

**SCHOOL DISTRICT
OF
PEQUANNOCK TOWNSHIP**

**Pequannock Township School District
Board of Education
Pequannock, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2020**

**Comprehensive Annual
Financial Report**

of the

**Pequannock Township School District
Board of Education**

Pequannock, New Jersey

For the Fiscal Year Ended June 30, 2020

Prepared by

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2020

INTRODUCTORY SECTION (UNAUDITED)

Letter of Transmittal	1
Organizational Chart	5
Roster of Officials	6
Consultants and Advisors.....	7

FINANCIAL SECTION..... 8

Independent Auditors’ Report.....	9
-----------------------------------	---

Required Supplementary Information	12
Management’s Discussion and Analysis	13

Basic Financial Statements (Sections A. and B.).....	21
--	----

A. District-Wide Financial Statements.....	22
--	----

A-1 Statement of Net Position	23
A-2 Statement of Activities.....	24

B. Fund Financial Statements.....	26
-----------------------------------	----

B-1 Balance Sheet – Governmental Funds	27
B-2 Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds	29
B-3 Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	31
B-4 Statement of Net Position – Proprietary Funds.....	33
B-5 Statement of Revenue, Expenses and Changes in Fund Net Position – Proprietary Funds	34
B-6 Statement of Cash Flows – Proprietary Funds.....	35
B-7 Statement of Fiduciary Net Position – Fiduciary Funds	36
B-8 Statement of Changes in Fiduciary Net Position – Fiduciary Funds	37

Notes to the Basic Financial Statements.....	38
--	----

Required Supplementary Information 81

L. Schedules Related to Accounting and Reporting for Pensions and Postemployment Benefits	
---	--

Other than Pensions	81
---------------------------	----

L-1 Schedule of District’s Proportionate Share of the Net Pension Liability - Public Employees Retirement System.....	82
--	----

L-2 Schedule of District Contributions – Public Employees Retirement System	83
---	----

L-3 Schedule of State’s Proportionate Share of the Net Pension Liability Attributable To the District - Teachers’ Pension and Annuity Fund	84
---	----

L-4 Schedule of State Contributions – Teacher’s Pension Annuity Fund.....	85
---	----

L-5 Schedule of Changes in the State’s Proportionate Share of the Total OPEB Liability Associated with the District and Related Ratios.....	86
--	----

Notes to Required Supplementary Information	87
---	----

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

FINANCIAL SECTION (Cont'd)

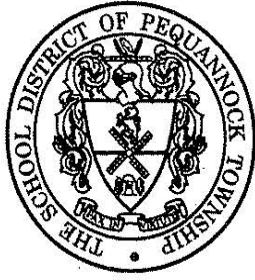
Other Supplementary Schedules (C.-I.)

C.	Budgetary Comparison Schedules	90
C-1	Budgetary Comparison Schedule – General Fund	91
C-2	Budgetary Comparison Schedule – Special Revenue Fund.....	105
C-3	Budgetary Comparison Schedule – Note to Required Supplementary Information	106
D.	School Level Schedules (Not Applicable).....	108
E.	Special Revenue Fund	109
E-1	Combining Schedule of Revenue and Expenditures Special Revenue Fund – Budgetary Basis.....	110
E-2	Preschool Education Aid Schedule of Expenditures – Budgetary Basis (Not Applicable)	
F.	Capital Projects Fund.....	113
F-1	Summary Schedule of Revenues, Expenditures and Changes in Fund Balance	114
F-1a	Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Roof Replacement and Various Renovations at Hillview Elementary School.....	115
F-1b	Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Stephen J. Gerace Elementary School Window Replacement Project, Roof Repair and Security Infrastructure	116
F-1c	Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Pequannock High School Window Replacement, Generator and Security Infrastructure ...	117
F-1d	Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Roof Replacement and Various Renovations at North Boulevard Elementary School.....	118
F-1e	Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Roof Replacement and Various Renovations at Pequannock Valley Middle School.....	119
F-1f	Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Pequannock High School Stadium Renovations, High School and Middle School Science Lab Renovations and District Wide Security Cameras Project.....	120
F-1g	Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Pequannock High School Field Building and Plaza Renovations	121
F-1h	Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Bus, Maintenance Vehicle and Various Equipment	122
F-1i	Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Various District Renovations	123
G.	Proprietary Funds (Enterprise Fund)	124
G-1	Statement of Net Position	125
G-2	Statement of Revenue, Expenses and Changes in Fund Net Position.....	126
G-3	Statement of Cash Flows	127

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

H. Fiduciary Funds	128
H-1 Combining Statement of Fiduciary Net Position	129
H-2 Combining Statement of Changes in Fiduciary Net Position	130
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	131
H-4 Student Activity Agency Fund Statement of Activity	132
H-5 Payroll Agency Fund Schedule of Receipts and Disbursements	133
I. Long-Term Debt	134
I-1 Schedule of Serial Bonds	135
I-2 Schedule of Obligations Under Capital Leases.....	136
I-3 Budgetary Comparison Schedule - Debt Service Fund.....	137
 STATISTICAL SECTION	
J. Statistical Section (Unaudited)	138
J-1 Net Position by Component	139
J-2 Changes in Net Position	141
J-3 Fund Balances - Governmental Funds	143
J-4 Changes in Fund Balances- Governmental Funds	144
J-5 General Fund Other Local Revenue by Source	146
J-6 Assessed Value and Actual Value of Taxable Property	147
J-7 Direct and Overlapping Property Tax Rates	148
J-8 Principal Property Taxpayers.....	149
J-9 Property Tax Levies and Collections	150
J-10 Ratios of Outstanding Debt by Type	151
J-11 Ratios of Net General Bonded Debt Outstanding	152
J-12 Ratios of Overlapping Governmental Activities Debt	153
J-13 Legal Debt Margin Information	154
J-14 Demographic and Economic Statistics	155
J-15 Principal Employers.....	156
J-16 Full-Time Equivalent District Employees by Function/Program	157
J-17 Operating Statistics	158
J-18 School Building Information	159
J-19 Schedule of Required Maintenance for School Facilities	160
J-20 Insurance Schedule	161
K. Single Audit Section	163
K-1 Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	164
K-2 Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance.....	166
K-3 Schedule of Expenditures of Federal Awards.....	168
K-4 Schedule of Expenditures of State Awards.....	169
K-5 Notes to Schedules of Expenditures of Federal and State Awards	171
K-6 Schedule of Findings and Questioned Costs.....	173
K-7 Summary Schedule of Prior Audit Findings	175

**INTRODUCTORY SECTION
(UNAUDITED)**



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

538 Newark-Pompton Turnpike
Pompton Plains, New Jersey 07444

Sallyann McCarty (Tel) (973) 616-6030 (Fax) (973) 616-6041
Business Administrator/Board Secretary

December 15, 2020

The Honorable President and Members of
the Board of Education
Pequannock Township School District
County of Morris, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Pequannock Township School District (the "District") for the fiscal year ended June 30, 2020, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes The Independent Auditors' Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, financial trends and the fiscal capacity of the District, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' report on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: The Pequannock Township School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The Pequannock Township School District and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 12. These services include regular, vocational as well as special education for youngsters with learning disabilities. The official district enrollment was 2,118 students, which is 15 students above the previous year's enrollment and represents an increase of .099%.

The Honorable President and Members of
the Board of Education
Pequannock Township School District
Page 2
December 15, 2020

2) ECONOMIC CONDITION AND OUTLOOK: Pequannock Township continues to view development and expansion with a close eye to maintaining the character of the community. Frequently described as “colonial”, “rural” and “picturesque,” Pequannock Township is in fact a mixture of architectural design styles and lifestyles, while retaining the flavor or quality of the descriptive terms. The perception of a “sense of place” is a frequent experience of residents and visitors.

The Township presented a full revision of its Master Plan in November 2019 for a December 9th adoption. While the soul of the plan is tied to the maintenance of the Township’s neighborhoods and open spaces, as well as the protection of its quality of life, it lays out an aggressive approach to a continuation of controlled and managed development in the commercial districts and along the Route 23 corridor.

The Township further recognizes the need for an increasing tax base, both residential and commercial, and this continues to be a part of the community’s vision. This realization has assisted in the maintenance of a relatively stable local property tax rate, despite the decrease in school enrollment noted earlier.

Growth and expansion in both the residential and commercial markets in the Township have been stagnant.

3) MAJOR INITIATIVES: During the 2019-2020 school year, the Pequannock Township School District administration and staff focused their efforts on the implementation of the following goals that were adopted by the Board of Education.

Five (5) Year Strategic Plan: The District continued with its implementation of aspects of the Strategic Plan through various programs and initiatives. Specifically, the District focused on the four (4) goals areas outlined in the Plan. These included (1) student programs, (2) finances / funding, (3) communications, and (4) facilities. Examples of successful implementation of these goals include the modification of the preschool inclusion program, increasing student access to the Google 1:1 instructional initiative where all students in K-12 have access or are provided with a Google Chromebook, sharing services with neighboring school districts, utilizing Twitter and Facebook as a community outreach and professional development tool, and renovation of Biology labs at Pequannock Township High School, installation of air-conditioning in several classrooms at Pequannock Valley Middle School, expansion of academy programs, and a new digital marquee at Pequannock Valley Middle School.

Student Achievement: The District continued to implement various benchmarking assessments to monitor and address learning deficiencies using data to form instruction and curriculum during the 2019-2020 school year, though the pandemic-induced need to go remote provided significant disruption to our ability to assess achievement accurately and through traditional means. Districtwide professional development and staff articulation continued to center on generating assessments that accurately measure learning outcomes from common learning experiences. The district brought in published speakers with expertise in instruction to help move the district forward with pedagogical thinking and instructional implementation, and ongoing attention was paid to common scoring practices that reflect assessing the most relevant skills that our students need to develop.

Curricula were updated throughout all grades levels and subjects were reviewed and revised to meet the New Jersey Student Learning Standards and Next Generation Science Standards. The curricula were modified to fill the instructional gaps as students’ transition to the 1:1 Chromebook initiative in Grades 1-12. Electronic sources and keynote speakers were purchased and secured to provide professional development opportunities for staff in order to increase technology-based instruction and increase student achievement.

Sustainability: The Pequannock Township Board of Education continued to emphasize sustainability and wellness for our staff and students. After having maintained Bronze status in the Sustainable Jersey for Schools program, we have begun the process of working towards Silver status. Each school worked collaboratively on implementing strategies and programs to effect long-term learning and mindset shifts regarding environmental stewardship as well as physical and mental wellness.

Future Ready: The Pequannock Township School District continues to prepare our students not for a past that will never be again, but a future we anticipate will demand collaboration, critical thinking, and the ability to adapt to changing technology. To that end we embraced a goal to work towards advanced status in the state's now-erstwhile Future Ready program. Each school was certified bronze and implemented additional programs to empower educators to provide learning opportunities that enabled greater interaction and problem solving while eschewing cookie cutter assessment design.

4) INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state awards, the District also is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by the District's management.

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control system, including that portion related to major federal and state award programs, as well as to determine that the District has complied with applicable laws, regulations, contracts and grants.

5) BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by a vote of the Board of Education. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. Project length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at fiscal year-end are either canceled or are included as reappropriations of fund balance in the subsequent fiscal year. Those amounts to be reappropriated are reported as restrictions, commitments and assignments of fund balance at June 30, 2020.

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


The Honorable President and Members of
the Board of Education
Pequannock Township School District
Page 4
December 15, 2020

7) RISK MANAGEMENT: The Board is a member of the Pooled Insurance Program of New Jersey ("PIP"). The PIP is a risk-sharing public entity risk pool that is both an insured and self-administered group of school districts established for the purpose of providing low-cost workers' compensation insurance coverage to its members. Additional information on the PIP is included in Note 10 to the Basic Financial Statements.

8) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia, LLP, CPA's, was selected by the Board's audit committee. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditor's report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.

9) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Pequannock Township School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of the financial and accounting staff.

Respectfully submitted,

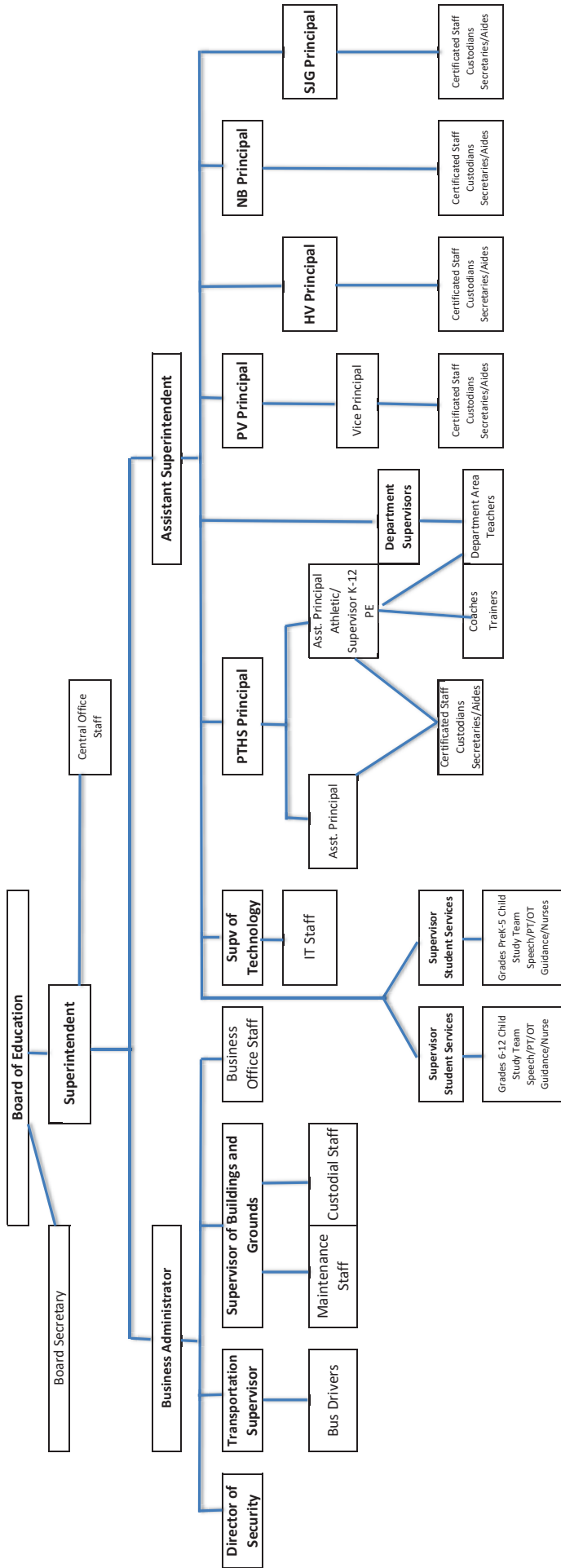


Michael Portas
Superintendent of Schools



Sallyann McCarty
Business Administrator/Board Secretary

Pequannock Township Public Schools Organizational Chart



**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
 ROSTER OF OFFICIALS
 JUNE 30, 2020**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Joseph Blumert	2021
Cara Shenton	2020
Sam Ciresi	2020
Megan Dempsey	2021
Greg MacSweeney	2022
Danielle Esposito	2022
Richard Prezioso	2020
Richard Thumman	2021
Leonard Smith	2022

<u>Other Officials</u>	<u>Title</u>
Michael Portas	Superintendent of Schools
Rosalie Winning, Ed.D.	Assistant Superintendent
Sallyann McCarty	Business Administrator/Board Secretary (From 1/16/2020)
James Olobardi	Interim Business Administrator/Board Secretary (To 1/15/2020)
Raymond G. Karaty	Treasurer of School Monies
Sciarrillo Cornell	Board Attorney

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
Consultants and Advisors

Attorney

Sciarrillo, Cornell
238 St. Paul Street
Westfield, New Jersey 07090

Audit Firm

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

Official Depository

Lakeland Bank
901 Route 23 South
Pompton Plains, NJ 07444

FINANCIAL SECTION

Independent Auditors' Report

The Honorable President and Members
of the Board of Education
Pequannock Township School District
County of Morris, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Pequannock Township School District (the “District”) in the County of Morris, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditors’ Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Pequannock Township School District, in the County of Morris, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report, the pension and post-employment benefit schedules in Exhibits L-1 through L-5 and the related notes and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying other supplementary schedules and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2020 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.

Mount Arlington, New Jersey
December 15, 2020

Nisivoccia, LLP
NISIVOCCIA, LLP

Kathryn L. Mantell

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

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

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

This section of Pequannock Township School District’s annual financial report presents its discussion and analysis of the District’s financial performance during the fiscal year ending June 30, 2020. Please read it in conjunction with the transmittal letter at the front of this report and the District’s financial statements, which immediately follow this section.

Overview of the Financial Statements

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

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

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

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

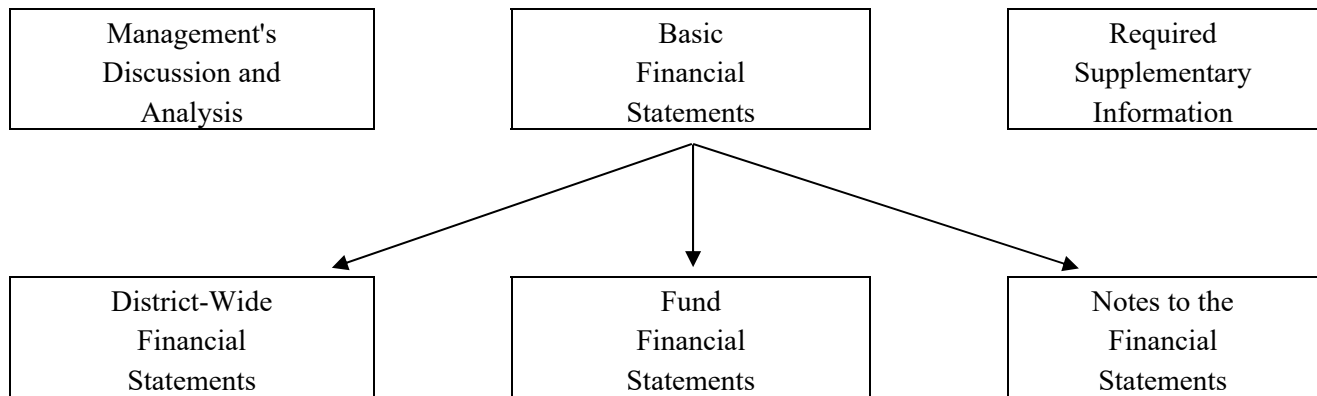


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights that structure and contents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

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

Net Position. The District's combined net position increased by 29.28%. Net position from governmental activities increased \$4,432,007 and net position from business-type activities decreased by \$28,309.

Figure A-3

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage
	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	Change
Current and Other Assets	\$ 11,579,129	\$ 9,570,133	\$ 31,538	\$ 46,051	\$ 11,610,667	\$ 9,616,184	
Capital Assets, Net	28,917,379	28,240,008	32,080	38,520	28,949,459	28,278,528	
Total Assets	<u>40,496,508</u>	<u>37,810,141</u>	<u>63,618</u>	<u>84,571</u>	<u>40,560,126</u>	<u>37,894,712</u>	7.03%
Deferred Outflows of Resources	<u>1,742,997</u>	<u>2,539,612</u>			<u>1,742,997</u>	<u>2,539,612</u>	-31.37%
Other Liabilities	1,013,189	1,850,767	30,339	22,983	1,043,528	1,873,750	
Long-Term Liabilities	18,535,800	20,211,080			18,535,800	20,211,080	
Total Liabilities	<u>19,548,989</u>	<u>22,061,847</u>	<u>30,339</u>	<u>22,983</u>	<u>19,579,328</u>	<u>22,084,830</u>	-11.34%
Deferred Inflows of Resources	<u>3,280,371</u>	<u>3,309,768</u>			<u>3,280,371</u>	<u>3,309,768</u>	-0.89%
Net Position:							
Net Investment in Capital Assets	18,972,606	17,708,038	32,080	38,520	19,004,686	17,746,558	
Restricted	9,032,165	6,757,492			9,032,165	6,757,492	
Unrestricted/(Deficit)	<u>(8,594,626)</u>	<u>(9,487,392)</u>	<u>1,199</u>	<u>23,068</u>	<u>(8,593,427)</u>	<u>(9,464,324)</u>	
Total Net Position	<u>\$ 19,410,145</u>	<u>\$ 14,978,138</u>	<u>\$ 33,279</u>	<u>\$ 61,588</u>	<u>\$ 19,443,424</u>	<u>\$ 15,039,726</u>	29.28%

Changes in Net Position. The District's combined net position was \$19,443,424 at June 30, 2020, \$4,403,698 or 29.28% more than it was the year before (See Figure A-3). Net investment in capital assets increased by \$1,258,128 as a result of bonds principal payments, and capital acquisitions and construction in process offset by depreciation expense and amortization of deferred amount on refunding.

