</u>	<u>1,005.2</u>	<u>1,002.6</u>	<u>1,006.7</u>	<u>1,010.6</u>

Source: District Personnel Records

Parsippany-Troy Hills School District
 Operating Statistics
 Last Ten Fiscal Years
 Unaudited

At June 30,	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	High School				
2009	7,152	\$ 125,425,064	\$ 17,537	2.75%	745	10.3:1	10.3:1	9.5:1	7,157	6,862	-1.31%	95.88%
2010	7,397	129,222,011	17,470	-0.39%	747	10.5:1	7.4:1	9.5:1	7,274	6,988	1.63%	96.07%
2011	7,321	129,238,649	17,653	1.05%	727	12.3:1	8.1:1	10.0:1	7,194	6,984	-1.10%	97.08%
2012	7,290	131,470,868	18,034	2.16%	729	11.8:1	8.6:1	10.4:1	7,267	6,967	1.01%	95.87%
2013	7,270	133,552,027	18,370	1.86%	735	13:2:1	9.1:1	10.3:1	7,270	6,833	0.04%	93.99%
2014	7,014	136,463,081	19,456	5.91%	753	10.2:1	8.2:1	9.1:1	7,014	6,726	-3.52%	95.89%
2015	6,959	136,363,231	19,595	0.72%	722	12.1:1	9.3:1	10.3:1	6,959	6,686	-0.78%	96.08%
2016	7,014	145,783,457	20,785	6.07%	741	10.5:1	8.5:1	8.7:1	7,014	6,748	0.79%	96.21%
2017	7,043	151,077,798	21,451	3.20%	746	11.7:1	10.3:1	10.4:1	6,993	6,710	-0.30%	95.95%
2018	7,032	154,040,020	21,906	2.12%	753	11.6:1	10.5:1	10.3:1	7,024	6,758	0.44%	96.21%
2019	7,170	160,824,956	22,430	2.40%	757	12.1:1	10.5:1	10.3:1	7,130	6,857	1.51%	96.17%

Note: Enrollment's based October 15, 2018 ASSA/DRTRS count report.

- a Operating expenditures equal total expenditures less debt service and capital outlay; (J-4)
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).
- d Cost per pupil is the sum of operating expenditures divided by enrollment. This cost per pupil may be different from the State's cost per pupil calculations.

Parsippany-Troy Hills School District
School Building Information
Last Ten Fiscal Years
Unaudited