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Restricted net position increased by \$2,274,673 mainly due to increases in the restricted capital projects fund balance, excess surplus and maintenance reserve. Unrestricted net position increased by \$870,897 primarily due to a decrease in the pension liability offset by surplus appropriated to support the budget in the current year. (See Figure A-3).

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	Change
Revenue:							
Program Revenue:							
Charges for Services	\$ 775,009	\$ 355,591	\$ 569,464	\$ 789,893	\$ 1,344,473	\$ 1,145,484	
Grants and Contributions:							
Operating	11,224,639	12,986,784		21,944	11,224,639	13,008,728	
General Revenue:							
Property Taxes	36,641,809	35,934,476			36,641,809	35,934,476	
Federal and State Aid Not Restricted	961,569	983,314			961,569	983,314	
Other	482,803	491,088	1,188	2,000	483,991	493,088	
Total Revenue	<u>50,085,829</u>	<u>50,751,253</u>	<u>570,652</u>	<u>813,837</u>	<u>50,656,481</u>	<u>51,565,090</u>	-1.76%
Expenses:							
Instruction	28,536,761	30,432,681			28,536,761	30,432,681	
Pupil and Instruction Services	8,077,288	7,963,266			8,077,288	7,963,266	
Administration and Business	4,384,199	4,516,494			4,384,199	4,516,494	
Maintenance and Operations	3,016,727	4,013,680			3,016,727	4,013,680	
Transportation	1,284,704	1,281,338			1,284,704	1,281,338	
Other	354,143	378,575	598,961	820,867	953,104	1,199,442	
Total Expenses	<u>45,653,822</u>	<u>48,586,034</u>	<u>598,961</u>	<u>820,867</u>	<u>46,252,783</u>	<u>49,406,901</u>	-6.38%
Change in Net Position	<u>\$ 4,432,007</u>	<u>\$ 2,165,219</u>	<u>\$ (28,309)</u>	<u>\$ (7,030)</u>	<u>\$ 4,403,698</u>	<u>\$ 2,158,189</u>	104.05%

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Governmental Activities

Maintaining existing programs with the provision of a multitude of special programs/services for disabled pupils place great demands on the District's resources.

Careful management of expenses remains essential for the District to sustain its financial health. Among the many significant cost savings methods in place during the fiscal year were:

- Employees share in the cost of prescription and dental insurance premiums.
- The majority of school supplies are purchased through a cooperative bidding process with the Educational Services Commission of Morris County.
- The District also uses the same cooperative bidding process with the Educational Services Commission of Morris County for transportation.
- The District utilizes an hourly bus driver to reduce the costs for athletic transportation.

Figure A-5 presents the cost of six major District activities: instruction, pupil and instruction services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions:

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

	Total Cost of Services		Net Cost of Services	
	2019/2020	2018/2019	2019/2020	2018/2019
Instruction	\$ 28,536,761	\$ 30,432,681	\$17,977,336	\$18,801,079
Pupil & Instruction Services	8,077,288	7,963,266	7,261,114	7,040,974
Administration & Business	4,384,199	4,516,494	3,895,822	3,872,682
Maintenance & Operations	3,016,727	4,013,680	3,016,727	4,013,680
Transportation	1,284,704	1,281,338	1,149,032	1,136,669
Other	354,143	378,575	354,143	378,575
	<u>\$ 45,653,822</u>	<u>\$ 48,586,034</u>	<u>\$ 33,654,174</u>	<u>\$ 35,243,659</u>

Business-Type Activities

Net position from the District's business-type activities decreased by \$28,309 (Refer to Figure A-4) primarily due to the COVID-19 pandemic. There was no service revenue since March, but meals were served to students who were eligible for free and reduced lunches. The District no longer participates in the National School Lunch program.

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Financial Analysis of the District's Funds

The District's financial position has been strong in the past several years. However, expenditures during the recent fiscal year increased significantly as a result of an increase in the number of pupils requiring special needs. In addition to the greater numbers, these pupils require more complex educational and related services.

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

General Fund Budgetary Highlights

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

Capital Asset and Long-Term Liabilities Administration

**Figure A-6
Capital Assets (Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total School District		Percent
	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	Change
Land	\$ 4,659,600	\$ 4,659,600			\$ 4,659,600	\$ 4,659,600	
Construction in Progress	3,975,612	5,907,133			3,975,612	5,907,133	
Site Improvements	1,916,747	2,071,006			1,916,747	2,071,006	
Buildings/Building Improvements	17,361,529	14,904,529			17,361,529	14,904,529	
Machinery and Equipment	1,003,891	697,740	\$ 32,080	\$ 38,520	1,035,971	736,260	
Total	\$28,917,379	\$28,240,008	\$ 32,080	\$ 38,520	\$28,949,459	\$28,278,528	2.37%

The District's capital assets increased \$671,119 or 2.37% during the year. This is primarily due to continued capital assets acquisitions including construction in progress offset by depreciation. (More detailed information about the District's capital assets is presented in Note 6 to the financial statements).

Long-Term Liabilities

The District's overall long-term liabilities decreased \$1,675,280, or 8.29%. The decrease in total long-term liabilities from the prior year is primarily due to a decrease in Net Pension Liability, bond maturities, and bond premium amortization offset by an increase in compensated absences payable and a new capital leases issuance – as shown in Figure A-7. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Figure A-7

Outstanding Long-Term Liabilities

	Total School District		Percentage Change 2019/2020
	2019/2020	2018/2019	
General Obligation Bonds (Financed with Property Taxes)	\$ 10,125,000	\$ 11,010,000	
Net Pension Liability	7,123,995	8,088,600	
Net Unamortized Bond Premiums	809,744	899,716	
Capital Leases	250,000		
Compensated Absences Payable	227,061	212,764	
	<u>\$ 18,535,800</u>	<u>\$ 20,211,080</u>	-8.29%

Factors Bearing on the District’s Future

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

- The imposed legislative “caps” on tax levy increases for New Jersey School Districts at no more than 2%.
- The continuing significant increases in the employee benefits plans exceed the general CPI and budgetary growth “caps” forcing reductions in programs.
- The District is anticipating continued though varying decreases in student enrollment based on a recent demographic study. This may have an effect on the ability to offer diverse high school programs of study as enrollment declines.
- The District is exploring relationships with other public and private schools to utilize existing facilities space for alternative revenue sources.
- The District is operating within a five-year curriculum review cycle. Costs associated with the constant updating of curriculum have a direct effect on future budgets.
- The District has been seeking alternative funding sources for infrastructure and capital needs, helping to alleviate some of the financial pressures of trying to improve facilities in a time of shrinking revenues.
- The District continues to face fluctuations of State Aid from year to year making it difficult to establish realistic long-term budget projections.
- The District realized a slight decrease in free and reduced lunch counts due to the economic conditions in the country, state, and Township and has opted out of the National School Lunch Program.
- Pension and benefits reform legislation has had an impact on the District with respect to staffing, budgeting and long-term planning.

Contacting the District’s Financial Management

This financial report is designed to provide the District’s citizens, taxpayers and customers with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Education Office, 538 Newark-Pompton Turnpike, Pompton Plains, New Jersey 07444.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 5,495,386	\$ 12,072	\$ 5,507,458
Interfund Receivable - Fiduciary Fund	46,725		46,725
Receivables from Federal Government	53,338		53,338
Receivables from State Government	428,786		428,786
Receivables from Other Governments	2,024,270		2,024,270
Receivables - Other	217,477		217,477
Inventory		19,466	19,466
Restricted Cash and Cash Equivalents	3,313,147		3,313,147
Capital Assets, Net:			
Sites (Land)	4,659,600		4,659,600
Construction in Progress	3,975,612		3,975,612
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	20,282,167	32,080	20,314,247
Total Assets	40,496,508	63,618	40,560,126
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount on Refunding	430,227		430,227
Deferred Outflows - Pensions	1,312,770		1,312,770
Total Deferred Outflows of Resources	1,742,997		1,742,997
LIABILITIES			
Current Liabilities:			
Accrued Interest Payable	169,528		169,528
Payable to State Government	49,124		49,124
Accounts Payable	783,682	9,624	793,306
Unearned Revenue	10,855	20,715	31,570
Noncurrent Liabilities:			
Due Within One Year	1,061,379		1,061,379
Due Beyond One Year	17,474,421		17,474,421
Total Liabilities	19,548,989	30,339	19,579,328
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Pensions	3,280,371		3,280,371
Total Deferred Inflows of Resources	3,280,371		3,280,371
NET POSITION			
Net Investment in Capital Assets	18,972,606	32,080	19,004,686
Restricted for:			
Capital Projects	4,072,970		4,072,970
Excess Surplus	3,083,195		3,083,195
Maintenance Reserve	1,876,000		1,876,000
Unrestricted/(Deficit)	(8,594,626)	1,199	(8,593,427)
Total Net Position	\$ 19,410,145	\$ 33,279	\$ 19,443,424

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Functions/Programs	Program Revenues				Net (Expenses)/Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 20,902,487	\$ 775,009	\$ 5,841,870		\$ (14,285,608)		\$ (14,285,608)
Special Education	5,961,531		3,526,793		(2,434,738)		(2,434,738)
Other Special Instruction	343,130		100,130		(243,000)		(243,000)
School Sponsored Instruction	1,329,613		315,623		(1,013,990)		(1,013,990)
Support Services:							
Tuition	2,159,405		419,123		(1,740,282)		(1,740,282)
Student & Instruction Related Services	5,917,883		397,051		(5,520,832)		(5,520,832)
General Administrative Services	842,367				(842,367)		(842,367)
School Administrative Services	2,628,329		488,377		(2,139,952)		(2,139,952)
Central Services	598,104				(598,104)		(598,104)
Administration Information Technology	315,399				(315,399)		(315,399)
Plant Operations and Maintenance	3,016,727				(3,016,727)		(3,016,727)
Pupil Transportation	1,284,704		135,672		(1,149,032)		(1,149,032)
Interest on Long-Term Debt	354,143				(354,143)		(354,143)
Total Governmental Activities	45,653,822	775,009	11,224,639	\$ -0-	(33,654,174)	\$ -0-	(33,654,174)

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Functions/Programs	Program Revenues				Net (Expenses)/Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:							
Food Service	\$ 598,961	\$ 569,464				\$ (29,497)	\$ (29,497)
Total Business-Type Activities	<u>598,961</u>	<u>569,464</u>				<u>(29,497)</u>	<u>(29,497)</u>
Total Primary Government	<u>\$ 46,252,783</u>	<u>\$ 1,344,473</u>	<u>\$ 11,224,639</u>	<u>\$ -0-</u>	<u>\$ (33,654,174)</u>	<u>(29,497)</u>	<u>(33,683,671)</u>
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					35,694,480		35,694,480
Taxes Levied for Debt Service					947,329		947,329
Federal and State Aid Not Restricted					961,569		961,569
Investment Earnings					11,819	1,188	13,007
Miscellaneous Income					470,984		470,984
Total General Revenues					<u>38,086,181</u>	<u>1,188</u>	<u>38,087,369</u>
Change in Net Position					4,432,007	(28,309)	4,403,698
Net Position - Beginning					14,978,138	61,588	15,039,726
Net Position - Ending					<u>\$ 19,410,145</u>	<u>\$ 33,279</u>	<u>\$ 19,443,424</u>

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

FUND FINANCIAL STATEMENTS

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS:				
Cash and Cash Equivalents	\$ 5,129,885	\$ 35,945	\$ 329,556	\$ 5,495,386
Interfund Receivable	303,479			303,479
Receivables from Federal Government		53,338		53,338
Receivables from State Government	402,671	26,115		428,786
Receivables from Other Governments	2,024,270			2,024,270
Receivables - Other	213,546	3,931		217,477
Restricted Cash and Cash Equivalents	3,313,147			3,313,147
TOTAL ASSETS	\$ 11,386,998	\$ 119,329	\$ 329,556	\$ 11,835,883
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Interfund Payable		704		256,754
Payable to State Government		49,124	256,050	49,124
Accounts Payable - Vendors	335,940	61,896		397,836
Unearned Revenue	3,250	7,605		10,855
Total Liabilities	339,190	119,329	256,050	714,569
Fund Balances:				
Restricted for:				
Excess Surplus - Current Year	2,000,000			2,000,000
Excess Surplus - Prior Year - For Subsequent Year's Expenditures	1,083,195			1,083,195
Capital Reserve Account	3,999,464			3,999,464
Maintenance Reserve Account	1,876,000			1,876,000
Assigned:				
Year-End Encumbrances	971,041			971,041
For Subsequent Year's Expenditures	563,719			563,719
Committed:				
Capital Projects			73,506	73,506
Unassigned	554,389			554,389
Total Fund Balances	11,047,808	73,506	73,506	11,121,314
TOTAL LIABILITIES & FUND BALANCES	\$ 11,386,998	\$ 119,329	\$ 329,556	\$ 11,835,883

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

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

Total Fund Balances - Governmental Funds (Above)	\$ 11,121,314
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds.	28,917,379
Long-Term Liabilities, including Bonds Payable and Net Pension Liability for PERS, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(17,726,056)
Bond Premiums are reported as revenue in the funds in the year the bonds are sold.	(809,744)
Certain amounts related to the Net Pension Liability are deferred and amortized in the Statement of Activities and are not reported in the Governmental Funds:	
Deferred Outflows	926,924
Deferred Inflows	(3,280,371)
The Deferred amount on the refunding is not reported as an expenditure in the Governmental Funds in the year of the expenditure.	430,227
Accrued Interest on Long-Term Liabilities, including Bonds Payable, is not due and payable in the current period and therefore is not reported as a liability in the funds.	<u>(169,528)</u>
Net Position of Governmental Activities	<u>\$ 19,410,145</u>

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

REVENUES	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Local Sources:					
Local Tax Levy	\$ 35,694,480			\$ 947,329	\$ 36,641,809
Tuition	775,009				775,009
Capital Reserve Interest	7,885				7,885
Maintenance Reserve Interest			\$ 3,934		3,934
Rents and Royalties	144,116				144,116
Miscellaneous	326,868	\$ 9,691			336,559
Total - Local Sources	36,948,358	9,691	3,934	947,329	37,909,312
State Sources	8,590,303	293,925		344,996	9,229,224
Federal Sources	576,508				576,508
Total Revenues	45,538,661	880,124	3,934	1,292,325	47,715,044
EXPENDITURES					
Current:					
Instruction:					
Regular Instruction	11,584,592	338,909			11,923,501
Special Education Instruction	3,501,119	122,092			3,623,211
Other Special Instruction	189,263				189,263
School Sponsored Instruction	844,608				844,608
Support Services and Undistributed Costs:					
Tuition	1,740,282	419,123			2,159,405
Student & Instruction Related Services	4,220,489				4,220,489
General Administration Services	739,721				739,721
School Administration Services	1,463,929				1,463,929
Central Services	471,606				471,606

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

EXPENDITURES	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Current:					
Support Services and Undistributed Costs:					
Administrative Information Technology	\$ 259,496				\$ 259,496
Plant Operations and Maintenance	2,720,954				2,720,954
Pupil Transportation	971,210				971,210
Allocated and Unallocated Benefits	12,330,417				12,330,417
Capital Outlay	535,670		\$ 1,383,678		1,919,348
Debt Service:					
Principal				\$ 885,000	885,000
Interest and Other Charges				407,325	407,325
Total Expenditures	41,573,356	\$ 880,124	1,383,678	1,292,325	45,129,483
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	3,965,305		(1,379,744)		2,585,561
OTHER FINANCING SOURCES/(USES):					
Lease Proceeds			250,000		250,000
Transfers In	165,785		832,600		998,385
Transfers Out	(832,600)		(165,785)		(998,385)
Total Other Financing Sources/(Uses)	(666,815)		916,815		250,000
Net Change in Fund Balances	3,298,490		(462,929)		2,835,561
Fund Balance - July 1	7,749,318		536,435		8,285,753
Fund Balance - June 30	\$ 11,047,808	\$ -0-	\$ 73,506	\$ -0-	\$ 11,121,314

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2) \$ 2,835,561

Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:

Capital Outlays are reported in the Governmental Funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays differ from depreciation during the period.

677,371

In the Statement of Activities, certain operating expenses, e.g., compensated absences (sick days) are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).

(14,297)

Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces Long-term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities.

885,000

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

Change in Net Pension Liability	964,605
Change in Deferred Outflows	(748,812)
Change in Deferred Inflows	29,397

In the Statement of Activities, Interest on Long-term Debt in the Statement of Activities is accrued, regardless of when due. In the Governmental Funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+).

11,013

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<p>The Governmental Funds report the effect of bond premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities (+).</p>	<p>\$ 89,972</p>
<p>Capital leases are an other financing source in the governmental funds. They are not revenue in the statement of activities; capital leases increase long-term liabilities in the statement of net position.</p>	<p>(250,000)</p>
<p>The Governmental Funds report the effect of the deferred amount on the refunding when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities (-).</p>	<p><u>(47,803)</u></p>
<p>Change in Net Position of Governmental Activities (Exhibit A-2)</p>	<p><u><u>\$ 4,432,007</u></u></p>

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2020

	Business-Type Activities: <u>Enterprise Funds</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 12,072
Inventory	19,466
	31,538
Total Current Assets	31,538
Non-Current Assets:	
Capital Assets	141,680
Less: Accumulated Depreciation	(109,600)
	32,080
Total Non-Current Assets	32,080
Total Assets	63,618
LIABILITIES:	
Current Liabilities:	
Unearned Revenue - Prepaid Sales	20,715
Accounts Payable - Vendors	9,624
	30,339
Total Liabilities	30,339
NET POSITION:	
Investment in Capital Assets	32,080
Unrestricted	1,199
	33,279
Total Net Position	\$ 33,279

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Business-Type Activities: <u>Enterprise Funds</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Non-Reimbursable Programs	\$ 569,160
Special Events	304
	569,464
Total Operating Revenue	569,464
Operating Expenses:	
Cost of Sales - Nonreimbursable Programs	258,402
Salaries	165,680
Payroll Taxes	24,389
Employee Benefits	15,942
Purchased Property Services	60,046
Supplies and Materials	31,803
Depreciation Expense	8,850
Miscellaneous Expenditures	33,849
	598,961
Total Operating Expenses	598,961
Operating (Loss)	(29,497)
Non-Operating Revenue:	
Local Sources:	
Interest Revenue	1,188
	1,188
Total Non-Operating Revenue	1,188
Change in Net Position	(28,309)
Net Position - Beginning of Year	61,588
Net Position - End of Year	\$ 33,279

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Business-Type Activities: Enterprise Funds</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 581,163
Payments to Food Service Vendor	(594,669)
Payments to Suppliers	(8,413)
Net Cash Provided by/(Used for) used for Operating Activities	<u>(21,919)</u>
Cash Flows from Investing Activities:	
Interest Revenue	<u>1,188</u>
Net Cash Provided by/(Used for) Investing Activities	<u>1,188</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of Capital Assets	<u>(2,410)</u>
Net Cash Provided by/(Used for) Capital and Related Financing Activities	<u>(2,410)</u>
Net (Increase) in Cash and Cash Equivalents	(23,141)
Cash and Cash Equivalents, July 1	<u>35,213</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 12,072</u></u>
Reconciliation of Operating Loss to Net Cash Provided by/(Used for) Operating Activities:	
Operating (Loss)	\$ (29,497)
Adjustment to Reconcile Operating Loss to Cash Provided by / (Used for) Operating Activities:	
Depreciation	8,850
Changes in Assets and Liabilities:	
(Decrease) in Accounts Payable	(4,343)
Increase in Prepaid Sales	11,699
(Increase) in Inventory	(8,628)
Net Cash Provided by/(Used for) Operating Activities	<u><u>\$ (21,919)</u></u>

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2020

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Trust</u>
ASSETS:				
Cash and Cash Equivalents	\$ 211,552	\$ 555,006	\$ 57,293	\$ 146,467
Total Assets	<u>211,552</u>	<u>555,006</u>	<u>57,293</u>	<u>146,467</u>
LIABILITIES:				
Interfund Payable - General Fund	2,425		44,300	
Due to Student Groups	209,127			
Total Liabilities	<u>211,552</u>		<u>44,300</u>	
NET POSITION:				
Held in Trust for:				
Unemployment Claims		555,006		
Flexible Spending Claims			12,993	
Scholarships				146,467
Total Net Position	<u>\$ -0-</u>	<u>\$ 555,006</u>	<u>\$ 12,993</u>	<u>\$ 146,467</u>

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust
ADDITIONS:			
Contributions - Employees	\$ 45,949	\$ 58,047	
Contributions - District	50,000		
Donations			\$ 250
Total Contributions	95,949	58,047	250
Investment Earnings:			
Interest	5,831	449	1,842
Net Investment Earnings	5,831	449	1,842
Total Additions	101,780	58,496	2,092
DEDUCTIONS:			
Unemployment Compensation Claims	25,142		
Flexible Spending Claims		51,271	
Scholarships Awarded			6,500
Total Deductions	25,142	51,271	6,500
Change in Net Position	76,638	7,225	(4,408)
Net Position - Beginning of Year	478,368	5,768	150,875
Net Position - End of the Year	\$ 555,006	\$ 12,993	\$ 146,467

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (the "Board") of Pequannock Township School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

A. Reporting Entity:

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3) The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

District-Wide Financial Statements:

The statement of net position and the statement of activities present financial information about the District's governmental and business type activities. These statements include the financial activities of the overall District in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenue and other nonexchange transactions. Business type activities are financed in part by fees charged to external parties.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements: (Cont'd)

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

Fund Financial Statements:

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - *governmental, proprietary and fiduciary* - are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for all expendable financial resources not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

As required by NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expenses by board resolution.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

B. Basis of Presentation: (Cont'd)

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

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

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

The District reports the following proprietary funds:

Enterprise Funds: The Enterprise Funds account for all revenue and expenses pertaining to the Board's cafeteria (Food Service) operations. The Food is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and includes the Student Activities Fund, Payroll Agency Fund, Flexible Spending Trust Fund, Unemployment Compensation Insurance Trust Fund and Private Purpose Scholarship Trust Fund.

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

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

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

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

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue and Debt Service Funds. The budget for the fiscal year ended June 30, 2020 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the Special Revenue Fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

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

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments in the GAAP financial statements.

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 45,543,265	\$ 863,209
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not:		
Prior Year Encumbrances		16,915
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	212,831	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(217,435)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 45,538,661	\$ 880,124
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 41,573,356	\$ 863,209
Differences - Budget to GAAP:		
Encumbrances for Supplies and Equipment Ordered but not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the year the Supplies are Received for Financial Reporting Purposes:		
Prior Year Encumbrances		16,915
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 41,573,356	\$ 880,124

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

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

	Capital Projects Fund
	Fund
	Balance
Summary Schedule of Revenue, Expenditures and Changes in Fund Balance (Budgetary Basis) (per Exhibit F-1)	\$ 2,410,252
Reconciliation to Governmental Funds Statement (GAAP):	
SDA Grants are Recognized as Revenue on the Budgetary Basis when awarded but are not Recognized on the GAAP Basis until Expended and Requested for Reimbursement.	(2,336,746)
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds (GAAP Basis) (per Exhibit B-2)	\$ 73,506

E. Cash and Cash Equivalents and Investments:

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

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

New Jersey school districts are limited as to type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and saving banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all the other public depositories, is available to pay the full amount of their deposits to the governmental units.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

F. Interfund Transactions:

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which are presented as internal balances.

G. Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

H. Encumbrances:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as restricted, committed and/or assigned fund balances at fiscal year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the Special Revenue Fund for which the District has received advances are reflected in the balance sheet as unearned revenue at fiscal year-end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

I. Short-term Interfund Receivables/Payables:

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

J. Inventories and Prepaid Expenses:

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund, are recorded as expenditure during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2020.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

K. Capital Assets:

Capital assets acquired or constructed are recorded at historical cost including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at acquisition value. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the District-wide statements and proprietary funds on the following page is as follows:

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

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures in the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

L. Long Term Liabilities:

In the District-wide and enterprise fund statements of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise funds. Bond premiums and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

M. Accrued Salaries and Wages:

The District does not allow employees who provide services to the District over a ten-month academic year the option to have their salaries evenly disbursed over the entire twelve month year. However, the District does give ten-month employees the option to put 10% of their salaries each pay period towards a summer payment. The District disbursed those salary amounts prior to June 30; therefore the District had no accrued salaries and wages as of June 30, 2020.

N. Compensated Absences:

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by GASB. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

N. Compensated Absences: (Cont'd)

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy. Upon termination, employees are paid for accrued vacation. The District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee unions.

In the district-wide *Statement of Net Position*, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due in more than one year.

O. Unearned Revenue:

Unearned revenue in the Special Revenue Fund represents cash which has been received but not yet earned. See Note 1(D) regarding the Special Revenue Fund.

P. Fund Balance Appropriated:

General Fund: Of the \$11,047,808 General Fund balance at June 30, 2020, \$971,041 is assigned for encumbrances; \$563,719 is assigned for subsequent year's expenditures and has been appropriated and included as anticipated revenue for fiscal year end June 30, 2021; \$3,999,464 is restricted in the capital reserve account; \$1,876,000 is restricted in the maintenance reserve account; \$2,000,000 is restricted as current year excess surplus and will be appropriated and included as anticipated revenue for the fiscal year ended June 30, 2022; \$1,083,195 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2021; and \$554,389 is unassigned which is \$217,435 less than the calculated budgetary unassigned fund balance due to the last two June state aid payments, which are not recognized on the GAAP basis until the fiscal year ended June 30, 2021.

Capital Projects Fund: The Capital Projects Fund fund balance at June 30, 2020 of \$73,506, is committed and is \$2,336,746 less on the GAAP basis due to the non-recognition of SDA grants until the grant funds are expended and submitted for reimbursement.

Debt Service Fund: The Debt Service Fund fund balance at June 30, 2020 was \$-0-.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (S1701) the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District has excess surplus as noted above.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

P. Fund Balance Appropriated (Cont'd)

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$217,435 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last two state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year for intergovernmental transactions, GASB requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the school district cannot recognize the June state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the June state aid payments and not the fund balance reported on the fund statement which excludes the June state aid payments.

Q. Deficit Fund Balance/Net Position:

The District had a \$8,594,626 deficit in unrestricted net position in its governmental activities, which is primarily due to accrual of the net pension liability and related deferred outflows and inflows as well as compensated absences and accrued interest payable. This deficit does not indicate that the District is having financial difficulties and is a permitted practice under generally accepted accounting principles.

R. Net Position:

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources at June 30, 2020 for the deferred amount on refunding of debt, and pensions.

The District had a deferred inflow of resources at June 30, 2020 for pensions.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

R. Net Position (Cont'd)

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

S. Fund Balance Restrictions, Commitments and Assignments:

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications.

In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

Fund balance restrictions have been established for excess surplus, capital reserve, and maintenance reserve.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District had \$73,506 of committed resources at June 30, 2020 in the Capital Projects Fund.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources of \$971,041 for year-end encumbrances and \$563,719 for subsequent year's expenditures, in the General Fund at June 30, 2020.

T. Operating Revenue and Expenses:

Operating revenue are those revenues that are generated directly from the primary activity of the Enterprise Funds. For the School District, these revenues are sales for the food service program. Operating expenses are necessary costs incurred to provide the services that are the primary activities of the Enterprise Fund.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

U. Revenue - Exchange and Nonexchange Transactions:

Revenue, resulting from exchange transactions in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means within sixty days of the fiscal year end. Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes, interest and tuition.

V. Management Estimates:

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

W. Pensions:

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

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, amounts in deposits, money market accounts, and short-term investments with original maturities of three months or less.

The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB requires disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the Board ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Board limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed in the Investment section of this note.

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

Deposits:

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

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

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

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

Investments

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located.
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983, c.313 (C.40A:5A-1 et seq.). Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the requirements of the "Local Authorities Fiscal Control Law," P.L. 1983, c. 313 (C.40A:5A-1 et seq.). ;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed; or

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

Investments (Cont'd)

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

As of June 30, 2020, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents Reserve Accounts	Total
Checking and Savings Accounts	\$ 6,477,776	\$ 3,313,147	\$ 9,790,923

During the period ended June 30, 2020, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2020, was \$9,790,923 and the bank balance was \$10,491,372.

NOTE 4. CAPITAL RESERVE ACCOUNT

A Capital Reserve Account was established by the District by inclusion of \$1 on October 2, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The Capital Reserve Account is maintained in the General Fund and its activity is included in the General Fund annual budget.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

Funds placed in the Capital Reserve Account are restricted to capital projects in the District’s approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the State Department of Education, a District can increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts, or both. A District may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the Capital Reserve Account for the July 1, 2019 to June 30, 2020 fiscal year is as follows:

Beginning Balance, July 1, 2019	\$ 3,261,863
Interest Earnings	7,885
Increase by Board Resolution in June 2020	1,400,465
Transfer from Capital Projects Fund (Unexpended Project Balances)	161,851
Budgeted Withdrawal	<u>(832,600)</u>
Ending Balance, June 30, 2020	<u>\$ 3,999,464</u>

The \$3,999,464 balance in the Capital Reserve Account at June 30, 2020 does not exceed the local support costs of uncompleted capital projects in the District’s approved Long Range Facilities Plan (“LRFP”). The withdrawals from the Capital reserve Account were for use in DOE approved facilities projects, consistent with the District’s LRFP.

NOTE 5. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2020, the District transferred \$102,972 to capital outlay accounts during the fiscal year. The transfer for the acquisition of equipment did not require County Superintendent approval. County Superintendent approval was required and obtained for the transfer to facilities acquisition and construction services.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the fiscal year ended June 30, 2020 were as follows:

	Balance 6/30/2019	Increases	Adjustments & Deletions	Balance 6/30/2020
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Sites (Land)	\$ 4,659,600			\$ 4,659,600
Construction in Progress	5,907,133	\$ 1,383,678	\$(3,315,199)	3,975,612
Total Capital Assets Not Being Depreciated	<u>10,566,733</u>	<u>1,383,678</u>	<u>(3,315,199)</u>	<u>8,635,212</u>
Capital Assets Being Depreciated:				
Site Improvements	3,154,648			3,154,648
Buildings and Building Improvements	37,219,238	402,874	3,315,199	40,937,311
Machinery and Equipment	4,000,652	495,890		4,496,542
Total Capital Assets Being Depreciated	<u>44,374,538</u>	<u>898,764</u>	<u>3,315,199</u>	<u>48,588,501</u>
Governmental Activities Capital Assets	<u>54,941,271</u>	<u>2,282,442</u>		<u>57,223,713</u>
Less Accumulated Depreciation for:				
Site Improvements	(1,083,642)	(154,259)		(1,237,901)
Buildings and Building Improvements	(22,314,709)	(1,261,073)		(23,575,782)
Machinery and Equipment	(3,302,912)	(189,739)		(3,492,651)
	<u>(26,701,263)</u>	<u>(1,605,071)</u>		<u>(28,306,334)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$28,240,008</u>	<u>\$ 677,371</u>	<u>\$ - 0 -</u>	<u>\$28,917,379</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 139,270	\$ 2,410		\$ 141,680
Less Accumulated Depreciation	(100,750)	(8,850)		(109,600)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 38,520</u>	<u>\$ (6,440)</u>	<u>\$ - 0 -</u>	<u>\$ 32,080</u>

The District expended \$1,383,678 towards construction projects in progress and for continuation of construction in the Capital Projects Fund and \$898,764 for improvements and equipment from the General Fund capital outlay accounts during the fiscal year. As of June 30, 2020, the District has \$6,385,864 in active construction projects with unexpended balances of \$2,410,252.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 464,674
Special Education	6,911
Student & Instructional Related Services	293,599
General Administrative Services	17,646
School Administrative Services	266,080
Operations and Maintenance of Plant	322,649
Pupil Transportation	233,512
	\$ 1,605,071

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2020, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2019	Accrued	Retired	Balance 6/30/2020
Serial Bonds Payable	\$ 11,010,000		\$ 885,000	\$ 10,125,000
Net Unamortized Bond Premiums	899,716		89,972	809,744
Compensated Absences Payable	212,764	\$ 14,297		227,061
Capital Leases Payable		250,000		250,000
Net Pension Liability - PERS	8,088,600		964,605	7,123,995
	\$ 20,211,080	\$ 264,297	\$ 1,939,577	\$ 18,535,800

A. Bonds Payable:

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

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

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

A. Bonds Payable: (Cont'd)

The District had bonds outstanding as of June 30, 2020 as follows:

<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
School Renovation Project	8/12/2029	2.00% - 3.875%	\$ 2,520,000
Refunding Bonds	1/15/2029	4.00%	7,605,000
			<u>\$ 10,125,000</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 920,000	\$ 384,475	\$ 1,304,475
2022	955,000	351,675	1,306,675
2023	990,000	316,625	1,306,625
2024	1,030,000	279,775	1,309,775
2025	1,090,000	240,825	1,330,825
2026-2030	<u>5,140,000</u>	<u>545,594</u>	<u>5,685,594</u>
	<u>\$ 10,125,000</u>	<u>\$ 2,118,969</u>	<u>\$ 12,243,969</u>

B. Bonds Authorized But Not Issued:

There were no bonds authorized but not issued as of June 30, 2020.

C. Capital Leases Payable:

The District is leasing a bus, maintenance vehicle and various equipment under capital leases. The District has entered into capital leases totaling \$250,000 of which \$-0- has been liquidated as of June 30, 2020. The capital leases payable will be liquidated by the General Fund. The current portion for governmental leases is \$51,407 and the long-term portion is \$198,593. A schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2020 is on the following page.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

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

C. Capital Leases Payable: (Cont'd)

Year Ending June 30,	Amount
2021	\$ 51,974
2022	51,974
2023	51,974
2024	51,973
2025	51,973
Total Minimum Lease Payments	259,868
Less: Amount Representing Interest	(9,868)
Present Value of Net Minimum Lease Payments	\$ 250,000

D. Unamortized Bond Issuance Premiums:

The liability for unamortized bond issuance premiums of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of unamortized bond issuance premiums at June 30, 2020 is \$89,972 and the long-term portion is \$719,772.

E. Compensated Absences:

The current contract with the teaching and support staff limits the District's fiscal year payout for their compensated absences to \$65,000 per fiscal year. If the District's annual payout for teaching and support staff retirees exceeds \$65,000 in any fiscal year, the amount would be prorated among the retirees so as not to exceed \$65,000 in any fiscal year. Employees receive their payout on June 30 of the year in which they retire. Should an employee not receive the full amount of their accrual, it does not carry forward past the first year of their retirement.

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. No portion of the compensated absences balance of the governmental funds at June 30, 2020 is currently payable; therefore, the long-term liability balance of compensated absences is \$227,061.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2020, no liability existed for compensated absences in the Food Service Enterprise Fund.

F. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2020 is \$-0- and the long-term portion is \$7,123,995. See Note 9 for further information on the PERS.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 8. ECONOMIC DEPENDENCY

The Board of Education receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Board of Education's programs and activities.

NOTE 9. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: The Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years, beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$391,842 for fiscal year 2020.

The employee contribution rate was 7.50% effective July 1, 2018.

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

At June 30, 2020, the District's liability was \$7,123,995 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2019, the District's proportion was 0.0484%, which was an increase of 0.0003% from its proportion measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the District recognized actual pension expense in the amount of \$145,385. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	6.44	\$ 18,827	
	2015	5.72	116,413	
	2016	5.57	576,117	
	2017	5.48		\$ 1,022,675
	2018	5.63		826,416
	2019	5.21		623,625
			<u>711,357</u>	<u>2,472,716</u>
Difference Between Expected and Actual Experience	2015	5.72	32,298	
	2016	5.57	17,484	
	2017	5.48	30,414	
	2018	5.63		31,471
	2019	5.21	47,670	
			<u>127,866</u>	<u>31,471</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2016	5.00		(131,489)
	2017	5.00		157,795
	2018	5.00		109,759
	2019	5.00		(23,610)
				<u>112,455</u>
Changes in Proportion	2014	6.44		56,027
	2015	5.72	59,925	
	2016	5.57	27,776	
	2017	5.48		61,006
	2018	5.63		264,154
	2019	5.21		282,542
			<u>87,701</u>	<u>663,729</u>
District Contribution Subsequent to Measurement Date	2019	1.00	385,846	
			<u>\$ 1,312,770</u>	<u>\$ 3,280,371</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

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

Fiscal Year Ending June 30,	Total
2020	\$ (205,708)
2021	(667,314)
2022	(595,873)
2023	(279,793)
2024	(28,730)
	\$ (1,777,418)

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions:

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00 – 6.00% based on years of service
Thereafter	3.00 – 7.00% based on years of service
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Actuarial Assumptions (Cont'd)

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2019 are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Management Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Market Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Discount Rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. 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 3.50% as of June 30, 2019 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 100% of actuarially determined contributions for the local employers. 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 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The figure on the following page presents the District's proportionate share of the collective net pension liability as of June 30, 2019 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2019		
	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
District's proportionate share of the Net Pension Liability	\$ 9,061,364	\$ 7,123,995	\$ 5,582,806

Pension Plan Fiduciary Net Position

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division).

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description (Cont'd)

For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annual-reports.shtml.

Benefits Provided

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

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. For fiscal year 2020, the State's pension contribution was less than the actuarial determined amount.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2020, the State of New Jersey contributed \$3,414,243 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$5,643,296.

The employee contribution rate was 7.50% effective July 1, 2018.

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

At June 30, 2020, the State's proportionate share of the net pension liability associated with the District was \$95,677,176. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2019, the District's proportion was 0.156%, which was a decrease of 0.0022% from its proportion measured as of June 30, 2018.

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		95,677,176
Total	\$	95,677,176

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

For the fiscal year ended June 30, 2020, the State recognized pension expense on behalf of the District in the amount of \$5,643,296 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2020 financial statements.

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

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	8.5	\$ 768,874,621	
	2015	8.3	2,351,172,865	
	2016	8.3	5,609,216,856	
	2017	8.3		\$ 8,483,527,374
	2018	8.29		5,172,258,445
	2019	8.04		3,507,345,617
			8,729,264,342	17,163,131,436
Difference Between Expected and Actual Experience	2014	8.5		7,323,009
	2015	8.3	145,211,243	
	2016	8.3		69,755,412
	2017	8.3	150,939,884	
	2018	8.29	907,352,137	
	2019	8.04		136,265,890
			1,203,503,264	213,344,311
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2016	5		(431,855,192)
	2017	5		452,016,524
	2018	5		288,091,115
	2019	5		(144,882,771)
				163,369,676
			\$ 9,932,767,606	\$ 17,539,845,423

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

Fiscal Year Ending June 30,	Total
2020	\$ (272,405,510)
2021	(704,260,700)
2022	(630,562,767)
2023	(1,216,378,743)
2024	(2,381,316,232)
Thereafter	(2,402,153,865)
	\$ (7,607,077,817)

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	1.55 – 4.45% based on years of service
Thereafter	2.75 – 5.65% based on years of service
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and a 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected_returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Market Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 5.60% as of June 30, 2019. 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 3.50% as of June 30, 2019 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 70% of the actuarially determined contributions for the State. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2054. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2054, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

The table below presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2019 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	June 30, 2019		
	At 1% Decrease (4.60%)	At Current Discount Rate (5.60%)	At 1% Increase (6.60%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 112,824,567	\$ 95,677,176	\$ 81,450,256

Pension Plan Fiduciary Net Position - TPAF

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

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the District recognized pension expense of \$23,628 for the fiscal year ended June 30, 2020. Employee contributions to DCRP amounted to \$32,106 for the fiscal year ended June 30, 2020.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 10. RISK MANAGEMENT

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

Property and Liability Insurance and Health Benefits

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

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

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

The PIP can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with Statement No. 10 of the Governmental Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

The audit of the PIP for the year ended June 30, 2020 was not available as of the date of this report. Selected, summarized financial information as of June 30, 2019 is as follows:

	<u>Pooled Insurance Program of New Jersey</u>
Total Assets	<u>\$ 20,888,033</u>
Net Position	<u>\$ 8,932,828</u>
Total Revenue	<u>\$ 7,954,404</u>
Total Expenses and Adjustments	<u>\$ 7,605,614</u>
Change in Net Position	<u>\$ (802,044)</u>
Member Dividends	<u>\$ 1,150,834</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

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

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

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

New Jersey Unemployment Compensation Insurance

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

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

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>District Contributions</u>	<u>Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2020	\$ 45,949	\$ 50,000	\$ 5,831	\$ 25,142	\$ 555,006
2019	34,428	75,000	7,837	28,513	478,368
2018	23,751	29,979	4,584	57,890	389,616

NOTE 11. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans, which are administered by TSA Consulting Group Inc., the District’s third party administrator, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The approved vendors are as follows:

- | | |
|-------------------------------------|---------------------------------|
| AXA Equitable Financial Resources | Metropolitan Life Insurance Co. |
| Security Benefit | Gaba Financial Services |
| Lincoln National Life Insurance Co. | Siracusa Benefit Group |

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 12. COMMITMENTS AND CONTINGENCIES

Litigation

The District is periodically involved in pending lawsuits and estimates that the potential claims resulting from any litigation and not covered by insurance would not materially affect the District's financial statements.