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
District Building										
Parisippany High School (1956)										
Square Feet	174,377	174,377	174,377	174,377	174,377	174,377	#####	174,377	174,377	174,377
Capacity (students)	1,106	1,106	1,106	1,106	1,106	1,106	1,106	1,106	1,106	1,106
Enrollment	1,043	1,043	1,008	1,008	971	932	928	929	900	913
Parsippany Hills High School (1970)										
Square Feet	218,009	218,009	218,009	218,009	218,009	218,009	#####	218,009	218,009	218,009
Capacity (students)	1,230	1,230	1,230	1,230	1,230	1,230	1,230	1,230	1,230	1,230
Enrollment	1,153	1,132	1,139	1,139	1,071	1,055	1,032	1,075	1,067	1,075
Brooklawn Middle School (1965)										
Square Feet	125,310	125,310	125,310	125,310	125,310	125,310	#####	125,310	125,310	125,310
Capacity (students)	900	900	900	900	900	900	900	900	900	900
Enrollment	872	861	844	844	881	863	878	886	919	918
Central Middle School (1928)										
Square Feet	138,221	138,221	138,221	138,221	138,221	138,221	#####	138,221	138,221	138,221
Capacity (students)	846	846	846	846	846	846	846	846	846	846
Enrollment	762	792	812	812	753	761	790	785	793	789
Eastlake Elementary School (1967)										
Square Feet	31,589	31,589	31,589	31,589	31,589	31,589	31,589	31,589	31,589	31,589
Capacity (students)	266	266	266	266	266	266	266	266	266	266
Enrollment	277	331	338	338	335	323	312	332	329	350
Intervale Elementary School (1966)										
Square Feet	37,731	37,731	37,731	37,731	37,731	37,731	37,731	37,731	37,731	37,731
Capacity (students)	286	286	286	286	286	286	286	286	286	286
Enrollment	331	316	298	298	285	297	299	297	287	279
Knollwood Elementary School (1961)										
Square Feet	33,880	33,880	33,880	33,880	33,880	33,880	33,880	33,880	33,880	33,880
Capacity (students)	281	281	281	281	281	281	281	281	281	281
Enrollment	359	323	312	312	331	347	365	367	401	414
Lake Hiawatha Elementary School (1952)										
Square Feet	44,424	44,424	44,424	44,424	44,424	44,424	44,424	44,424	44,424	44,424
Capacity (students)	328	328	328	328	328	328	328	328	328	328
Enrollment	436	400	431	431	423	417	427	416	395	406
Lake Parsippany Elementary School (1949)										
Square Feet	36,747	36,747	36,747	36,747	36,747	36,747	36,747	36,747	36,747	36,747
Capacity (students)	297	297	297	297	297	297	297	297	297	297
Enrollment	314	321	334	334	320	318	298	294	284	283
Littleton Elementary School (1958)										
Square Feet	41,890	41,890	41,890	41,890	41,890	41,890	41,890	41,890	41,890	41,890
Capacity (students)	320	320	320	320	320	320	320	320	320	320
Enrollment	368	393	381	381	359	369	393	390	375	405
Mt. Tabor Elementary School (1930)										
Square Feet	42,712	42,712	42,712	42,712	42,712	42,712	42,712	42,712	42,712	42,712
Capacity (students)	302	302	302	302	302	302	302	302	302	302
Enrollment	396	423	430	430	406	414	403	402	439	449
Northvail elementary School (1966)										
Square Feet	32,798	32,798	32,798	32,798	32,798	32,798	32,798	32,798	32,798	32,798
Capacity (students)	278	278	278	278	278	278	278	278	278	278
Enrollment	358	367	371	371	368	362	375	375	377	372
Rockaway Meadow Elementary School (1966)										
Square Feet	36,366	36,366	36,366	36,366	36,366	36,366	36,366	36,366	36,366	36,366
Capacity (students)	280	280	280	280	280	280	280	280	280	280
Enrollment	265	280	270	270	245	252	243	242	228	257
Troy Hills Elementary School (1964)										
Square Feet	36,954	36,954	36,954	36,954	36,954	36,954	36,954	36,954	36,954	36,954
Capacity (students)	289	289	289	289	289	289	289	289	289	289
Enrollment	325	307	302	302	266	249	248	253	238	260
Other:										
Windish Administration (1965)										
Square Feet	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
Maintenance Building (1900)										
Square Feet	4,074	4,074	4,074	4,074	4,074	4,074	4,074	4,074	4,074	4,074
Board Office (acquired in 2006)										
Square Feet	27,500	27,500	27,500	27,500	27,500	27,500	27,500	27,500	27,500	27,500
Number of Schools at June 30, 2018										
Elementary = 10										
Middle School = 2										
High School = 2										
Other = 3										

Source: District records, SRS as of June 30, State's Final Determination Letter

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of renovations and additions. Enrollment is based on the annual October District count.

Parsippany-Troy Hills School District
 General Fund
 Schedule of Required Maintenance for School Facilities
 Last Ten Fiscal Years
 Unaudited

UNDISTRIBUTED EXPENDITURES - REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
 11-000-261-XXX

School Facilities	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Parsippany High School	\$ 73,502	\$ 267,218	\$ 350,175	\$ 328,401	\$ 386,218	\$ 436,982	\$ 444,752	\$ 404,580	\$ 442,231	\$ 458,071
Parsippany Hills High School	96,302	336,581	334,563	410,880	483,520	547,074	556,802	506,507	553,645	573,476
Brooklawn Middle School	54,691	244,553	269,543	225,776	277,542	314,022	319,606	290,737	317,794	329,177
Central Middle School	62,692	258,973	201,581	246,301	289,650	327,722	333,549	303,421	331,658	343,538
Eastlake Elementary School	13,495	68,556	148,268	61,575	69,345	78,459	79,854	72,641	79,401	82,246
Intervale Elementary School	24,362	88,620	69,804	82,100	86,450	97,813	99,552	90,560	98,987	102,533
Knollwood Elementary School	16,513	54,310	48,476	81,995	75,039	84,902	86,412	78,606	85,922	89,000
Lake Hiawatha Elementary School	22,075	99,239	127,723	102,625	98,392	111,325	113,304	103,070	112,662	116,697
Lake Parsippany Elementary School	26,619	136,929	76,337	61,600	81,389	92,087	93,724	85,258	93,193	96,531
Littleton Elementary School	13,391	85,716	62,744	61,578	92,780	104,975	106,841	97,191	106,236	110,041
Mt. Tabor Elementary School	32,716	167,401	81,104	61,580	94,600	107,035	108,938	99,098	108,320	112,200
Northvail Elementary School	20,923	83,721	73,647	61,599	72,642	82,191	83,652	76,096	83,178	86,157
Rockaway Meadow Elementary School	35,660	69,554	62,796	82,140	80,545	91,132	92,752	84,374	92,226	95,530
Troy Hills elementary School	22,300	75,759	73,762	82,106	81,847	92,605	94,252	85,738	93,718	97,075
Administration Building	1,540,299	140,114	116,345	82,105	80,842	91,468	93,094	84,685	92,566	95,882
Maintenance Building	82,178	13,008	10,844	20,525	9,024	10,209	10,391	9,452	10,332	10,702
Grand Total	\$ 2,137,718	\$ 2,190,252	\$ 2,107,712	\$ 2,052,886	\$ 2,359,825	\$ 2,670,001	\$ 2,717,475	\$ 2,472,014	\$ 2,702,068	\$ 2,798,856