Grant Programs

The District participates in federal and state assisted grant programs. The programs are subject to program compliance audits by grantors or their representatives. The District is potentially liable for expenditures which may be disallowed pursuant to terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Encumbrances

At June 30, 2020, there were encumbrances as detailed below in the governmental funds:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Year-End Encumbrances	<u>\$ 971,041</u>	<u>\$ 16,915</u>	<u>\$ 987,956</u>

On the District's Governmental Funds Balance Sheet as of June 30, 2020, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund. On the GAAP basis, actual encumbrances of \$16,915 are not recognized until paid and are reflected as either a reduction in grants receivable or an increase in unearned revenue in the Special Revenue Fund.

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The following interfund balances existed as of June 30, 2020:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 303,479	
Special Revenue Fund		\$ 704
Capital Projects Fund		256,050
Fiduciary Fund:		
Flexible Spending Trust		44,300
Payroll Agency		2,425
	<u>\$ 303,479</u>	<u>\$ 303,479</u>

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 14. TAX CALENDAR

Property taxes are levied by the District’s constituent municipality as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and October 19. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December 10.

Taxes are collected by the constituent municipality and are remitted to the District on a predetermined mutually agreed-upon schedule.

NOTE 15. MAINTENANCE RESERVE ACCOUNT

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

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

The activity of the maintenance reserve for the July 1, 2019 to June 30, 2020 fiscal year is as follows:

Beginning Balance, July 1, 2019	\$	876,000
Increase by Board Resolution in June 2020		1,000,000
Ending Balance, June 30, 2020	\$	1,876,000

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 16. ACCOUNTS PAYABLE

The following accounts payable balances existed as of June 30, 2020:

	<u>Governmental Funds</u>		District Contribution Subsequent	Total	<u>Proprietary Fund</u>
	General Fund	Special Revenue Fund	to the Measurement Date	Governmental Activities	<u>Food Service</u>
Vendors	\$ 335,940	\$ 61,896		\$ 397,836	\$ 9,624
Due to:					
State of New Jersey		49,124	\$ 385,846	434,970	
	<u>\$ 335,940</u>	<u>\$ 111,020</u>	<u>\$ 385,846</u>	<u>\$ 832,806</u>	<u>\$ 9,624</u>

NOTE 17. TAX ABATEMENTS

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

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

The Township of Pequannock recognized revenue in the amount of \$105,272 from one payment in lieu of taxes ("PILOT") agreement. The taxes which would have been paid on this property for 2019 without the abatement would have been \$216,902 of which \$143,438 would have been for the local school tax.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 18. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District is in a “special funding situation”, as described in GASB Codification Section P50, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the District.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Education Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in GASB Codification Section P50. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

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

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

For additional information about the State Health Benefit Local Education Retired Education Plan, please refer to the Division’s Comprehensive Annual Financial Report (CAFR) which can be found at <https://www.state.nj.us/treasury/pensions/gasb-notices-opeb.shtml>.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 18. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

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

Employees Covered by Benefit Terms

At June 30, 2018, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	148,051
Active Plan Members	<u>216,892</u>
Total	<u><u>364,943</u></u>

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The total nonemployer OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017 which was rolled forward to June 30, 2018.

Actuarial Assumptions and Other Inputs

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

Inflation Rate	2.50%	
	<u>TPAF/ABP</u>	<u>PERS</u>
Salary Increases:		
Through 2026	1.55 - 3.05%	2.00 - 6.00%
	based on service years	based on service years
Thereafter	1.55 - 3.05%	3.00 - 7.00%
	based on service years	based on service years

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies for the periods July 1, 2015 - June 30, 2018 and July 1, 2014 – June 30, 2018 for TPAF and PERS, respectively.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 18. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

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

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 Healthy “Teachers” (TPAF/ABP), “General” (PERS), and “Safety” (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Post-retirement mortality rates were based on the Pub-2010 “General” classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Disability mortality was based on the Pub-2010 “General” classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2020 is reflected. The assumed post-65 medical trend rate is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

Discount Rate

The discount rate for June 30, 2019 was 3.50%. The discount rate for June 30, 2018 was 3.87%, a change of -.37%. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. The source is the Bond Buyer Go 20-Bond Municipal bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Changes in the State’s Proportionate Share of the Total OPEB Liability Associated with the District

	Total OPEB Liability
Balance at June 30, 2018	\$ 73,141,519
Changes for Year:	
Service Cost	2,480,950
Interest on the Total OPEB Liability	2,888,647
Differences between Expected and Actual Experience	(11,061,737)
Changes in Assumptions	990,934
Gross Benefit Payments by the State	60,476
Contributions from Members	(2,040,144)
Net Changes	(6,680,874)
Balance at June 30, 2019	\$ 66,460,645

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 18. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

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

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

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2019, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2019		
	At 1% Decrease (2.50%)	At Discount Rate (3.50%)	At 1% Increase (4.50%)
Total OPEB Liability Attributable to the District	\$ 78,516,285	\$ 66,460,645	\$ 56,884,305

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

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2019, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2019		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 54,760,609	\$ 66,460,645	\$ 81,949,090

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 18. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

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

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

For the fiscal year ended June 30, 2020 the District recognized OPEB expense of \$1,431,056 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Codification Section P50, in which there is a special funding situation.

In accordance with GASB Codification Section P50, as the District's proportionate share of the OPEB liability is \$-0-, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2019 the State had deferred outflows of resources and deferred inflows of resources related to OPEB associated with the District from the following sources:

	<u>Deferral</u> <u>Year</u>	<u>Period</u> <u>in Years</u>	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Changes in Assumptions	2017	9.54		\$ 7,737,363
	2018	9.51		6,655,179
	2019	9.29	\$ 884,267	
			<u>884,267</u>	<u>14,392,542</u>
Differences between Expected and Actual Experience	2018	9.51		6,291,215
	2019	9.29		10,407,872
				<u>16,699,087</u>
Changes in Proportion	N/A	N/A	977,363	202,222
			<u>\$ 1,861,630</u>	<u>\$ 31,293,851</u>

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2020	\$ (4,055,777)
2021	(4,055,777)
2022	(4,055,777)
2023	(4,055,777)
2024	(4,055,777)
Thereafter	<u>(9,928,477)</u>
	<u>\$ (30,207,362)</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

NOTE 19. SUBSEQUENT EVENT

The COVID-19 outbreak in the United States and specifically in New Jersey has caused disruption of the District's normal financial operations. Though the impact on the District's operations cannot be reasonably estimated at this date, it is likely that there will be an impact on certain revenue in the General Fund other than state aid and the local tax levy. Also, there have been additional operating expenses in the General Fund which were not planned or expected at the time of the approval of the District's 2020-21 budget related to COVID-19.

Additionally, the District's cash flow in the Governmental Funds may be affected by the timing of the collection of the District's tax levy as well as certain State aid payments.

The District's Food Enterprise Fund has been impacted by COVID-19 for the fiscal year ending June 30, 2020 as the school closed in mid-March 2020 and only Seamless Summer Option meals were served. The District will continue to serve only Seamless Summer Option meals in the 2020-2021 school year.

**SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION**

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

	Fiscal Year Ending June 30,					
	2015	2016	2017	2018	2019	2020
District's proportion of the net pension liability	0.0405464396%	0.0430193461%	0.0435155578%	0.0428972281%	0.0410807800%	0.0395371493%
District's proportionate share of the net pension liability	\$ 7,591,402	\$ 9,656,981	\$ 12,888,060	\$ 9,985,789	\$ 8,088,600	\$ 7,123,995
District's covered employee payroll	\$ 2,894,283	\$ 2,894,283	\$ 2,903,815	\$ 2,894,287	\$ 2,856,368	\$ 2,694,579
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	262.29%	333.66%	443.83%	345.02%	283.18%	264.38%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%	48.10%	53.60%	56.27%

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

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

	Fiscal Year Ending June 30,					
	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 334,259	\$ 369,851	\$ 386,586	\$ 400,248	\$ 408,621	\$ 391,842
Contributions in relation to the contractually required contribution	(334,259)	(369,851)	(386,586)	(400,248)	(408,621)	(391,842)
Contribution deficiency/(excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's covered employee payroll	\$ 2,894,283	\$ 2,903,815	\$ 2,894,287	\$ 2,856,368	\$ 2,694,579	\$ 2,566,001
Contributions as a percentage of covered employee payroll	11.55%	12.74%	13.36%	14.01%	15.16%	15.27%

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

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

	Fiscal Year Ending June 30,					
	2015	2016	2017	2018	2019	2020
State's proportion of the net pension liability attributable to the District	0.1711547577%	0.1573045551%	0.1558576554%	0.1578440446%	0.1581692231%	0.1558997954%
State's proportionate share of the net pension liability attributable to the District	\$ 91,476,648	\$ 99,423,196	\$ 122,607,555	\$ 106,424,146	\$ 100,623,862	\$ 95,677,176
District's covered employee payroll	\$ 15,860,920	\$ 15,860,920	\$ 15,537,032	\$ 16,253,270	\$ 16,563,883	\$ 16,463,344
State's proportionate share of the net pension liability attributable to the district as a percentage of its covered employee payroll	576.74%	626.84%	789.13%	654.79%	607.49%	581.15%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%	25.41%	26.49%	26.95%

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

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

	Fiscal Year Ending June 30,					
	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 4,922,302	\$ 6,070,681	\$ 9,212,252	\$ 7,372,526	\$ 5,866,019	\$ 5,643,296
Contributions in relation to the contractually required contribution	(850,446)	(1,247,857)	(1,713,356)	(2,329,274)	(3,066,172)	(3,414,243)
Contribution deficiency/(excess)	<u>\$ 4,071,856</u>	<u>\$ 4,822,824</u>	<u>\$ 7,498,896</u>	<u>\$ 5,043,252</u>	<u>\$ 2,799,847</u>	<u>\$ 2,229,053</u>
District's covered employee payroll	\$ 15,860,920	\$ 15,537,032	\$ 16,253,270	\$ 16,563,883	\$ 16,463,344	\$ 16,520,960
Contributions as a percentage of covered employee payroll	31.03%	39.07%	56.68%	44.51%	35.63%	34.16%

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE STATE'S PROPORTIONATE SHARE OF THE TOTAL OPEB LIABILITY
ASSOCIATED WITH THE DISTRICT AND RELATED RATIOS
LAST THREE FISCAL YEARS

	Fiscal Year Ending June 30,	
	2017	2018
Service Cost	\$ 3,364,071	\$ 2,789,237
Interest Cost	2,671,378	3,086,977
Differences between Expected and Actual Experience		(6,828,124)
Changes in Assumptions	(11,081,177)	(8,393,355)
Member Contributions	71,962	67,595
Gross Benefit Payments	(1,954,303)	(1,955,778)
Net Change in Total OPEB Liability	(6,928,069)	(11,233,448)
Total OPEB Liability - Beginning	91,303,036	84,374,967
Total OPEB Liability - Ending	<u>\$ 84,374,967</u>	<u>\$ 73,141,519</u>
State's Covered Employee Payroll *	\$ 18,440,847	\$ 19,147,557
Total OPEB Liability as a Percentage of Covered Employee Payroll	458%	382%
		342%

* - Covered payroll for the fiscal years ending June 30, 2017, 2018 and 2019 are based on the payroll on the June 30, 2016, 2017 and 2018 census data.

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 5.66% as of June 30, 2018 to 6.28% as of June 30, 2019. The municipal bond rate changed from 3.87% to 3.50%.

The inflation rate was 2.25% as of June 30, 2018. As of June 30, 2019, the inflation rate was as follows – Price – 2.75% and Wage – 3.25%. The salary increases as of June 30, 2018 were as follows: Through 2026 – 1.65% - 4.15% based on age and Thereafter – 2.65% - 5.15% based on age. The salary increases as of June 30, 2019 are as follows: Through 2026 – 2.00% - 6.00% based on years of service and Thereafter – 3.00% - 7.00% based on years of service.

The July 1, 2017 actuarial valuation utilized the following mortality rate assumptions:

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent 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 retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and a generational approach based on the plan actuary's modified MP-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 one year for females).

The July 1, 2018 actuarial valuation utilized the following mortality rate assumptions:

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

B. TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

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

Changes of Actuarial Assumptions

The discount rate changed from 4.86% as of June 30, 2018 to 5.60% as of June 30, 2019. The municipal bond rate changed from 3.87% to 3.50%. The inflation rate as of June 30, 2018 was 2.25%. The inflation rate as of June 30, 2019 was as follows: Price – 2.75% and Wage – 3.25%.

The salary increases in the July 1, 2018 valuation were as follows: Through 2026 - 1.55 – 4.45% based on years of service and thereafter - 2.75 – 5.65% based on years of service. The salary increases in the July 1, 2017 valuation were as follows: 2011-2026 – 1.55% - 4.55% and thereafter – 2% - 5.45%.

The mortality rates utilized in the July 1, 2018 valuation were as follows: Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and a 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The mortality rates utilized in the July 1, 2017 valuation were as follows: 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 generational 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 from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Disabled 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.

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate for June 30, 2019 was 3.50%. The discount rate for June 30, 2018 was 3.87%, a change of -.37%.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN (Cont'd)

Changes of Actuarial Assumptions (Cont'd)

The mortality rates in the valuation as of June 30, 2018 were based on the following:

Pre-retirement 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. Post-retirement 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 MP-2017 scale.

The mortality rates in the valuation as of June 30, 2019 were based on the following:

Pre-retirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP), "General" (PERS), and "Safety" (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Post-retirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Disability mortality was based on the Pub-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

The health care trend rates in the valuation as of June 30, 2018 were based on the following:

For pre-Medicare preferred provider organization (PPO) medical benefits and health maintenance organization (HMO) medical benefits, trend rate is initially 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 prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long term 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 health care trend rates in the valuation as of June 30, 2019 were based on the following:

For pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2020 is reflected. The assumed post-65 medical trend rate is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

BUDGETARY COMPARISON SCHEDULES

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 35,694,480	\$	\$ 35,694,480	\$ 35,694,480	
Tuition From Individuals	151,600		151,600	172,786	\$ 21,186
Tuition From Other LEA's	696,412		696,412	602,223	(94,189)
Rents and Royalties	172,572		172,572	144,116	(28,456)
Interest Earned on Capital Reserve Funds	1,000		1,000	7,885	6,885
Unrestricted Miscellaneous	44,000		44,000	326,868	282,868
Total - Local Sources	36,760,064		36,760,064	36,948,358	188,294
State Sources:					
School Choice Aid	53,201		53,201	53,201	
Categorical Special Education Aid	1,543,185		1,543,185	1,543,185	
Equalization Aid	406,379		406,379	406,379	
Categorical Security Aid	168,558		168,558	168,558	
Categorical Transportation Aid	124,035		124,035	124,035	
Extraordinary Special Education Costs Aid	300,000		300,000	341,126	41,126
Nonpublic School Transportation Costs				1,713	1,713
On-Behalf Contributions (Non-Budgeted):					
TPAF - Pension Contributions				3,414,243	3,414,243
TPAF - Post Retirement Medical Contributions				1,289,324	1,289,324
TPAF - Long Term Disability Insurance (Non-Budgeted)				2,841	2,841
TPAF - Non-Contributory Insurance (Non-Budgeted)				61,196	61,196
TPAF Social Security Contributions (Reimbursed)				1,189,106	1,189,106
Total State Sources	2,595,358		2,595,358	8,594,907	5,999,549
TOTAL REVENUES	39,355,422		39,355,422	45,543,265	6,187,843

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	\$ 137,850	\$	\$ 137,850	\$ 137,660	\$ 190
Kindergarten - Salaries of Teachers	492,234	(193)	492,041	490,849	1,192
Grades 1-5 - Salaries of Teachers	3,910,210	(92,807)	3,817,403	3,543,945	273,458
Grades 6-8 - Salaries of Teachers	2,438,633	(86,000)	2,352,633	2,292,180	60,453
Grades 9-12 - Salaries of Teachers	4,210,544	(125,000)	4,085,544	3,886,118	199,426
Regular Programs - Home Instruction:					
Salaries of Teachers	17,110		17,110	6,919	10,191
Purchased Professional - Educational Services	39,000	(10,000)	29,000	14,791	14,209
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	79,719		79,719	37,485	42,234
Purchased Professional - Educational Services	63,955	195,105	259,060	239,385	19,675
Purchased Technical Services	251,968	119,295	371,263	225,831	145,432
Other Purchased Services (400-500 series)	382,469	(10,400)	372,069	116,877	255,192
General Supplies	1,108,636	(17,879)	1,090,757	564,069	526,688
Textbooks	120,495	17,028	137,523	26,396	111,127
Other Objects	2,845		2,845	2,087	758
Total Regular Programs - Instruction	13,255,668	(10,851)	13,244,817	11,584,592	1,660,225
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	271,162	16,799	287,961	285,949	2,012
Other Salaries for Instruction	138,570	(11,173)	127,397	90,260	37,137
General Supplies	8,803		8,803	2,493	6,310
Total Learning and/or Language Disabilities	418,535	5,626	424,161	378,702	45,459

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Special Education - Instruction:					
Behavioral Disabilities:					
Salaries of Teachers	\$ 117,907	\$ (53,000)	\$ 64,907	\$ 55,381	\$ 9,526
Other Salaries for Instruction	60,506	(20,000)	40,506	35,288	5,218
General Supplies	2,000		2,000	413	1,587
Total Behavioral Disabilities	180,413	(73,000)	107,413	91,082	16,331
Resource Room/Resource Center:					
Salaries of Teachers	2,021,011	(31,771)	1,989,240	1,985,143	4,097
Other Salaries for Instruction	220,836	(67,863)	152,973	133,800	19,173
Purchased Professional Educational Services	1,630	426,633	428,263	341,174	87,089
General Supplies	21,530		21,530	2,662	18,868
Total Resource Room/Resource Center	2,265,007	326,999	2,592,006	2,462,779	129,227
Autism:					
Salaries of Teachers	141,454	71,559	213,013	213,013	
Other Salaries for Instruction	204,488	(28,560)	175,928	169,466	6,462
General Supplies	10,320		10,320	5,293	5,027
Other Objects	4,300		4,300	1,104	3,196
Total Autism	360,562	42,999	403,561	388,876	14,685
Preschool Disabilities - Full-time:					
Salaries of Teachers	129,958	(40,574)	89,384	55,555	33,829
Other Salaries for Instruction	174,377	(8,087)	166,290	116,824	49,466
General Supplies		37	37	37	
Total Preschool Disabilities - Full-time	304,335	(48,624)	255,711	172,416	83,295

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Special Education - Instruction:					
Home Instruction:					
Purchased Professional-Educational Services	\$ 24,000	\$ 10,000	\$ 34,000	\$ 7,264	\$ 26,736
Total Home Instruction	24,000	10,000	34,000	7,264	26,736
Total Special Education Instruction	3,552,852	264,000	3,816,852	3,501,119	315,733
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	180,856		180,856	166,608	14,248
General Supplies	1,700		1,700		1,700
Total Basic Skills/Remedial - Instruction	182,556		182,556	166,608	15,948
Bilingual Education - Instruction:					
Salaries of Teachers	22,936		22,936	22,540	396
General Supplies	1,850		1,850	115	1,735
Total Bilingual Education - Instruction	24,786		24,786	22,655	2,131
School-Sponsored Cocurricular/Extracurricular Activities - Instruction:					
Salaries	204,402		204,402	177,156	27,246
Purchased Services (300-500 series)	5,525	275	5,800	3,221	2,579
Supplies and Materials	16,300		16,300	7,821	8,479
Other Objects	5,669	(275)	5,394	700	4,694
Total School-Sponsored Cocurricular/Extracurricular Activities - Instruction	231,896		231,896	188,898	42,998
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	484,972		484,972	419,057	65,915
Purchased Services (300-500 series)	124,150	(18,765)	105,385	86,320	19,065
Supplies and Materials	136,190	5,415	141,605	120,707	20,898
Other Objects	25,700	(180)	25,520	23,354	2,166
Total School-Sponsored Cocurricular Athletics - Instruction	771,012	(13,530)	757,482	649,438	108,044

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Before/After School Programs - Instruction:					
Salaries of Teachers	\$ 6,320		\$ 6,320	\$ 6,272	\$ 48
Total Before/After School Programs - Instruction	6,320		6,320	6,272	48
Total Instruction	18,025,090	\$ 239,619	18,264,709	16,119,582	2,145,127
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	160,149	44,903	205,052	203,972	1,080
Tuition to County Vocational Schools - Regular	496,598	13,840	510,438	473,488	36,950
Tuition to County Vocational Schools - Special	113,400	(17,246)	96,154	96,154	96,154
Tuition to County Special Services Schools/Regional Day Schools	53,377		53,377	21,595	31,782
Tuition to Private Schools for the Disabled - Within the State	1,252,109	(131,538)	1,120,571	1,041,227	79,344
Tuition to Private Schools for the Disabled and Other LEAs - Special - Outside the State	50,000		50,000		50,000
Total Undistributed Expenditures - Instruction	2,125,633	(90,041)	2,035,592	1,740,282	295,310
Attendance and Social Work:					
Salaries	31,478	23	31,501	31,501	
Total Attendance and Social Work	31,478	23	31,501	31,501	
Health Services:					
Salaries	395,896	2,992	398,888	397,401	1,487
Purchased Professional and Technical Services	13,225	2,450	15,675	14,157	1,518
Supplies and Materials	12,586	(1,387)	11,199	9,486	1,713
Total Health Services	421,707	4,055	425,762	421,044	4,718

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Speech, OT, PT & Related Services:					
Salaries	\$ 359,505	\$ (3,246)	\$ 356,259	\$ 280,442	\$ 75,817
Purchased Professional - Educational Services	326,410	1,000	327,410	305,163	22,247
Supplies and Materials	11,244		11,244	6,152	5,092
Total Speech, OT, PT & Related Services	697,159	(2,246)	694,913	591,757	103,156
Undistributed Expenditures:					
Other Support Services - Students - Extraordinary Services:					
Salaries	270,374	155	270,529	148,521	122,008
Purchased Professional - Educational Services	111,320	89,040	200,360	112,201	88,159
Supplies and Materials	22,999		22,999	8,465	14,534
Total Other Support Services - Students - Extraordinary Services	404,693	89,195	493,888	269,187	224,701
Guidance:					
Salaries of Other Professional Staff	596,902	(523)	596,379	592,744	3,635
Salaries of Secretarial and Clerical Assistants	44,969	376	45,345	45,345	
Purchased Professional - Educational Services	48,304	(30,084)	18,220	16,431	1,789
Other Purchased Professional and Technical Services	4,800		4,800	4,800	
Other Purchased Services (400-500 series)	65,182	30,307	95,489	32,774	62,715
Supplies and Materials	3,380		3,380	759	2,621
Other Objects	1,600		1,600		1,600
Total Guidance	765,137	76	765,213	692,853	72,360

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Child Study Teams:					
Salaries of Other Professional Staff	\$ 677,393	\$ 7,396	\$ 684,789	\$ 680,672	\$ 4,117
Salaries of Secretarial and Clerical Assistants	46,304	441	46,745	46,745	
Purchased Professional - Educational Services	30,857		30,857	8,303	22,554
Other Purchased Professional and Technical Services	12,600		12,600	10,420	2,180
Other Purchased Professional Services (400-500 series)	5,180		5,180	2,113	3,067
Supplies and Materials	13,526		13,526	9,005	4,521
Other Objects	1,350		1,350	150	1,200
Total Child Study Teams	787,210	7,837	795,047	757,408	37,639
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	166,847		166,847	166,847	
Salaries of Other Professional Staff	771,043	(332)	770,711	757,177	13,534
Salaries of Secretarial and Clerical Assistants	66,778	331	67,109	67,109	
Other Purchased Professional and Technical Services	12,000	(10,896)	1,104		1,104
Other Purchased Services (400-500 series)	3,000		3,000		3,000
Supplies and Materials	4,698	10,898	15,596	1,128	14,468
Other Objects	5,900		5,900	2,107	3,793
Total Improvement of Instructional Services	1,030,266	1	1,030,267	994,368	35,899
Educational Media Services/School Library:					
Salaries	329,532	(7,503)	322,229	321,069	1,160
Salaries of Technology Coordinators	77,492	(534)	76,958	76,630	328
Purchased Professional and Technical Services	16,970	(214)	16,756	6,696	10,060
Supplies and Materials	33,690		33,690	29,210	4,480
Total Educational Media Services/School Library	457,684	(8,051)	449,633	433,605	16,028

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Instructional Staff Training Services:					
Other Salaries	\$ 5,000	\$	5,000	\$ 1,061	\$ 3,939
Purchased Professional - Educational Services	25,050		25,050	12,978	12,072
Other Purchased Services (400-500 series)	51,549		51,549	10,958	40,591
Supplies and Materials	59,019		59,019	3,769	55,250
Other Objects	5,000		5,000		5,000
Total Instructional Staff Training Services	145,618		145,618	28,766	116,852
Support Services - General Administration:					
Salaries	279,838	\$ (3,440)	276,398	276,147	251
Legal Services	130,000	100,264	230,264	212,994	17,270
Audit Fees	45,000		45,000	44,625	375
Architectural/Engineering Services	15,000	(3,131)	11,869	11,005	864
Other Purchased Professional Services	26,250	94,818	121,068	3,068	118,000
Purchased Technical Services	6,500		6,500	6,375	125
Communications/Telephone	190,000	(146,195)	43,805	42,553	1,252
BOE Other Purchased Services	8,000	(4,133)	3,867	3,603	264
BOE In House Training / Meeting Supplies	3,000		3,000	519	2,481
Judgements against the School District		15,000	15,000	15,000	
Miscellaneous Purchased Services (400-500 series)	131,000	(23,477)	107,523	94,689	12,834
General Supplies	10,000		10,000	7,306	2,694
Miscellaneous Expenditures	1,300	4,345	5,645	5,264	381
BOE Memberships / Dues	18,000		18,000	16,573	1,427
Total Support Services - General Administration	863,888	34,051	897,939	739,721	158,218

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	\$ 951,304	\$ (13,264)	\$ 938,040	\$ 922,549	\$ 15,491
Salaries of Other Professional Staff	457,535	32,172	32,172	32,172	4,316
Salaries of Secretarial and Clerical Assistants	14,900	7,968	465,503	461,187	143,900
Purchased Professional and Technical Services	76,824	129,000	143,900	13,834	59,990
Other Purchased Services (400-500 series)	51,751	(3,000)	73,824	22,066	29,685
Supplies and Materials	16,649		51,751	12,121	4,528
Other Objects			16,649		
Total Support Services - School Administration	1,568,963	152,876	1,721,839	1,463,929	257,910
Central Services:					
Salaries	428,090		428,090	422,110	5,980
Purchased Professional Services	10,000	2,000	12,000	6,000	6,000
Purchased Technical Services	33,745	84,500	118,245	29,543	88,702
Miscellaneous Purchased Services (400-500 series)	12,840		12,840	6,810	6,030
Supplies and Materials	16,500		16,500	6,432	10,068
Miscellaneous Expenditures	3,100	(2,000)	1,100	711	389
Total Central Services	504,275	84,500	588,775	471,606	117,169
Administrative Information Technology:					
Salaries	209,679		209,679	186,536	23,143
Purchased Technical Services	119,500		119,500	68,927	50,573
Other Purchased Services (400-500 series)	3,500		3,500	950	2,550
Supplies and Materials	10,997		10,997	3,083	7,914
Total Administrative Information Technology	343,676		343,676	259,496	84,180

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Required Maintenance of School Facilities:					
Salaries	\$ 242,611	\$	242,611	\$ 196,822	\$ 45,789
Cleaning, Repair and Maintenance Services	347,264	\$ 40,000	387,264	370,416	16,848
General Supplies	90,360		90,360	77,222	13,138
Other Objects	4,700		4,700	1,170	3,530
Total Required Maintenance of School Facilities	684,935	40,000	724,935	645,630	79,305
Custodial Services:					
Salaries	1,024,871		1,024,871	915,277	109,594
Salaries of Non-Instructional Aides	82,000		82,000	26,380	55,620
Purchased Professional and Technical Services	9,650		9,650	2,450	7,200
Cleaning, Repair and Maintenance Services	70,700		70,700	49,208	21,492
Rental of Buildings (Other Than Lease Purchase Agreements)		3,000	3,000	2,500	500
Other Purchased Property Services	181,575	(3,000)	178,575	40,112	138,463
Insurance	160,000		160,000	159,304	696
Miscellaneous Purchased Services	3,000		3,000	2,131	869
General Supplies	97,607	(7,699)	89,908	77,259	12,649
Energy (Electricity)	409,000	(26,260)	382,740	290,105	92,635
Energy (Natural Gas)	284,000		284,000	241,500	42,500
Energy (Gasoline)		7,700	7,700	3,914	3,786
Other Objects	3,100		3,100	2,881	219
Total Custodial Services	2,325,503	(26,259)	2,299,244	1,813,021	486,223
Care and Upkeep of Grounds:					
Cleaning, Repair and Maintenance Services	70,140	16,260	86,400	86,400	
General Supplies	29,706	(8,200)	21,506	12,783	8,723
Total Care and Upkeep of Grounds	99,846	8,060	107,906	99,183	8,723

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Security:					
Salaries	\$ 231,157	\$	231,157	\$ 121,686	\$ 109,471
Purchased Professional and Technical Services	35,000		35,000	10,072	24,928
Cleaning Repair and Maintenance	6,000		6,000	5,200	800
General Supplies	64,242		64,242	25,690	38,552
Other Objects	2,350		2,350	472	1,878
Total Security	338,749		338,749	163,120	175,629
Student Transportation Services:					
Salaries for Non-Instructional Aides	12,000		12,000	6,179	5,821
Salaries for Pupil Transportation:					
Between Home and School - Regular	125,079		125,079	103,481	21,598
Between Home and School - Special	131,886		131,886	120,424	11,462
Other Than Between Home and School - Regular	75,000		75,000	42,984	32,016
Management Fee - ESC and CTSA Transportation Program	20,000	\$ 4,406	24,406	21,040	3,366
Cleaning, Repair and Maintenance Services	55,000		55,000	28,787	26,213
Contracted Services:					
Other Than Between Home and School - Vendors	85,000	1,466	86,466	63,160	23,306
Special Education Students - Vendors	18,000	(1,466)	16,534	4,282	12,252
Regular Students - ESC's and CTSA's	68,000	19,426	87,426	87,426	
Special Education Students - ESC's and CTSA's	465,000	(23,832)	441,168	423,232	17,936
Aid in Lieu of Payments - Nonpublic Students	100,000		100,000	56,872	43,128
Miscellaneous Purchased Services - Transportation	3,000		3,000		3,000
General Supplies	2,000		2,000	278	1,722
Transportation Supplies	42,000		42,000	11,545	30,455
Other Objects	2,000		2,000	1,520	480
Total Student Transportation Services	1,203,965		1,203,965	971,210	232,755

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Unallocated Benefits:					
Social Security Contributions	\$ 450,000	\$	450,000	\$ 381,570	\$ 68,430
Other Retirement Contributions - PERS	425,000		425,000	391,842	33,158
Other Retirement Contributions - Other	40,000	\$ (4,448)	35,552	23,628	11,924
Unemployment Compensation	50,000		50,000	50,000	
Workmen's Compensation	213,000		213,000	190,582	22,418
Health Benefits	6,421,160	(636,668)	5,784,492	5,081,702	702,790
Tuition Reimbursement	102,894	4,448	107,342	84,393	22,949
Other Employee Benefits	154,575		154,575	124,233	30,342
Unused Sick Payment to Terminated/Retired Staff	65,000		65,000	45,757	19,243
Total Unallocated Benefits	7,921,629	(636,668)	7,284,961	6,373,707	911,254
On-Behalf Contributions (Non-Budgeted):					
TPAF Pension Contributions (Non-Budgeted)				3,414,243	(3,414,243)
TPAF Post Retirement Medical Benefits (Non-Budgeted)				1,289,324	(1,289,324)
TPAF Long-Term Disability Insurance (Non-Budgeted)				2,841	(2,841)
TPAF Non-Contributory Insurance (Non-Budgeted)				61,196	(61,196)
TPAF Social Security Contributions (Reimbursed)				1,189,106	(1,189,106)
Total On-Behalf Contributions				5,956,710	(5,956,710)
Total Personal Services - Employee Benefits	7,921,629	(636,668)	7,284,961	12,330,417	(5,045,456)
Total Undistributed Expenses	22,722,014	(342,591)	22,379,423	24,918,104	(2,538,681)
TOTAL GENERAL CURRENT EXPENSE	40,747,104	(102,972)	40,644,132	41,037,686	(393,554)

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CAPITAL OUTLAY:					
Equipment:					
Undistributed Expenditures:					
Instruction	\$ 20,325	\$	\$ 20,325	\$ 20,325	
School Administration		41,697	41,697	25,167	\$ 16,530
Administration Information Technology	150,000		150,000	48,497	101,503
Required Maintenance for School Facilities	49,036	1	49,037	49,037	
Non-Instructional Services		8,200	8,200	8,200	
School Buses - Regular	103,427		103,427	103,427	
Total Equipment	322,788	49,898	372,686	254,653	118,033
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services	2,400	53,074	55,474	55,474	
Construction Services	232,950		232,950	222,750	10,200
Assessment for Debt Service on SDA Funding	2,793		2,793	2,793	
Total Facilities Acquisition and Construction Services	238,143	53,074	291,217	281,017	10,200
TOTAL CAPITAL OUTLAY	560,931	102,972	663,903	535,670	128,233
TOTAL EXPENDITURES	41,308,035		41,308,035	41,573,356	(265,321)
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(1,952,613)		(1,952,613)	3,969,909	5,922,522

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Financing Sources/(Uses):					
Transfers In:					
Transfer from Capital Projects Fund to Capital Reserve				\$ 161,851	\$ 161,851
Transfer from Capital Projects Fund - Interest				3,934	3,934
Transfer Out:					
Transfer from Capital Reserve to Capital Projects Fund	\$ (832,600)		\$ (832,600)	(832,600)	
Total Other Financing Sources/(Uses)	<u>(832,600)</u>		<u>(832,600)</u>	<u>(666,815)</u>	<u>165,785</u>
Excess/(Deficiency) of Revenues and Other Financing Uses Over/(Under) Expenditures and Other Financing Uses	(2,785,213)		(2,785,213)	3,303,094	6,088,307
Fund Balance, July 1	7,962,149		7,962,149	7,962,149	
Fund Balance, June 30	<u>\$ 5,176,936</u>	<u>\$ -0-</u>	<u>\$ 5,176,936</u>	<u>\$ 11,265,243</u>	<u>\$ 6,088,307</u>
<u>Reconciliation of Fund Balance at June 30, 2020:</u>					
Restricted:					
Excess Surplus - 2021-2022				\$ 2,000,000	
Excess Surplus - 2020-2021				1,083,195	
Capital Reserve				3,999,464	
Maintenance Reserve				1,876,000	
Assigned:					
Year-End Encumbrances				971,041	
For Subsequent Year's Expenditures				563,719	
Unassigned				<u>771,824</u>	
				<u>11,265,243</u>	
Reconciliation to Governmental Funds Statement (GAAP):					
Last Two State Aid Payments not Recognized on GAAP Basis				<u>(217,435)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 11,047,808</u>	

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources		\$ 17,272	\$ 17,272	\$ 8,352	\$ (8,920)
State Sources	\$ 269,812	73,237	343,049	279,650	(63,399)
Federal Sources	514,213	219,914	734,127	575,207	(158,920)
Total Revenues	<u>784,025</u>	<u>310,423</u>	<u>1,094,448</u>	<u>863,209</u>	<u>(231,239)</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	42,420	15,459	57,879	34,995	22,884
Purchased Professional - Educational Services	269,812	(8,345)	261,467	261,043	424
Tuition	434,182	(15,059)	419,123	419,123	
General Supplies	10,616	113,934	124,550	7,349	117,201
Textbooks		18,607	18,607	18,607	
Total Instruction	<u>757,030</u>	<u>124,596</u>	<u>881,626</u>	<u>741,117</u>	<u>140,509</u>
Support Services:					
Personal Services - Employee Benefits		4,321	4,321		4,321
Purchased Professional and Technical Services		153,812	153,812	92,840	60,972
Other Purchased Professional Services	26,995	12,927	39,922	21,951	17,971
Supplies and Materials		14,767	14,767	7,301	7,466
Total Support Services	<u>26,995</u>	<u>185,827</u>	<u>212,822</u>	<u>122,092</u>	<u>90,730</u>
Total Expenditures	<u>784,025</u>	<u>310,423</u>	<u>1,094,448</u>	<u>863,209</u>	<u>231,239</u>
Excess of Revenues Over Expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 45,543,265	\$ 863,209
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that the budgetary basis recognizes encumbrances as expenditures and revenue, whereas the GAAP basis does not.		
Prior Year Encumbrances		16,915
Prior Year State aid payments recognized for GAAP statements, not recognized for budgetary purposes.	212,831	
Current Year State aid payments recognized for budgetary purposes, not recognized for GAAP statements.	(217,435)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 45,538,661	\$ 880,124
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 41,573,356	\$ 863,209
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Prior Year Encumbrances		16,915
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 41,573,356	\$ 880,124

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue, and Debt Service Funds. The budget for the fiscal year ended June 30, 2020 was submitted to the County Office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)l. Transfers of appropriations may be made by Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The accounting records of the Special Revenue Fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The General Fund budgetary revenue differs from the GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments in the GAAP financial statements.

**SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)**

SPECIAL REVENUE FUND

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	IDEA, Part B		Elementary and Secondary Education Act	
	Basic	Preschool	Title I	Title II, Part A
REVENUE:				
Local Sources				
State Sources				
Federal Sources	\$ 502,536	\$ 22,164	\$ 34,995	\$ 15,512
Total Revenue	502,536	22,164	34,995	15,512
EXPENDITURES:				
Instruction:				
Salaries of Teachers			34,995	
Purchased Professional - Educational Services				
Tuition	419,123			
General Supplies		6,298		
Textbooks				
Total Instruction	419,123	6,298	34,995	
Support Services:				
Purchased Professional and Technical Services	83,413	9,427		15,512
Other Purchased Professional Services		6,439		
Supplies and Materials				
Total Support Services	83,413	15,866		15,512
Total Expenditures	\$ 502,536	\$ 22,164	\$ 34,995	\$ 15,512

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Nonpublic Auxiliary Services	Nonpublic Handicapped Services		
	Compensatory Education	Exam and Classification	Supplementary Instruction	Corrective Speech
REVENUE:				
Local Sources				
State Sources	\$ 65,949	\$ 52,412	\$ 49,541	\$ 20,051
Federal Sources				
Total Revenue	<u>65,949</u>	<u>52,412</u>	<u>49,541</u>	<u>20,051</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers				
Purchased Professional - Educational Services	65,949	52,412	49,541	20,051
Tuition				
General Supplies				
Textbooks				
Total Instruction	<u>65,949</u>	<u>52,412</u>	<u>49,541</u>	<u>20,051</u>
Support Services:				
Purchased Professional and Technical Services				
Other Purchased Professional Services				
Supplies and Materials				
Total Support Services				
Total Expenditures	<u>\$ 65,949</u>	<u>\$ 52,412</u>	<u>\$ 49,541</u>	<u>\$ 20,051</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Local Grants	Nonpublic Nursing	Nonpublic Textbooks	Nonpublic Security	Nonpublic Technology	Totals
REVENUE:						
Local Sources	\$ 8,352					\$ 8,352
State Sources		\$ 34,726	\$ 18,607	\$ 25,656	\$ 12,708	279,650
Federal Sources						575,207
Total Revenue	8,352	34,726	18,607	25,656	12,708	863,209
EXPENDITURES:						
Instruction:						
Salaries of Teachers						34,995
Purchased Professional - Educational Services		34,726		25,656	12,708	261,043
Tuition						419,123
General Supplies	1,051					7,349
Textbooks			18,607			18,607
Total Instruction	1,051	34,726	18,607	25,656	12,708	741,117
Support Services:						
Purchased Professional and Technical Services						92,840
Other Purchased Professional Services						21,951
Supplies and Materials	7,301					7,301
Total Support Services	7,301					122,092
Total Expenditures	\$ 8,352	\$ 34,726	\$ 18,607	\$ 25,656	\$ 12,708	\$ 863,209

CAPITAL PROJECTS FUND

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGETARY BASIS
CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Revenue and Other Financing Sources:	
Lease Proceeds	\$ 250,000
Investment Income	3,934
Transfer from General Fund - Capital Reserve	<u>832,600</u>
Total Revenue and Other Financing Sources	<u>1,086,534</u>
Expenditures and Other Financing Uses:	
Purchased Professional and Technical Services	5,778
Construction Services	1,377,900
Transfers Out:	
Transfer to General Fund - Capital Reserve	161,851
Transfer to General Fund - Interest	<u>3,934</u>
Total Expenditures and Other Financing Uses	<u>1,549,463</u>
Deficit of Revenue and Other Financing Sources Under Expenditures and Other Financing Uses	(462,929)
Fund Balance - Beginning	<u>2,873,181</u>
Fund Balance - Ending	<u><u>\$ 2,410,252</u></u>
Fund Balance - Committed	\$ 2,410,252
Reconciliation to Governmental Funds Statement (GAAP):	
State Sources - SDA Grant Revenue not Recognized on GAAP Basis	<u>(2,336,746)</u>
Fund Balance per Governmental Funds - GAAP - Committed	<u><u>\$ 73,506</u></u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
ROOF REPLACEMENT AND VARIOUS RENOVATIONS AT HILLVIEW ELEMENTARY SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

Additional Project Information:

Project Number(s)	4080-055-14-1002
Grant Date	6/15/2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 1,272,200
Percentage Completion	100.00%
Original Target Completion Date	8/31/2014
Revised Target Completion Date	6/30/2019

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
STEPHEN J. GERACE ELEMENTARY SCHOOL WINDOW REPLACEMENT PROJECT,
ROOF REPAIR AND SECURITY INFRASTRUCTURE
FROM INCEPTION AND FOR THE YEAR FISCAL ENDED JUNE 30, 2020

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 483,393		\$ 483,393	\$ 483,393
Transfer from Capital Reserve	725,089		725,089	725,089
Total Revenue and Other Financing Sources	1,208,482		1,208,482	1,208,482
Expenditures:				
Purchased Professional & Technical Services	\$ 78,998		78,998	169,482
Construction Services	661,320		661,320	1,039,000
Total Expenditures	740,318		740,318	1,208,482
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 468,164</u>	<u>\$ -0-</u>	<u>\$ 468,164</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number(s)	4080-100-14-1005
Grant Date	2/24/2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 1,208,482
Percentage Completion	100.00%
Original Target Completion Date	12/31/2016
Revised Target Completion Date	6/30/2019

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
PEQUANNOCK HIGH SCHOOL WINDOW REPLACEMENT, GENERATOR
AND SECURITY INFRASTRUCTURE
FROM INCEPTION AND FOR THE YEAR FISCAL ENDED JUNE 30, 2020

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 453,700		\$ 453,700	\$ 453,700
Transfer from Capital Reserve	680,550		680,550	880,550
Total Revenue and Other Financing Sources	<u>1,134,250</u>		<u>1,134,250</u>	<u>1,334,250</u>
Expenditures:				
Purchased Professional & Technical Services	25,885		25,885	176,750
Construction Services	357,919		357,919	1,157,500
Total Expenditures	<u>383,804</u>		<u>383,804</u>	<u>1,334,250</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 750,446</u>	<u>\$ -0-</u>	<u>\$ 750,446</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number(s)	4080-100-14-1001
Grant Date	2/24/2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 1,334,250
Percentage Completion	100.00%
Original Target Completion Date	12/31/2016
Revised Target Completion Date	6/30/2019

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
ROOF REPLACEMENT AND VARIOUS RENOVATIONS AT
NORTH BOULEVARD ELEMENTARY SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 315,968		\$ 315,968	\$ 315,968
Transfer from Capital Reserve	473,951		473,951	473,951
Total Revenue and Other Financing Sources	789,919		789,919	789,919
Expenditures:				
Purchased Professional & Technical Services	\$ 57,718		57,718	57,719
Construction Services	700,309		700,309	732,200
Total Expenditures	758,027		758,027	789,919
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	\$ 31,892	\$ -0-	\$ 31,892	\$ -0-

Additional Project Information:

Project Number(s)	4080-060-14-1003
Grant Date	6/15/2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 789,919
Percentage Completion	100.00%
Original Target Completion Date	8/31/2014
Revised Target Completion Date	6/30/2019

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
ROOF REPLACEMENT AND VARIOUS RENOVATIONS AT
PEQUANNOCK VALLEY MIDDLE SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 574,805		\$ 574,805	\$ 574,805
Transfer from Capital Reserve	1,156,208		1,156,208	1,156,208
Total Revenue and Other Financing Sources	<u>1,731,013</u>		<u>1,731,013</u>	<u>1,731,013</u>
Expenditures:				
Purchased Professional & Technical Services	98,942		98,942	216,813
Construction Services	1,310,179		1,310,179	1,514,200
Total Expenditures	<u>1,409,121</u>		<u>1,409,121</u>	<u>1,731,013</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 321,892</u>	<u>\$ -0-</u>	<u>\$ 321,892</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number(s)	4080-080-14-1004
Grant Date	6/15/2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 1,731,013
Percentage Completion	100.00%
Original Target Completion Date	8/31/2014
Revised Target Completion Date	6/30/2019

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
HIGH SCHOOL STADIUM RENOVATIONS, HIGH SCHOOL AND MIDDLE SCHOOL
SCIENCE LAB RENOVATIONS AND DISTRICT WIDE SECURITY CAMERAS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Project Authorization</u>
Revenue and Other Financing Sources:				
Transfer from Capital Reserve	\$ 1,625,000	\$ (94,031)	\$ 1,530,969	\$ 1,530,969
Total Revenue and Other Financing Sources	<u>1,625,000</u>	<u>(94,031)</u>	<u>1,530,969</u>	<u>1,530,969</u>
Expenditures:				
Construction Services	1,530,969		1,530,969	1,530,969
Total Expenditures	<u>1,530,969</u>		<u>1,530,969</u>	<u>1,530,969</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 94,031</u>	<u>\$ (94,031)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number(s)	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 1,625,000
Change Orders	\$ (94,031)
Revised Authorized Cost	\$ 1,530,969
Change Order Percentage	-5.79%
Percentage Completion	100.00%
Original Target Completion Date	6/30/2018
Revised Target Completion Date	12/31/2019

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
PEQUANNOCK HIGH SCHOOL FIELD BUILDING AND PLAZA RENOVATIONS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Prior Periods	Current Year	Totals	Revised Project Authorization
Revenue and Other Financing Sources:				
Transfer from Capital Reserve	\$ 800,000	\$ (39,082)	\$ 760,918	\$ 760,918
Total Revenue and Other Financing Sources	800,000	(39,082)	760,918	760,918
Expenditures:				
Purchased Professional & Technical Services	52,722	5,778	58,500	58,500
Construction Services	128,380	574,038	702,418	702,418
Total Expenditures	181,102	579,816	760,918	760,918
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	\$ 618,898	\$ (618,898)	\$ -0-	\$ -0-

Additional Project Information:

Project Number(s)	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 800,000
Change Orders	\$ (39,082)
Revised Authorized Cost	\$ 760,918
Change Order Percentage	-4.89%
Percentage Completion	100.00%
Original Target Completion Date	9/30/2019

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
BUS, MAINTENANCE VEHICLE AND VARIOUS EQUIPMENT
FROM INCEPTION AND FOR THE YEAR FISCAL ENDED JUNE 30, 2020

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
Lease Proceeds		\$ 250,000	\$ 250,000	\$ 250,000
Total Revenue and Other Financing Sources		250,000	250,000	250,000
Expenditures:				
Equipment Purchases				250,000
Total Expenditures				250,000
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	\$ -0-	\$ 250,000	\$ 250,000	\$ -0-

Additional Project Information:

Project Number(s)	N/A
Grant Date	N/A
Lease Authorization Date	6/4/2020
Lease Authorization	\$ 250,000
Original Authorized Cost	\$ 250,000
Change Orders	\$ -0-
Revised Authorized Cost	\$ 250,000
Change Order Percentage	0.00%
Percentage Completion	0.00%
Original Target Completion Date	9/30/2020

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
VARIOUS DISTRICT RENOVATIONS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Project Authorization</u>
Revenue and Other Financing Sources:				
Transfer from Capital Reserve		\$ 803,862	\$ 803,862	\$ 803,862
Total Revenue and Other Financing Sources		803,862	803,862	803,862
Expenditures and Other Financing Uses:				
Construction Services		803,862	803,862	803,862
Total Expenditures and Other Financing Uses		803,862	803,862	803,862
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Additional Project Information:

Original Authorized Cost	\$ 832,600
Change Orders	\$ (28,738)
Revised Authorized Cost	\$ 803,862
Change Order Percentage	-3.45%
Percentage Completion	100.00%
Original Target Completion Date	6/30/2020

PROPRIETARY FUNDS

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2020

	<u>Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 12,072
Inventory	19,466
	31,538
Total Current Assets	31,538
Non-Current Assets:	
Capital Assets	141,680
Less: Accumulated Depreciation	(109,600)
	32,080
Total Non-Current Assets	32,080
Total Assets	63,618
LIABILITIES:	
Current Liabilities:	
Unearned Revenue - Prepaid Sales	20,715
Accounts Payable - Vendors	9,624
	30,339
Total Liabilities	30,339
NET POSITION:	
Investment in Capital Assets	32,080
Unrestricted	1,199
	33,279
Total Net Position	\$ 33,279

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Operating Revenue:	<u>Food Service</u>
Local Sources:	
Daily Sales - Nonreimbursable Programs	\$ 569,160
Special Events	304
	<hr/>
Total Operating Revenue	569,464
	<hr/>
Operating Expenses:	
Cost of Sales - Nonreimbursable Programs	258,402
Salaries	165,680
Payroll Taxes	24,389
Employee Benefits	15,942
Management Fee	60,046
Supplies and Materials	31,803
Depreciation Expense	8,850
Miscellaneous Expenditures	33,849
	<hr/>
Total Operating Expenses	598,961
	<hr/>
Operating (Loss)	(29,497)
	<hr/>
Non-Operating Revenue:	
Local Sources:	
Interest Revenue	1,188
	<hr/>
Total Non-Operating Revenue	1,188
	<hr/>
Change in Net Position	(28,309)
	<hr/>
Net Position - Beginning of Year	61,588
	<hr/>
Net Position - End of Year	\$ 33,279
	<hr/> <hr/>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Food Service</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 581,163
Payments to Food Service Vendor	(594,669)
Payments to Suppliers	(8,413)
	(21,919)
Net Cash Provided by/(Used for) used for Operating Activities	
Cash Flows from Investing Activities:	
Interest Revenue	1,188
	1,188
Net Cash Provided by/(Used for) Investing Activities	
Cash Flows from Capital and Related Financing Activities:	
Purchase of Capital Assets	(2,410)
	(2,410)
Net Cash Provided by/(Used for) Capital and Related Financing Activities	
Net (Increase) in Cash and Cash Equivalents	(23,141)
Cash and Cash Equivalents, July 1	35,213
Cash and Cash Equivalents, June 30	\$ 12,072
Reconciliation of Operating Loss to Net Cash Provided by/(Used for) Operating Activities:	
Operating (Loss)	\$ (29,497)
Adjustment to Reconcile Operating Loss to Cash Provided by / (Used for) Operating Activities:	
Depreciation	8,850
Changes in Assets and Liabilities:	
(Decrease) in Accounts Payable	(4,343)
Increase in Prepaid Sales	11,699
(Increase) in Inventory	(8,628)
	(21,919)
Net Cash Provided by/(Used for) Operating Activities	\$ (21,919)

FIDUCIARY FUNDS

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2020

	Student Activity	Agency Payroll	Total	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust
ASSETS:						
Cash and Cash Equivalents	\$ 209,127	\$ 2,425	\$ 211,552	\$ 555,006	\$ 57,293	\$ 146,467
Total Assets	209,127	2,425	211,552	555,006	57,293	146,467
LIABILITIES:						
Interfund Payable:						
General Fund		2,425	2,425		44,300	
Due to Student Groups	209,127		209,127			
Total Liabilities	209,127	2,425	211,552		44,300	
NET POSITION:						
Held in Trust for:						
Unemployment Claims				555,006		
Flexible Spending Claims					12,993	
Scholarships						146,467
Total Net Position	\$ -0-	\$ -0-	\$ -0-	\$ 555,006	\$ 12,993	\$ 146,467

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust	Totals
ADDITIONS:				
Contributions - Employees	\$ 45,949	\$ 58,047		\$ 103,996
Contributions - District	50,000			50,000
Donations			\$ 250	250
Total Contributions	<u>95,949</u>	<u>58,047</u>	<u>250</u>	<u>154,246</u>
Investment Earnings:				
Interest	5,831	449	1,842	8,122
Net Investment Earnings	<u>5,831</u>	<u>449</u>	<u>1,842</u>	<u>8,122</u>
Total Additions	<u>101,780</u>	<u>58,496</u>	<u>2,092</u>	<u>162,368</u>
DEDUCTIONS:				
Unemployment Compensation Claims	25,142			25,142
Flexible Spending Claims		51,271		51,271
Scholarships Awarded			6,500	6,500
Total Deductions	<u>25,142</u>	<u>51,271</u>	<u>6,500</u>	<u>82,913</u>
Change in Net Position	76,638	7,225	(4,408)	79,455
Net Position - Beginning of the Year	478,368	5,768	150,875	635,011
Net Position - End of the Year	<u>\$ 555,006</u>	<u>\$ 12,993</u>	<u>\$ 146,467</u>	<u>\$ 714,466</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
ASSETS:				
Cash and Cash Equivalents	\$ 206,751	\$ 258,416	\$ 256,040	\$ 209,127
Total Assets	<u>\$ 206,751</u>	<u>\$ 258,416</u>	<u>\$ 256,040</u>	<u>\$ 209,127</u>
 LIABILITIES:				
Due to Student Groups	\$ 206,751	\$ 258,416	\$ 256,040	\$ 209,127
Total Liabilities	<u>\$ 206,751</u>	<u>\$ 258,416</u>	<u>\$ 256,040</u>	<u>\$ 209,127</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Balance</u> <u>July 1, 2019</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2020</u>
Middle School:				
Pequannock Valley	\$ 24,473	\$ 64,183	\$ 64,514	\$ 24,142
Senior High School:				
Pequannock	161,690	189,760	190,826	160,624
Interscholastic Athletics	2,123	1,261	285	3,099
Future Business Leaders of America	18,465	3,212	415	21,262
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total All Schools	<u>\$ 206,751</u>	<u>\$ 258,416</u>	<u>\$ 256,040</u>	<u>\$ 209,127</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
ASSETS:				
Cash and Cash Equivalents	\$ 810	\$42,833,275	\$42,831,660	\$ 2,425
Total Assets	<u>\$ 810</u>	<u>\$42,833,275</u>	<u>\$42,831,660</u>	<u>\$ 2,425</u>
LIABILITIES:				
Interfund Payable - General Fund	\$ 810	\$ 2,425	\$ 810	\$ 2,425
Payroll Deductions and Withholdings		<u>42,830,850</u>	<u>42,830,850</u>	
Total Liabilities	<u>\$ 810</u>	<u>\$42,833,275</u>	<u>\$42,831,660</u>	<u>\$ 2,425</u>

LONG-TERM DEBT

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance July 1, 2019	Matured	Balance June 30, 2020
			Date	Outstanding June 30, 2020 Amount				
School Renovation Project	8/29/2013	\$ 3,350,000	8/12/2020	\$ 200,000	2.000%			
			8/12/2021	210,000	2.500%			
			8/12/2022	220,000	2.750%			
			8/12/2023	225,000	3.000%			
			8/12/2024	250,000	3.000%			
			8/12/2025	265,000	3.250%			
			8/12/2026	275,000	3.375%			
			8/12/2027	285,000	3.625%			
			8/12/2028	290,000	3.750%			
			8/12/2029	300,000	3.875%	\$ 2,705,000	\$ 185,000	\$ 2,520,000
Refunding Bonds	2/25/2016	9,025,000	1/15/2021	720,000	4.000%			
			1/15/2022	745,000	4.000%			
			1/15/2023	770,000	4.000%			
			1/15/2024	805,000	4.000%			
			1/15/2025	840,000	4.000%			
			1/15/2026	870,000	4.000%			
			1/15/2027	910,000	4.000%			
			1/15/2028	950,000	4.000%			
			1/15/2029	995,000	4.000%	8,305,000	700,000	7,605,000
						\$ 11,010,000	\$ 885,000	\$ 10,125,000

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Purpose	Date of Issue	Original Issue	Interest Rate	Balance	
				July 1, 2019	June 30, 2020
Bus and Maintenance Vehicle	6/4/2020	\$ 250,000	1.86%	\$ 250,000	\$ 250,000
				\$ -0-	\$ 250,000
				<u>\$ -0-</u>	<u>\$ 250,000</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 947,329		\$ 947,329	\$ 947,329	
State Sources:					
Debt Service Aid Type II	344,996		344,996	344,996	
Total Revenues	1,292,325		1,292,325	1,292,325	
EXPENDITURES:					
Regular Debt Service:					
Interest and Other Charges	407,325		407,325	407,325	
Redemption of Principal	885,000		885,000	885,000	
Total Regular Debt Service	1,292,325		1,292,325	1,292,325	
Total Expenditures	1,292,325		1,292,325	1,292,325	
Excess of Revenues Over Expenditures					
Fund Balance, July 1					
Fund Balance, June 30	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -

STATISTICAL SECTION
(UNAUDITED)

This part of the District’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the District’s overall financial health.

Contents

	<u>Exhibit</u>
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	J-1 thru J-5
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.	J-6 thru J-9
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	J-10 thru J-13
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.	J-14 thru J-15
Operating Information These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.	J-16 thru J-20

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

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

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

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

	June 30,				
	2016	2017	2018	2019	2020
Governmental Activities:					
Net Investment in Capital Assets	\$ 19,449,441	\$ 15,601,657	\$ 16,691,630	\$ 17,708,038	\$ 18,972,606
Restricted	4,808,520	6,023,368	5,923,057	6,221,057	9,032,165
Unrestricted/(Deficit)	(8,036,597)	(10,039,782)	(9,801,768)	(9,487,392)	(8,594,626)
Total Governmental Activities Net Position	<u>\$ 16,221,364</u>	<u>\$ 11,585,243</u>	<u>\$ 12,812,919</u>	<u>\$ 14,441,703</u>	<u>\$ 19,410,145</u>
Business-type Activities:					
Investment in Capital Assets	\$ 22,579	\$ 22,059	\$ 38,332	\$ 38,520	\$ 32,080
Unrestricted	49,483	55,770	30,286	23,068	1,199
Total Business-type Activities Net Position	<u>\$ 72,062</u>	<u>\$ 77,829</u>	<u>\$ 68,618</u>	<u>\$ 61,588</u>	<u>\$ 33,279</u>
District-wide:					
Net Investment in Capital Assets	\$ 19,472,020	\$ 15,623,716	\$ 16,729,962	\$ 17,746,558	\$ 19,004,686
Restricted	4,808,520	6,023,368	5,923,057	6,221,057	9,032,165
Unrestricted/(Deficit)	(7,987,114)	(9,984,012)	(9,771,482)	(9,464,324)	(8,593,427)
Total District-wide Net Position	<u>\$ 16,293,426</u>	<u>\$ 11,663,072</u>	<u>\$ 12,881,537</u>	<u>\$ 14,503,291</u>	<u>\$ 19,443,424</u>

Source: Pequannock Township School District Financial Reports.