Source: District records of required maintenance.

Parsippany-Troy Hills School District
 Insurance Schedule
 Year ended June 30, 2019
 Unaudited

Type of Coverage	Coverage	Deductible
School Package Policy:		
School Alliance Insurance Fund:		
Workers' Compensation/Employers' Liability	\$ 5,000,000	
General and Automotive Liability:		
Aggregate	100,000,000	
Occurrence	5,000,000	
Excess General and Auto Liability:		
Aggregate	5,000,000	
Occurrence	5,000,000	
Employee Benefits Liability:		
Occurrence	5,000,000	
Money and Securities	2,500,000	\$ 1,000
Property, Inland Marine and Automobile Physical Damage:		
Occurrence	250,000,000	2,500
Employee Dishonesty	500,000	
School Leaders' Professional Liability:		
Aggregate	5,000,000	10,000
Boiler and Machinery:		
Occurrence	100,000,000	2,500
Environmental Impairment Liability:		
Aggregate	25,000,000	10,000
Occurrence	1,000,000	10,000
Critical Incident Management	25,000	
Student Accident Coverage - Transamerica Premier Life Insurance Co.		
All Students & Athletes	5,000,000	
Public Officials Bond - Selective Insurance		
Business Administrator/Board Secretary	650,000	
Treasurer	650,000	
Rockaway Meadow School Flood Liability - Selective Insurance		
Building	500,000	1,000
Contents	500,000	1,000

Source: District Records

Single Audit Section

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

Honorable President and Members
of the Board of Education
Parsippany-Troy Hills School District
Parsippany, New Jersey
County of Morris

We have audited, in accordance with the auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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 Parsippany-Troy Hills School District, in the County of Morris, New Jersey (the "District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 26, 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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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* and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

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 results 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.


Scott A. Clelland

Licensed Public School Accountant
No. 1049



WISS & COMPANY, LLP

November 26, 2019
Livingston, New Jersey

Report on Compliance For Each Major Federal and State Program and
on Internal Control Over Compliance Required by the
Uniform Guidance and New Jersey OMB 15-08

Independent Auditors' Report

Honorable President and Members
of the Board of Education
Parsippany-Troy Hills School District
Parsippany, New Jersey
County of Morris

Report on Compliance for Each Major Federal and State Program

We have audited the Parsippany-Troy Hills School District, in the County of Morris, New Jersey (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2019. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and New Jersey 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 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 federal and state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

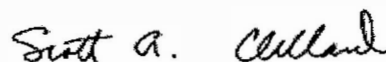
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey 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 the 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 a 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.

Purpose of this Report

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 and New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.