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

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses:										
Governmental Activities:										
Instruction:										
Regular	\$ 16,092,565	\$ 16,424,691	\$ 17,204,470	\$ 17,288,486	\$ 20,102,745	\$ 20,356,850	\$ 23,161,900	\$ 24,311,883	\$ 22,596,936	\$ 20,902,487
Special Education	5,364,439	5,585,178	5,392,492	5,226,471	5,810,299	6,315,970	7,109,136	6,880,544	6,084,379	5,961,531
Other Special Instruction	214,625	545,078	337,613	335,517	635,573	712,544	471,048	402,146	390,077	343,130
School Sponsored Instruction	653,558	756,034	889,036	974,701	1,180,467	1,259,036	1,479,322	1,469,927	1,361,289	1,329,613
Support Services:										
Tuition	1,653,770	1,822,467	1,692,099	1,759,129	2,415,310	2,275,185	1,885,284	2,253,517	2,020,279	2,159,405
Student & Instruction Related Services	4,480,972	4,444,681	4,517,707	4,716,527	5,029,259	5,344,281	5,780,071	6,054,130	5,942,987	5,917,883
General Administration Services	861,243	944,958	809,157	794,428	707,109	639,725	684,108	833,062	842,367	842,367
School Administration Services	2,591,799	2,128,209	2,435,971	1,962,188	2,568,393	2,740,609	2,626,583	2,944,449	2,775,403	2,628,329
Central Services	518,487	583,280	532,573	507,535	526,938	508,638	594,457	594,457	603,736	598,104
Administrative Information Technology	264,221	203,608	242,416	243,475	52,889	83,497	326,248	311,476	304,293	315,399
Plant Operations and Maintenance	2,924,324	2,977,172	2,619,567	2,913,742	2,913,546	2,282,507	3,032,863	3,659,460	4,013,680	3,016,727
Pupil Transportation	1,085,095	1,008,460	962,456	1,085,674	1,160,443	1,236,391	1,287,637	1,322,997	1,281,338	1,284,704
Charter Schools	21,119	22,590	532,914	504,650	653,130	360,486	556,024	406,202	378,575	354,143
Interest on Long-term Debt	601,191	534,977		2,793	2,587					
Capital Outlay										
Total Governmental Activities Expenses	37,327,408	37,981,383	38,168,471	38,315,316	43,758,688	44,115,719	48,934,036	51,295,296	48,586,034	45,653,822
Business-type Activities:										
Food Service	699,178	710,854	667,338	712,616	630,439	615,384	691,714	798,574	820,867	598,961
Imagine Program	3,369									
Total Business-type Activities Expenses	702,547	710,854	667,338	712,616	630,439	615,384	691,714	798,574	820,867	598,961
Total District-wide Expenses	38,029,955	38,692,237	38,835,809	39,027,932	44,389,127	44,731,103	49,625,750	52,093,870	49,406,901	46,252,783
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Tuition	290,475	282,211	403,512	306,786	313,874	331,675	416,809	321,868	355,591	775,009
Pupil Transportation	35,429	25,755	22,073	13,505	19,004	30,326				
Operating Grants and Contributions	4,882,140	5,713,196	6,057,351	5,680,108	10,037,487	11,190,927	14,436,463	16,107,937	12,986,784	11,224,639
Total Governmental Activities Program Revenues	5,208,044	6,021,162	6,482,936	6,000,399	10,370,365	11,552,928	14,853,272	16,429,805	13,342,375	11,999,648

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

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Program Revenues:										
Business-type Activities:										
Charges for Services:										
Food Service	\$ 605,068	\$ 587,050	\$ 586,355	\$ 579,114	\$ 553,402	\$ 538,728	\$ 695,172	\$ 768,387	\$ 789,893	\$ 569,464
Operating Grants and Contributions	90,186	91,244	100,690	107,539	106,463	79,101	1,704	19,869	21,944	
Total Business-type Activities Program Revenues	695,254	678,294	687,045	686,653	659,865	617,829	696,876	788,256	811,837	569,464
Total District-wide Program Revenues	5,903,298	6,699,456	7,169,981	6,687,052	11,030,230	12,170,757	15,550,148	15,550,148	14,154,212	12,569,112
Net (Expense)/Revenue:										
Governmental Activities	(32,119,364)	(31,960,221)	(31,685,535)	(32,314,917)	(33,388,323)	(32,562,791)	(34,080,764)	(34,865,491)	(35,243,659)	(33,654,174)
Business-Type Activities	(7,293)	(32,560)	19,707	(25,963)	29,426	2,445	5,162	(10,318)	(9,030)	(29,497)
Total District-wide Net (Expense)/Revenue	(32,126,657)	(31,992,781)	(31,665,828)	(32,340,880)	(33,358,897)	(32,560,346)	(34,075,602)	(34,875,809)	(35,252,689)	(33,683,671)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	30,946,682	30,946,682	30,921,682	31,150,449	31,711,157	32,281,958	33,139,323	33,536,481	34,994,588	35,694,480
Taxes Levied for Debt Service	893,390	769,537	714,845	730,986	874,265	820,694	795,800	827,445	939,888	947,329
Unrestricted Grants and Contributions	632,616	975,672	1,055,622	1,107,834	1,088,258	1,132,036	1,148,700	892,436	983,314	961,569
Investment Earnings	15,201	11,117	10,888	19,133	8,306	19,223	9,715	13,828	16,826	11,819
Miscellaneous Income	191,161	357,666	289,936	610,611	446,994	415,703	258,167	410,646	474,262	470,984
Total Governmental Activities General Revenues & Other Changes in Net Position	32,679,050	33,060,674	32,992,973	33,619,013	34,128,980	34,669,614	35,351,705	35,680,836	37,408,878	38,086,181
Business-type Activities:										
Investment Earnings	281	232	232	298	140	314	605	1,107	2,000	1,188
Capital Adjustments	(39,935)									
Total Business-type Activities General Revenues & Other Changes in Net Position	(39,654)	232	232	298	140	314	605	1,107	2,000	1,188
Total District-wide General Revenues & Other Changes in Net Position	32,639,396	33,060,906	32,993,205	33,619,311	34,129,120	34,669,928	35,352,310	35,681,943	37,410,878	38,087,369
Change in Net Position:										
Governmental Activities	559,686	1,100,453	1,307,438	1,304,096	740,657	2,106,823	1,270,941	815,345	2,165,219	4,432,007
Business-type Activities	(46,947)	(32,328)	19,939	(25,665)	29,566	2,759	5,767	(9,211)	(7,030)	(28,309)
Total Districtwide Change in Net Position	\$ 512,739	\$ 1,068,125	\$ 1,327,377	\$ 1,278,431	\$ 770,223	\$ 2,109,582	\$ 1,276,708	\$ 806,134	\$ 2,158,189	\$ 4,403,698

Source: Pequannock Township School District Financial Reports.

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

	June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund:										
Restricted	\$ 3,560,017	\$ 4,423,782	\$ 4,704,299	\$ 5,591,955	\$ 5,403,234	\$ 4,331,787	\$ 6,017,471	\$ 5,918,334	\$ 6,221,057	\$ 8,958,659
Assigned	1,074,876	945,272	1,780,852	928,189	411,086	698,570	520,960	848,855	953,613	1,534,760
Unassigned	960,563	937,516	744,819	614,034	548,804	526,287	492,833	579,514	574,648	554,389
Total General Fund	\$ 5,595,456	\$ 6,306,570	\$ 7,229,970	\$ 7,134,178	\$ 6,363,124	\$ 5,556,644	\$ 7,031,264	\$ 7,346,703	\$ 7,749,318	\$ 11,047,808
Other Governmental Funds:										
Restricted	\$ 3,567,044	2,021,030	\$ 1,974,393	\$ 3,583,479	\$ 1,277,130	\$ 476,733	\$ 5,897	\$ 4,723	\$ 536,435	\$ 73,506
Committed	310,785			42,947						
Unassigned/(Deficit)		(2,000,000)	(2,000,000)	(1,440,000)	(1,707,875)	913,054	(30,018)	(50,566)		
Total Other Governmental Funds	\$ 3,877,829	\$ 21,030	\$ (25,607)	\$ 2,186,426	\$ (430,745)	\$ 1,389,787	\$ (24,121)	\$ (45,843)	\$ 536,435	\$ 73,506
Total Governmental Funds:										
Restricted	\$ 6,444,812	\$ 6,444,812	\$ 6,678,692	\$ 9,175,434	\$ 6,680,364	\$ 4,808,520	\$ 6,023,368	\$ 5,923,057	\$ 6,221,057	\$ 8,958,659
Committed	310,785			42,947					536,435	73,506
Assigned	1,074,876	945,272	1,780,852	928,189	411,086	698,570	520,960	848,855	953,613	1,534,760
Unassigned/(Deficit)	960,563	937,516	744,819	614,034	(1,159,071)	1,439,341	462,815	528,948	574,648	554,389
Total Governmental Funds	\$ 2,346,224	\$ 8,327,600	\$ 9,204,363	\$ 10,760,604	\$ 5,932,379	\$ 6,946,431	\$ 7,007,143	\$ 7,300,860	\$ 8,285,753	\$ 11,121,314

Source: Pequannock Township School District Financial Reports.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

UNAUDITED

(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues:										
Tax Levy	\$ 31,840,072	\$ 31,716,219	\$ 31,636,527	\$ 31,881,435	\$ 32,585,422	\$ 33,102,652	\$ 33,935,123	\$ 34,363,926	\$ 35,934,476	\$ 36,641,809
Tuition Charges	290,475	282,211	403,512	306,786	313,874	331,675	416,809	287,799	355,591	775,009
Transportation Fees	35,429	25,755	22,073	13,505	19,004	30,326				
Interest Earnings	15,201	11,117	10,888	19,133	2,480	19,223	9,715	13,828	16,826	11,819
Budget Appropriation				560,000	615,000	625,000	200,000			
Miscellaneous	198,925	391,362	292,215	612,171	458,854	415,703	262,431	414,812	475,066	480,675
State Sources	4,645,824	5,726,161	6,532,314	6,201,643	6,444,009	6,908,633	7,505,930	2,665,818	8,912,999	9,229,224
Federal Sources	861,168	929,011	578,380	584,739	603,845	591,506	576,073	552,856	604,640	576,508
Total Revenues	37,887,094	39,081,836	39,475,909	40,179,412	41,042,488	42,024,718	42,906,081	38,299,039	46,299,598	47,715,044
Expenditures:										
Instruction:										
Regular Instruction	11,586,205	11,870,278	11,657,999	12,081,988	11,815,509	11,441,861	11,771,347	12,198,687	12,199,902	11,923,501
Special Education	4,042,076	4,095,891	3,841,303	3,581,397	3,373,285	3,507,371	3,626,759	3,448,315	3,472,440	3,623,211
Other Special Instruction	203,088	257,122	213,635	207,555	213,033	216,700	221,804	198,468	198,468	189,263
School Sponsored Instruction	653,558	658,558	652,332	717,004	756,647	771,571	832,795	813,511	813,510	844,608
Support Services:										
Tuition	1,653,770	1,822,467	1,692,099	1,759,129	2,415,310	2,275,185	1,885,284	2,138,412	2,020,279	2,159,405
Student/Instruction-related Serv.	3,145,187	3,343,587	3,342,701	3,488,489	3,782,133	3,886,672	3,857,609	4,032,543	4,063,175	4,220,489
General Administration	740,097	738,003	725,016	696,628	607,792	536,175	528,380	727,925	727,925	739,721
School Administration	1,665,569	1,626,880	1,621,245	1,298,532	1,454,611	1,490,160	1,328,755	1,437,099	1,437,100	1,463,929
Central Services	420,510	430,495	432,548	403,781	416,117	401,429	470,613	472,768	472,768	471,606
Administrative Info. Technology	198,838	182,371	191,793	197,617	52,889	81,672	274,972	247,118	247,119	259,496
Plant Operations/Maintenance	2,569,576	2,480,416	2,229,504	2,482,717	2,422,188	2,271,828	2,511,753	3,154,620	3,154,619	2,720,954
Pupil Transportation	896,063	861,911	758,934	881,959	922,299	986,734	982,248	959,888	959,888	971,210

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

UNAUDITED

(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenditures:										
Support Services:										
Allocated Benefits	\$ 5,599,083									
Unallocated Benefits	2,293,512	\$ 8,123,584	\$ 9,356,959	\$ 9,175,145	\$ 9,699,036	\$ 10,364,716	\$ 10,897,772	\$ 6,587,580	\$ 12,305,131	\$ 12,330,417
Charter Schools	21,119	22,590								
Capital Outlay	951,297	4,596,668	769,666	2,766,955	4,630,044	796,642	2,153,047	3,236,979	1,950,906	1,919,348
Debt Service:										
Principal	740,000	555,000	575,000	1,160,000	1,235,000	1,415,000	1,050,000	845,000	860,000	885,000
Interest & Other Charges	591,275	561,700	538,412	514,275	634,820	566,950	452,231	462,075	431,475	407,325
Total Expenditures	37,972,834	42,229,533	38,601,159	41,415,185	44,432,728	41,010,666	42,845,369	40,960,988	45,314,705	45,129,483
Other Financing Sources (Uses):										
Refunding Bonds Issued						9,025,000				250,000
Lease Proceeds										
Bond Premium						1,214,617				
Serial Bonds Defeased						(9,460,000)				
Bond Issuance Costs						(134,277)				
Deferred Amount on Refunding						(645,340)				
Bond Proceeds				3,350,000						
Transfers In	12,499	183,956	45,918	780,928	1,736,403	3,330,065	932,208	1,767,384	808,335	998,385
Transfers Out	(12,499)	(183,956)	(45,918)	(780,928)	(1,736,403)	(3,330,065)	(932,208)	647,187	(808,335)	(998,385)
Total Other Financing Sources/(Uses)				3,350,000		(779,617)		2,414,571		250,000
Net Change in Fund Balances	\$ (85,740)	\$ (3,147,697)	\$ 874,750	\$ 2,114,227	\$ (3,390,240)	\$ 234,435	\$ 60,712	\$ (247,378)	\$ 984,893	\$ 2,835,561
Debt Service as a Percentage of Noncapital Expenditures	3.60%	2.97%	2.94%	4.33%	4.70%	4.93%	3.69%	3.46%	2.98%	2.99%

Source: Pequannock Township School District Financial Reports.

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Transportation</u> <u>Fees</u>	<u>Tuition</u>	<u>Rentals - Use</u> <u>of Facilities</u>	<u>Other</u>	<u>Total</u>
2011	\$ 22,777	\$ 35,429	\$290,475	\$ 60,780	\$ 110,249	\$ 519,710
2012	22,179	25,755	282,211	65,711	272,576	668,432
2013	23,944	22,073	403,512	93,377	177,585	720,491
2014	6,941	13,505	306,786	114,802	495,809 *	937,843
2015	2,480	19,004	313,874	93,539	353,455	782,352
2016	25,623	30,326	331,675	101,691	294,246	783,561
2017	9,715		416,809	82,242	171,202	679,968
2018	67,695		321,868	118,221	156,082	663,866
2019	118,549		355,591	204,990	159,214	838,344
2020	90,896		775,009	144,116	243,857	1,253,878

* - Includes Township contribution of \$217,028 for Capital Projects

Source: Pequannock Township School District records.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS
UNAUDITED

Year Ended Dec. 31,	Vacant Land	Residential	Farm Regular	Farm (Qualified)	Commercial	Industrial	Apartment	Total Assessed Value	Add: Public Utilities ^a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2010	\$ 21,609,300	\$ 2,238,991,100	\$ 12,816,700	\$ 113,600	\$ 228,937,900	\$ 57,197,700	\$ 331,749,200	\$ 2,891,415,500	\$ 2,251,791	\$ 2,893,667,291	\$ 233,114,600	1.08	\$ 2,861,499,098
2011	19,202,900	2,231,853,950	12,816,700	113,600	232,929,800	58,335,100	331,749,200	2,887,001,250	-0-	2,887,001,250	234,484,600	1.10	2,749,192,705
2012 *	16,402,100	1,748,542,800	10,998,100	112,300	220,119,900	57,596,400	362,017,600	2,415,789,200	-0-	2,415,789,200	208,922,100	1.32	2,752,759,083
2013	16,303,400	1,749,125,700	10,840,900	102,500	223,697,800	57,757,900	361,867,600	2,419,695,800	-0-	2,419,695,800	210,213,800	1.31	2,484,542,355
2014	16,082,600	1,750,111,700	10,840,900	102,500	222,287,100	57,757,900	361,542,500	2,418,725,200	-0-	2,418,725,200	213,080,500	1.35	2,489,750,104
2015	14,618,300	1,754,413,200	9,951,600	91,100	222,316,800	57,757,900	361,542,500	2,420,691,400	100	2,420,691,500	214,182,300	1.36	2,577,555,979
2016	12,742,000	1,760,533,100	10,820,600	102,000	278,609,700	57,595,400	361,542,500	2,481,945,300	100	2,481,945,400	155,442,800	1.37	2,654,216,368
2017	12,659,700	1,765,833,500	10,820,600	102,000	227,905,800	57,595,400	361,542,500	2,436,459,500	100	2,436,459,600	209,817,600	1.42	2,593,009,384
2018	12,721,700	1,768,695,900	10,820,600	102,000	253,901,300	56,695,400	303,516,500	2,406,453,400	100	2,406,453,500	210,643,400	1.47	2,677,182,301
2019	13,516,200	1,774,659,800	10,820,600	101,500	263,760,100	56,845,400	266,516,500	2,386,220,100	100	2,386,220,200	210,541,600	1.54	2,762,491,383

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each County Board of Taxation. Reassessment occurs when ordered by the County Board of Taxation.

* - Revaluation of the Township's real property was effective in 2012.

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

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

Source: Pequannock Township Tax Assessor.

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

Year Ended December 31,	Pequannock Township School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Pequannock Township	Morris County	
2010	\$ 1.05	\$ 0.03	\$ 1.08	\$ 0.40	\$ 0.23	\$ 1.71
2011	1.07	0.03	1.10	0.40	0.23	1.73
2012	* 1.29	* 0.03	* 1.32	* 0.50	* 0.28	* 2.10
2013	1.28	0.03	1.31	0.50	0.26	2.07
2014	1.31	0.04	1.35	0.50	0.26	2.11
2015	1.33	0.03	1.36	0.51	0.27	2.14
2016	1.34	0.03	1.37	0.53	0.27	2.17
2017	1.39	0.03	1.42	0.48	0.25	2.16
2018	1.43	0.04	1.47	0.55	0.28	2.29
2019	1.50	0.04	1.54	0.56	0.30	2.40

Note: NJSA 18A:7F-5d limits the amount that the District can submit for a General Fund tax levy . The levy when added to other components of the District's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculation.

* - Revaluation of the Township's real property was effective in 2012.

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

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

Source: Pequannock Township Tax Collector and School Business Administrator.

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

Taxpayer	2019			2010		
	Taxable Assessed Value	Rank	% of Total District Net Valuation Taxable	Taxable Assessed Value	Rank	% of Total District Net Valuation Taxable
Point View Campus LLC	\$ 263,000,000	1	10.86%	\$ 327,873,800	1	11.33%
Plaza Twenty Three Station LLC	45,246,100	2	1.87%	27,743,100	2	0.96%
ABN Realty	19,500,000	3	0.81%			
New EKC Corporation (3 properties)	9,179,700	4	0.38%	6,291,200	5	0.22%
Pompton Realty (2 properties)	7,995,400	5	0.33%			
Balaji LLC (2 properties)	7,732,500	6	0.32%	4,747,000	10	0.16%
West End Road Associates	7,280,000	7	0.30%	7,436,500	3	0.26%
Perrin Associates	7,196,500	8	0.30%	5,948,700	7	0.21%
Pequannock Joint Venture	5,856,500	9	0.24%	6,200,400	6	0.21%
Romont Corporation (2 properties)	5,183,100	10	0.21%	5,475,700	8	0.19%
Adjess Associates				6,412,100	4	0.22%
Panraq Associates				4,766,500	9	0.16%
Total	\$ 378,169,800		13.72%	\$ 402,895,000		13.92%

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

Source: Pequannock Township Tax Assessor.