Scott A. Clelland
Licensed Public School Accountant
No. 1049



WISS & COMPANY, LLP

November 26, 2019
Livingston, New Jersey

Panippony-Troy Hills School District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Period	Grant Period	Award Amount	Balance June 30, 2018			Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance June 30, 2019		
						(Accounts Receivable)	Unearned Revenue	Due to Grantor						(Accounts Receivable)	Unearned Revenue	Due to Grantor
General Fund:																
U.S. Department of Health and Human Services - Passed-through State Department of Education:																
Medical Assistance Program (SEMI)	93.778	1805NISMAD	N/A	7/1/18-6/30/19	\$ 31,694				\$ 31,694	\$ 31,694						
Total U.S. Department of Health and Human Services - Passed-through State Department of Education									31,694	31,694						
Total General Fund									31,694	31,694						
U.S. Department of Education--Passed-Through State Department of Education																
Special Revenue Fund:																
Title I, Part A	84.010A	S010A180030	ESEA395019	7/1/18-6/30/19	395,483				129,693	275,897			\$ (146,204)			
Title I, Part A	84.010A	S010A170030	ESEA395018	7/1/18-6/30/19	400,407	(131,285)			304,613	173,328						
Title II, Part A	84.367A	S367A180029	ESEA395019	7/1/18-6/30/19	113,455				15,395	49,369			(33,974)			
Title II, Part A	84.367A	S367A170029	ESEA395018	7/1/18-6/30/19	113,026	(10,477)			88,929	78,452						
Language Instruction for English Learners and Immigrant Students:																
Title III	84.365A	S365A180030	ESEA395019	7/1/18-6/30/19	99,622				76,728	90,710			(13,982)			
Title III	84.365A	S365A170030	ESEA395018	7/1/18-6/30/19	100,539	(18,353)			63,833	45,480						
Title III - Supplemental Immigrant Student Aid	84.365	S365A180030	ESEA395019	7/1/18-6/30/19	31,563				17,987	25,979			(7,992)			
Title III - Supplemental Immigrant Student Aid	84.365	S365A170030	ESEA395018	7/1/18-6/30/19	26,643				26,135	26,135						
Title III - Supplemental Immigrant Student Aid	84.365	S365A160030	ESEA395017	7/1/18-6/30/19	30,248	(2,831)			2,831							
Sub-total of Language Instruction for English Learners and Immigrant Students						(21,184)			187,514	188,304			(21,974)			
Title IV	84.424	S424A180031	ESEA395019	7/1/18-6/30/19	23,908				7,988	8,713			(725)			
Title IV	84.424	S424A170031	ESEA395018	7/1/18-6/30/19	10,000				9,263	9,263						
Special Education Grant Cluster:																
I.D.E.A. Part B, Regular	84.027	H027A180100	IDEA395018	7/1/18-6/30/19	1,585,796				1,170,968	1,385,276			(214,308)			
I.D.E.A. Part B, Regular	84.027	H027A170100	IDEA395017	7/1/18-6/30/19	1,576,916	(175,312)			369,123	193,811						
I.D.E.A. Part B, Preschool	84.173	H173A180114	IDEA395018	7/1/18-6/30/19	59,851				59,214	59,214						
I.D.E.A. Part B, Preschool	84.173	H173A170114	IDEA395017	7/1/18-6/30/19	58,395	(17,171)			29,465	12,294						
Sub-total of Special Education Grant Cluster						(192,483)			1,628,770	1,650,595			(214,308)			
STEM Partnership	84.413A	N/A	N/A	9/1/16-11/30/16	6,000		\$ 723						\$ 723			
Emergency Impact Aid	84.938C	N/A	N/A	7/1/17-6/30/18	25,500	(25,500)			25,500							
Total Special Revenue Fund						(380,929)	723		2,397,665	2,433,921			(417,185)	723		
U.S. Department of Agriculture--Passed-Through State Department of Agriculture																
Enterprise Fund:																
Child Nutrition Cluster:																
U.S.D.A Food Donation Program (NC)	10.555	191N1304N1099	N/A	7/1/18-6/30/19	196,163				196,163	186,242				9,921		
U.S.D.A Food Donation Program (NC)	10.555	181N1304N1099	N/A	7/1/17-6/30/18	211,569		5,889			5,889						
School Breakfast Program	10.553	191N1304N1099	N/A	7/1/18-6/30/19	68,017				63,940	68,017			(4,077)			
School Breakfast Program	10.533	181N1304N1099	N/A	7/1/17-6/30/18	61,951	(4,232)			4,232							
National School Lunch Program	10.555	191N1304N1099	N/A	7/1/18-6/30/19	518,679				520,208	548,990			(28,782)			
National School Lunch Program	10.555	181N1304N1099	N/A	7/1/17-6/30/18	511,712	(28,368)			28,368							
Sub-total of Child Nutrition Cluster						(32,600)	5,889		812,911	809,138			(32,859)	9,921		
Total Enterprise Fund and Total U.S. Department of Agriculture--Passed-Through State Department of Agriculture						(32,600)	5,889		812,911	809,138			(32,859)	9,921		
Total Expenditures of Federal Awards					\$ (413,529)	\$ 6,612	\$ -	\$ -	\$ 3,242,270	\$ 3,274,753	\$ -	\$ -	\$ (450,044)	\$ 10,644		

NC - non-cash expenditures

The accompanying notes to schedules of expenditures of federal awards and state financial assistance are an integral part of this statement.

Passippany-Troy Hills School District
Schedule of Expenditures of State Financial Assistance
Year ended June 30, 2019

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at Unencumbrd Rev. (Acts Rec)	June 30, 2018 Due to Grantor	Carryover/ Withdraw	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2019		Memo	
										Revenue	Due to Grantor		
State Department of Education													
General Fund:													
Special Education Categorical Aid	495-034-5120-089	7/1/17-6/30/18	\$ 4,122,500	\$ (604,081)		\$	404,081	4,122,500			\$	4,122,500	
Special Education Categorical Aid	495-034-5120-089	7/1/18-6/30/19	4,122,500			3,721,235	9,021				(401,265)		
Equalization Aid	495-034-5120-078	7/1/17-6/30/18	92,029	(9,021)			83,072	92,029			(8,957)	92,029	
Equalization Aid	495-034-5120-078	7/1/18-6/30/19	92,029				14,954				(14,850)	152,564	
Security Aid	495-034-5120-084	7/1/17-6/30/18	152,564	(14,954)			137,714	152,564			(14,850)	152,564	
Security Aid	495-034-5120-084	7/1/18-6/30/19	152,564				34,332				(113,207)	1,163,059	
Transportation Aid	495-034-5120-014	7/1/17-6/30/18	350,265	(34,332)			1,049,852	1,163,059				1,163,059	
Transportation Aid	495-034-5120-014	7/1/18-6/30/19	1,163,059				6,841						
PARCC Readiness Aid	495-034-5120-098	7/1/17-6/30/18	69,790	(6,841)			6,841						
PARCC Readiness Aid	495-034-5120-097	7/1/17-6/30/18	69,790	(6,841)			6,808						
Professional Learning Community Aid	495-034-5120-101	7/1/17-6/30/18	69,460	(6,408)			1,328,153	1,489,892				1,489,892	
Extraordinary Aid	100-034-5120-473	7/1/17-6/30/18	1,328,153	(1,328,153)									
Extraordinary Aid	100-034-5120-473	7/1/18-6/30/19	1,489,892				100,657	1,489,892				1,489,892	
Additional NP Transportation Aid	Not available	7/1/17-6/30/18	100,657	(100,657)									
Additional NP Transportation Aid	Not available	7/1/18-6/30/19	95,610	(90,107)			30,107	95,610				95,610	
Homeless tuition reimbursement	Not available	7/1/17-6/30/18	30,107	(30,107)									
Homeless tuition reimbursement	Not available	7/1/18-6/30/19	11,546,831				11,546,831	11,546,831				11,546,831	
On-Behalf TPAF - Pension Contributions	495-034-5095-001	7/1/18-6/30/19	5,237,624				5,237,624	5,237,624				5,237,624	
On-Behalf TPAF - Long-Term Disability Contributions	495-034-5095-001	7/1/18-6/30/19	10,453				10,453	10,453				10,453	
Reimbursed TPAF - Social Security	495-034-5094-003	7/1/17-6/30/18	4,315,827	(211,447)			211,447						
Reimbursed TPAF - Social Security	495-034-5094-003	7/1/18-6/30/19	4,410,279				4,410,279	4,410,279				4,410,279	
Total General Fund			28,350,302	(2,153,242)			28,350,302	28,320,841			(1,382,502)	28,320,841	
Special Revenue Fund:													
Non Public Auxiliary Services (Ch. 192):	100-034-5120-067	7/1/17-6/30/18	42,520										
Compensatory Education		7/1/18-6/30/19	33,418		10,630		33,418	33,333	10,630			33,333	
ESL		7/1/18-6/30/19	863				863					863	
Non Public Handicapped Services (Ch. 193):	100-034-5120-066	7/1/17-6/30/18	22,996										
Supplemental Instruction		7/1/18-6/30/19	29,023		3,251		29,023	25,534	3,251			25,534	
Examination and Classification		7/1/18-6/30/19	33,681				33,681	30,770				30,770	
Corrective Speech		7/1/17-6/30/18	10,445		1,160				1,160				
Corrective Speech		7/1/18-6/30/19	18,213				18,213	17,945				17,945	
New Jersey Non-Public Aid:													
Nursing	100-034-5120-070	7/1/17-6/30/18	47,239										
Nursing	100-034-5120-070	7/1/18-6/30/19	48,306		12,222		48,306	46,250	12,222			46,250	
Textbook Aid	100-034-5120-064	7/1/17-6/30/18	26,577		5,830								
Textbook Aid	100-034-5120-064	7/1/18-6/30/19	26,594				26,594	20,773				20,773	
Technology Aid	100-034-5120-072	7/1/17-6/30/18	18,019		4,767								
Technology Aid	100-034-5120-072	7/1/18-6/30/19	17,928				17,928	14,004				14,004	
Security Aid	100-034-5120-509	7/1/17-6/30/18	36,525		9,652								
Security Aid	100-034-5120-510	7/1/18-6/30/19	74,700				74,700	36,300				36,300	
Total Special Revenue Fund			282,726		47,532		282,726	224,909	47,532		57,817	224,909	
Debt Service Fund:													
Type II Aid	100-034-5120-075	7/1/18-6/30/19	572,603				572,603	572,603				572,603	
Total Debt Service Fund			572,603				572,603	572,603				572,603	
State Department of Agriculture													
Enterprise Fund:													
State School Lunch Program (State share)	100-010-3350-023	7/1/17-6/30/18	24,801	(1,457)			1,457						
State School Lunch Program (State share)	100-010-3350-023	7/1/18-6/30/19	25,882				24,693	25,882			(1,389)	25,882	
Total Enterprise Fund			25,882	(1,457)			25,882	25,882			(1,389)	25,882	
Total State Financial Assistance													
			\$ (2,154,699)		47,532		\$ 29,231,581	\$ 29,144,235	47,532		\$ 57,817	\$ (538,279)	\$ 29,144,235
State Financial Assistance Not Subject to Single Audit Determination:													
On-Behalf TPAF - Pension and Medical Contributions	18-495-034-5095-001/006/007	7/1/18-6/30/19	11,546,831				11,546,831	11,546,831				11,546,831	
On-Behalf TPAF - Pension and Medical Contributions	18-495-034-5095-001/006/007	7/1/18-6/30/19	5,237,624				5,237,624	5,237,624				5,237,624	
On-Behalf TPAF - Long-Term Disability Contributions	18-495-034-5095-001/006/007	7/1/18-6/30/19	10,453				10,453	10,453				10,453	
Total State Financial Assistance Subject to Single Audit Determination			\$ (2,154,699)		47,532		\$ 12,436,673	\$ 12,349,327	47,532		\$ 57,817	\$ (538,279)	\$ 12,349,327

The accompanying notes to schedules of expenditures of federal awards and state financial assistance are an integral part of this statement.

Parsippany-Troy Hills School District
Notes to Schedules of Expenditures of
Federal Awards and State Financial Assistance

Year ended June 30, 2019

1. General

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all expenditures of federal awards and state financial assistance programs of the District. The District is defined in Note 1 to the District's basic financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the schedules of expenditures of federal awards and state financial assistance.

2. Basis of Accounting

The accompanying schedules of expenditures of federal awards and state financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the enterprise funds which are presented using the accrual basis of accounting and those recorded in the special revenue fund, which are presented using the budgetary basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. The information in these schedules is presented in accordance with the requirements of 2 CFR 200-*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some of the amounts presented in these schedules may differ from amounts presented, or used in the preparation of, the basic financial statements.

3. Relationship to Basic Financial Statements

Amounts reported in the accompanying schedules agree with amounts reported in the District's basic financial statements. The basic financial statements present the general fund, special revenue fund and debt service fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

Parsippany-Troy Hills School District

Notes to Schedules of Expenditures of
Federal Awards and State Financial Assistance

Year ended June 30, 2019

3. Relationship to Basic Financial Statements (continued)

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last 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 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 revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payments in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$55,401 for the general fund and \$72,061 for the special revenue fund. See Note to Required Supplementary Information (C-3) for a reconciliation of the budgetary basis to GAAP of accounting for the general and special revenue funds. Federal and State award revenues are reported in the District's basic financial statements on a GAAP basis as follows:

	Federal	State	Total
General Fund	\$ 31,694	\$28,265,440	\$28,297,134
Special Revenue Fund	2,361,859	224,910	2,586,769
Debt Service Fund		572,603	572,603
Food Service Enterprise Fund	809,138	25,882	835,020
Total financial award revenues	<u>\$ 3,202,691</u>	<u>\$29,088,835</u>	<u>\$32,291,526</u>

The adjustment to reconcile from budgetary basis accounts receivable to GAAP basis accounts receivable is \$91,693 for the special revenue fund. This is a result of recognizing encumbrances as expenditures on the budgetary basis but not the GAAP basis.

Parsippany-Troy Hills School District

Notes to Schedules of Expenditures of
Federal Awards and State Financial Assistance

Year ended June 30, 2019

4. Relationship to Federal and State Financial Reports

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

5. Other

Revenues and expenditures reported under the Food Donation Program represent current year value of USDA commodities received and current year distributions, respectively. 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 year ended June 30, 2019.

The post retirement pension, medical benefits and long-term disability benefits on-behalf of the District for the year ended June 30, 2019 amounted to \$16,794,908. Since on-behalf post retirement pension, medical benefits and long-term disability are paid by the State directly, these expenditures are not subject to a single audit in accordance with New Jersey OMB Circular 15-08. However, they are required to be reported on the Schedule of Expenditures of State Financial Assistance, as directed by the funding agency.

6. Indirect Costs

The District elected not to use the 10% de minimis indirect cost rate allowed by the Uniform Guidance.

Parsippany-Troy Hills School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2019

Part I - Summary of Auditors' Results

Financial Statement Section

Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP:

Internal control over financial reporting:

Material weakness(es) identified?

Unmodified

_____ Yes ✓ No

Significant deficiency(ies) identified?

_____ Yes ✓ None Reported

Noncompliance material to the basic financial statements noted?

_____ Yes ✓ No

Federal Awards

Dollar threshold used to distinguish between Type A and Type B programs:

_____ \$750,000

Auditee qualified as low-risk auditee?

✓ Yes _____ No

Type of auditors' report issued on compliance for major federal programs:

Unmodified

Internal control over major federal programs:

Material weakness(es) identified?

_____ Yes ✓ No

Significant deficiency(ies) identified?

_____ Yes ✓ None Reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ Yes ✓ No

Parsippany-Troy Hills School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2019

Part I - Summary of Auditors' Results

Identification of major federal programs:

CFDA Number(s)	FAIN Number	Name of Federal Program or Cluster
10.553	191NJ304N1099	School Breakfast Program (CNP Cluster)
10.555	191NJ304N1099	National School Lunch Program (CNP Cluster)
10.555	191NJ304N1099	Food Donation Program (CNP Cluster)

Parsippany-Troy Hills School District
Schedule of Findings and Questioned Costs

Year ended June 30, 2019

Part I - Summary of Auditors' Results

State Financial Assistance

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

✓ Yes _____ No

Type of auditors' report on compliance for major state programs:

Unmodified

Internal control over compliance:

Material weakness(es) identified?

_____ Yes ✓ No

Significant deficiency (ies) identified?

_____ Yes ✓ None Reported

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular 15-08?

_____ Yes ✓ No

Identification of major state programs:

GMIS/Program Number	Name of State Program or Cluster
100-034-5120-473	Extraordinary Aid
495-034-5120-014	Transportation Aid

Parsippany-Troy Hills School District
Schedule of Findings and Questioned Costs

Year ended June 30, 2019

Part II – Schedule of Financial Statement Findings

No financial statement findings noted that are required to be reported under *Government Auditing Standards*.

Parsippany-Troy Hills School District
Schedule of Findings and Questioned Costs

Year ended June 30, 2019

**Part III – Schedule of Federal Award and State Financial Assistance
Findings and Questioned Costs**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by 2 CFR 200 Section 516(a) and New Jersey Treasury Circular OMB 15-08, respectively.

Federal Award Programs

No compliance or internal control findings noted that are required to be reported in accordance with 2 CFR 200 Section 516(a).

State Award Programs

No compliance or internal control findings noted that are required to be reported in accordance with New Jersey Treasury Circular OMB 15-08.

Parsippany-Troy Hills School District
Summary Schedule of Prior Year Audit Findings
Year ended June 30, 2019

Not applicable as there were no prior year audit findings.