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2011	\$ 31,840,072	\$ 31,840,072	100.00%	\$ - 0 -
2012	31,716,219	31,716,219	100.00%	- 0 -
2013	31,636,527	31,556,527	99.75%	80,000
2014	31,881,435	31,881,335	100.00%	100
2015	32,585,422	32,585,422	100.00%	- 0 -
2016	33,102,652	33,102,652	100.00%	- 0 -
2017	33,935,123	33,935,123	100.00%	- 0 -
2018	34,629,554	34,629,554	100.00%	- 0 -
2019	35,934,476	34,477,369	95.95%	1,457,107
2020	36,641,809	34,617,539	94.48%	2,024,270

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

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

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

Year Ended June 30,	Governmental Activities							Percentage of Personal Income ^a		Per Capita ^a
	General Obligation Bonds	Certificates of Participation	Bond Anticipation Notes	Capital Leases	Total District	Income ^a				
2011	\$ 13,790,000	\$ -0-	\$ -0-	\$ -0-	\$ 13,790,000	1.19%	\$	888.47		
2012	13,235,000	-0-	2,000,000	-0-	15,235,000	1.27%		980.31		
2013	12,660,000	-0-	2,000,000	-0-	14,660,000	1.18%		942.70		
2014	15,410,000	-0-	1,440,000	-0-	16,850,000	1.34%		1,080.82		
2015	14,790,000	-0-	825,000	-0-	15,615,000	1.20%		1,005.08		
2016	13,565,000	-0-	200,000	-0-	13,765,000	1.01%		889.44		
2017	12,715,000	-0-	-0-	-0-	12,715,000	0.92%		823.56		
2018	11,870,000	-0-	-0-	-0-	11,870,000	0.82%		770.28		
2019	11,010,000	-0-	-0-	-0-	11,010,000	0.73%		726.40		
2020	10,125,000	-0-	-0-	-0-	10,125,000	0.68%		676.58		

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

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

Source: Pequannock Township School District Financial Reports.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding				Percentage of Net Valuation Taxable ^a	Per Capita ^b
	General Obligation Bonds	Bond Anticipation Notes	Deductions	Net General Bonded Debt Outstanding		
2011	\$ 13,790,000	\$ -0-	\$ -0-	\$ 13,790,000	0.477%	888.47
2012	13,235,000	2,000,000	-0-	15,235,000	0.526%	980.31
2013	12,660,000	2,000,000	-0-	14,660,000	0.508%	942.70
2014	15,410,000	1,440,000	-0-	16,850,000	0.697%	1,080.82
2015	14,790,000	825,000	-0-	15,615,000	0.646%	1,005.08
2016	13,565,000	200,000	-0-	13,765,000	0.569%	889.44
2017	12,715,000	-0-	-0-	12,715,000	0.512%	823.56
2018	11,870,000	-0-	-0-	11,870,000	0.487%	770.28
2019	11,010,000	-0-	-0-	11,010,000	0.458%	726.40
2020	10,125,000	-0-	-0-	10,125,000	0.424%	676.58

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

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

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

Source: Pequannock Township School District Financial Reports.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2019
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Pequannock Township	\$ 1,567,218	100.00%	\$ 1,567,218
Morris County General Obligation Debt	216,220,009	2.87%	<u>6,216,059</u>
Subtotal Overlapping Debt			7,783,277
Pequannock Township School District Direct Debt			<u>10,825,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 18,608,277</u></u>

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

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

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

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

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

	Fiscal Year				
	2016	2017	2018	2019	2020
Debt Limit	\$ 101,819,326	\$ 103,833,439	\$ 105,628,538	\$ 108,257,283	\$ 111,329,087
Total Net Debt Applicable to Limit	<u>13,765,000</u>	<u>12,715,000</u>	<u>11,870,000</u>	<u>11,010,000</u>	<u>10,125,000</u>
Legal Debt Margin	<u>\$ 88,054,326</u>	<u>\$ 91,118,439</u>	<u>\$ 93,758,538</u>	<u>\$ 97,247,283</u>	<u>\$ 101,204,087</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	13.52%	12.25%	11.24%	10.17%	9.09%

Legal Debt Margin Calculation for Fiscal Year 2020

	Year Ended December 31,	Equalized Valuation Basis
	2017	\$ 2,703,917,749
	2018	2,779,777,621
	2019	<u>2,865,986,188</u>
		<u>\$ 8,349,681,558</u>
Average Equalized Valuation of Taxable Property		<u>\$ 2,783,227,186</u>
Debt Limit (4% of Average Equalization Value) ^a		\$ 111,329,087
Net Bonded School Debt		<u>10,125,000</u>
Legal Debt Margin		<u>\$ 101,204,087</u>

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

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

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

<u>Year</u>	<u>Township Population ^a</u>	<u>Morris County Per Capita Personal Income ^b</u>	<u>Township Personal Income ^c</u>	<u>Township Unemployment Rate ^d</u>
2011	15,541	\$ 77,207	\$ 1,199,873,987	8.00%
2012	15,551	80,027	1,244,499,877	8.30%
2013	15,590	80,868	1,260,732,120	5.60%
2014	15,536	83,687	1,300,161,232	5.10%
2015	15,476	87,896	1,360,278,496	4.50%
2016	15,439	89,065	1,375,074,535	4.10%
2017	15,410	94,259	1,452,531,190	4.00%
2018	15,157	98,842	1,498,148,194	3.40%
2019	14,965	98,842 *	1,479,170,530	2.80%
2020	14,965 **	98,842 *	1,479,170,530 **	N/A

* - Latest Morris County per capita personal income available (2018) was used for calculation purposes.

** - Latest Pequannock Township population available (2019) was used for calculation purposes.

N/A - Not Available

Source:

^a - Population information provided by the US Department of Census - Population Division.

^b - Per Capita Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.

^c - Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.

^d - Unemployment data provided by the NJ Department of Labor and Workforce Development.

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

	2020		2011		
	Employer	Employees	Percentage of Total Employment	Employees	Percentage of Total Employment
Atlantic Health System		6,140	2.43%	4,990	1.85%
Picatinny Arsenal		6,000	2.37%	4,933	1.83%
Novartis		4,900	1.94%	4,442	1.64%
ADP		2,690	1.06%	2,332	0.86%
Bayer		2,400	0.95%	1,959	0.72%
Accenture		1,865	0.74%	1,924	0.71%
Barclays		1,800	0.71%	1,550	0.57%
Honeywell		1,704	0.67%	1,531	0.57%
Allergan		1,627	0.64%	1,400	0.52%
St. Clare's Health System		1,565	0.62%	1,378	0.51%
Total		<u>30,691</u>	<u>12.13%</u>	<u>26,439</u>	<u>9.78%</u>
Total County Labor Force		<u>252,984</u>		<u>270,282</u>	

Source: Morris County Treasurer's Office.

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

<u>Function/Program</u>	<u>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>	<u>2020</u>
Instruction:										
Regular	160.00	158.80	161.69	158.50	150.90	147.30	144.70	146.10	144.70	147.50
Special Education	66.40	66.20	62.30	65.50	67.60	70.00	73.10	72.13	68.20	68.80
Support Services:										
Student/Instruction-Related	40.30	43.90	47.56	39.90	47.20	48.80	49.38	50.98	51.90	59.70
General Administration	2.00	2.00	3.00	3.00	3.00	3.00	2.50	2.50	2.50	2.50
School Administration	18.40	18.00	19.00	16.50	17.00	17.00	16.00	15.68	20.46	21.40
Plant Operations/Maintenance	23.50	23.00	22.00	21.00	21.00	23.00	23.00	24.00	25.80	26.80
Pupil Transportation	4.50	5.00	3.97	4.70	5.00	6.20	6.00	6.00	6.00	6.00
Business & Other Support	8.00	8.00	7.00	8.00	5.00	5.00	5.00	5.00	5.00	5.00
Total	323.10	324.90	326.52	317.10	316.70	320.30	319.68	322.39	324.56	337.70

Source: Pequannock Township School District Personnel Records.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Costs Per Pupil ^b	% Change	Teaching Staff ^c	Pupil/Teacher Ratio						Average Daily Enrollment (ADE) ^d	Average Daily Attendance (ADA) ^d	% Change in Average Daily Enrollment	Student Attendance Percentage	
						Elementary			Middle School							High School
						Hillview	North Boulevard	Stephen J. Gerace	Middle School	High School						
2011	2,330	\$ 35,688,251	\$ 15,317	0.81%	218	12.8:1	9.6:1	12.7:1	10.1:1	10.0:1	2,330	2,244	-2.18%	96.31%		
2012	2,257	36,516,165	16,179	5.63%	217	14.9:1	13.0:1	13.3:1	8.1:1	9.1:1	2,257	2,171	-3.13%	96.19%		
2013	2,264	36,718,081	16,218	0.24%	226	12.2:1	9.5:1	10.7:1	9.1:1	9.9:1	2,261	2,167	0.18%	95.84%		
2014	2,256	36,971,941	16,388	1.05%	193	13.5:1	10.5:1	12.3:1	11.2:1	12.1:1	2,249	2,207	-0.53%	98.13%		
2015	2,253	37,930,849	16,836	2.73%	211	10.5:1	10.1:1	12.0:1	10.8:1	10.3:1	2,234	2,147	-0.67%	96.11%		
2016	2,165	38,232,074	17,659	4.89%	215	10.6:1	9.1:1	13.5:1	10.1:1	9.6:1	2,169	2,087	-2.93%	96.24%		
2017	2,138	39,190,091	18,330	3.80%	205	10.2:1	10.6:1	12.6:1	9.9:1	10.2:1	2,133	2,044	-1.65%	95.84%		
2018	2,130	40,689,336	19,103	4.22%	198	11.2:1	10.7:1	12.1:1	10.5:1	10.3:1	2,119	2,027	-0.64%	95.66%		
2019	2,103	42,072,324	20,006	4.73%	190	11.1:1	11.3:1	13.2:1	10.9:1	10.3:1	2,088	2,002	-1.46%	95.88%		
2020	2,118	41,917,810	19,791	-1.07%	199	11.8:1	9.5:1	11.9:1	10.5:1	9.5:1	2,049	1,985	-1.87%	96.88%		

Note: Enrollment based on annual October District count.

- ^a - Operating expenditures equal total expenditures less debt service and capital outlay.
- ^b - Cost per pupil is calculated based upon the enrollment and operating expenditures presented above which may not be the same as other cost per pupil calculations.
- ^c - Teaching staff includes only full-time equivalents of certificated staff.
- ^d - Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

Source: Pequannock Township School District records.

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

<u>District Building</u>	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Hillview School (1962):										
Square Feet	45,005	45,005	45,005	45,005	45,005	45,005	45,005	45,005	45,005	45,005
Capacity (Students)	360	360	360	360	360	360	360	360	360	360
Enrollment	385	373	351	349	349	302	296	314	290	307
North Boulevard School (1954):										
Square Feet	45,902	45,902	45,902	45,902	45,902	45,902	45,902	45,902	45,902	45,902
Capacity (Students)	367	367	367	367	367	367	367	367	367	367
Enrollment	301	301	307	305	305	327	328	351	340	318
Stephen J. Gerace School (1969):										
Square Feet	34,834	34,834	34,834	34,834	34,834	34,834	34,834	44,350	44,350	44,350
Capacity (Students)	278	278	278	278	278	278	278	357	357	357
Enrollment	304	305	285	291	291	281	298	286	312	293
Pequannock Valley Middle School (1950):										
Square Feet	84,754	84,754	84,754	84,754	84,754	84,754	84,754	84,754	84,754	84,754
Capacity (Students)	632	632	632	632	632	632	632	632	632	632
Enrollment	606	570	557	557	557	536	513	481	459	463
Pequannock High School (1957):										
Square Feet	130,547	130,547	130,547	130,547	130,547	130,547	130,547	130,547	130,547	130,547
Capacity (Students)	864	864	864	864	864	864	864	864	864	864
Enrollment	734	708	749	739	739	719	703	698	702	677
Board Office:										
Square Feet	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700

Number of Schools at June 30, 2020:

Elementary = 3

Middle School = 1

High School = 1

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

Source: Pequannock Township School District Facilities Office.

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

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

Fiscal Year Ended	Hillview Elementary School	North Boulevard Elementary School	Stephen J. Gerace Elementary School	Pequannock Valley Middle School	Pequannock High School	Total School Facilities*
2011	\$ 76,011	\$ 76,011	\$ 64,317	\$ 146,176	\$ 222,187	\$ 584,702
2012	85,490	87,229	65,906	160,888	246,625	646,138
2013	44,013	61,680	43,136	121,392	161,275	431,496
2014	49,973	84,302	53,328	118,506	170,516	476,625
2015	60,987	68,073	46,617	149,737	175,468	500,882
2016	50,436	52,433	53,480	113,998	148,948	419,295
2017	67,587	72,338	40,098	104,646	162,244	446,913
2018	75,188	122,858	109,778	128,967	202,084	638,875
2019	110,604	111,304	94,288	212,701	323,305	852,202
2020	83,932	83,932	71,019	161,408	245,340	645,631

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

Source: Pequannock Township School District records.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2020
UNAUDITED

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2020
UNAUDITED

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

Source: Pequannock Township School District records.

SINGLE AUDIT SECTION



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Independent Member
BKR International

Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

The Honorable President and Members
of the Board of Education
Pequannock Township School District
County of Morris, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Pequannock Township School District, in the County of Morris (the "District") as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2020.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Mount Arlington, New Jersey
December 15, 2020

Nisivoccia, LLP
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Independent Member
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Report on Compliance For Each Major State Program;
Report on Internal Control Over Compliance

Independent Auditors' Report

The Honorable President and Members
of the Board of Education
Pequannock Township School District
County of Morris, New Jersey

Report on Compliance for Each Major State Program

We have audited the Board of Education of the Pequannock Township School District's (the "District's") compliance with the types of compliance requirements described in the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2020. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, the Uniform Guidance and New Jersey's OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Opinion on Each Major State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance or NJOMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Mount Arlington, New Jersey
December 15, 2020

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PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass Through Grantor Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at		Budgetary Expenditures	Cash Received	Balance at	
					June 30, 2019	Budgetary Accounts Receivable			June 30, 2020	Budgetary Accounts Receivable
U.S. Department of Education Passed-through State Department of Education:										
Special Revenue Fund:										
IDEA Special Education Cluster:										
I.D.E.A. Part B, Basic	84.027	IDEA408020	7/1/19-9/30/20	\$ 550,652	\$ 470,773	\$ (31,763)				
I.D.E.A. Part B, Basic	84.027	IDEA408019	7/1/18-9/30/19	537,868	39,687					
I.D.E.A. Part B, Preschool	84.173	IDEA408020	7/1/19-9/30/20	22,164	11,931	(10,233)				
I.D.E.A. Part B, Preschool	84.173	IDEA408019	7/1/18-9/30/19	22,829	1,858					
Total IDEA Special Education Cluster					524,249	(41,996)	(524,700)		(41,996)	
Elementary and Secondary Education Act										
Title I	84.010A	ESEA408020	7/1/19-9/30/20	68,817	25,845		(34,995)		(9,150)	
Title I	84.010A	ESEA408019	7/1/18-9/30/19	78,756	10,560					
Total Title I					36,405		(34,995)		(9,150)	
Title II, Part A	84.367A	ESEA408020	7/1/19-9/30/20	38,854	14,621		(15,512)		(891)	
Title II, Part A	84.367A	ESEA408019	7/1/18-9/30/19	45,345	22,359				(1,301)	
Total Title II					36,980		(15,512)		(2,192)	
Total Elementary and Secondary Education Act					73,385		(50,507)		(11,342)	
Total Special Revenue Fund					597,634		(575,207)		(53,338)	
Total U.S. Department of Education					597,634		(575,207)		(53,338)	
					\$ 597,634		\$ (575,207)		\$ (53,338)	\$ -0-

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

State Grantor/Program Title	Project Number	Grant Period	Award Amount	Balance at June 30, 2019		Due to Grantor	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2020		MEMO	
				Budgetary Accounts Receivable	Due to Grantor					GAAP Accounts Receivable	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
New Jersey Department of Education													
General Fund:													
Categorical Special Education Aid	19-495-034-5120-089	7/1/18 - 6/30/19	\$ 1,526,522	\$ (143,219)	\$ 143,219								\$ 1,526,522
Equalization Aid	19-495-034-5120-078	7/1/18 - 6/30/19	406,379	(38,127)	38,127								406,379
Categorical Security Aid	19-495-034-5120-084	7/1/18 - 6/30/19	168,558	(15,814)	15,814								168,558
School Choice Aid	19-495-034-5120-068	7/1/18 - 6/30/19	43,002	(4,034)	4,034								43,002
Categorical Transportation Aid	19-495-035-5120-014	7/1/18 - 6/30/19	124,035	(11,637)	11,637								124,035
Extraordinary Aid	19-495-034-5120-044	7/1/18 - 6/30/19	252,601	(252,601)	252,601								252,601
Additional Nonpublic Transportation Aid	19-495-034-5120-014	7/1/18 - 6/30/19	27,550	(27,550)	27,550								27,550
Reimbursed TPAF Social Security Contributions	19-495-034-5094-003	7/1/18 - 6/30/19	1,163,933	(56,615)	56,615								1,163,933
	20-495-034-5094-003	7/1/19 - 6/30/20	1,189,106		1,129,274								1,189,106
Categorical Special Education Aid	20-495-034-5120-089	7/1/19 - 6/30/20	1,543,185		1,397,003								1,543,185
Equalization Aid	20-495-034-5120-078	7/1/19 - 6/30/20	406,379		367,883								406,379
Categorical Security Aid	20-495-034-5120-084	7/1/19 - 6/30/20	168,558		152,591								168,558
School Choice Aid	20-495-034-5120-068	7/1/19 - 6/30/20	53,201		48,161								53,201
Categorical Transportation Aid	20-495-035-5120-014	7/1/19 - 6/30/20	124,035		112,285								124,035
Extraordinary Aid	20-495-034-5120-044	7/1/19 - 6/30/20	341,126		341,126								341,126
Additional Nonpublic Transportation Aid	20-495-034-5120-014	7/1/19 - 6/30/20	1,713		1,713								1,713
On-Behalf TPAF Post Retirement Contributions	20-495-034-5094-001	7/1/19 - 6/30/20	1,289,324		1,289,324								1,289,324
On-Behalf Long Term Disability Insurance Contributions	20-495-034-5094-004	7/1/19 - 6/30/20	2,841		2,841								2,841
On-Behalf TPAF Pension Contributions	20-495-034-5094-002	7/1/19 - 6/30/20	3,414,243		3,414,243								3,414,243
On-Behalf TPAF Non-Contributory Insurance	20-495-034-5094-004	7/1/19 - 6/30/20	61,196		61,196								61,196
Total General Fund			8,524,398	(549,597)	8,524,398								12,307,487
Special Revenue Fund:													
New Jersey Nonpublic Aid:													
Handicapped Services:													
Examination and Classification	19-100-034-5120-066	7/1/18 - 6/30/19	61,518		61,518								61,518
Supplementary Instruction	19-100-034-5120-066	7/1/18 - 6/30/19	46,785		46,785								46,785
Corrective Speech	19-100-034-5120-066	7/1/18 - 6/30/19	31,070		31,070								31,070
Security Aid	19-100-034-5120-084	7/1/18 - 6/30/19	54,000		54,000								54,000
Textbook Aid	19-100-034-5120-064	7/1/18 - 6/30/19	18,957		18,957								18,957
Auxiliary Services:													
Compensatory Education	19-100-034-5120-067	7/1/18 - 6/30/19	63,791		63,791								63,791
English as a Second Language	19-100-034-5120-067	7/1/18 - 6/30/19	863		863								863
Handicapped Services:													
Examination and Classification	20-100-034-5120-066	7/1/19 - 6/30/20	57,982		57,982								57,982
Supplementary Instruction	20-100-034-5120-066	7/1/19 - 6/30/20	53,021		46,397								53,021
Corrective Speech	20-100-034-5120-066	7/1/19 - 6/30/20	32,081		28,073								32,081
Security Aid	20-100-034-5120-084	7/1/19 - 6/30/20	53,700		53,700								53,700
Textbook Aid	20-100-034-5120-064	7/1/19 - 6/30/20	18,607		18,607								18,607
Technology Initiative	20-100-034-5120-373	7/1/19 - 6/30/20	12,708		12,708								12,708
Nursing Services	20-100-034-5120-070	7/1/19 - 6/30/20	34,726		34,726								34,726
Auxiliary Services:													
Compensatory Education	20-100-034-5120-067	7/1/19 - 6/30/20	65,949		57,710								65,949
Total Special Revenue Fund			302,659	19,611	302,659								537,023
										(8,239)	(8,239)		
										(26,115)	(26,115)		
										\$ 49,124	\$ 49,124		

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2019		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2020		MEMO	
				Budgetary Accounts Receivable	Due to Grantor				GAAP Accounts Receivable	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
New Jersey Department of Education												
Debt Service Fund:												
Debt Service Aid	20-100-034-5120-075	7/1/19 - 6/30/20	\$ 344,996			\$ 344,996	\$ (344,996)					\$ 344,996
Total Debt Service Fund						344,996	(344,996)					344,996
Total New Jersey Department of Education				\$ (549,597)	\$ 19,611	9,172,053	(9,219,553)	\$ 19,611	\$ (428,786)	\$ 49,124	\$ (646,221)	13,189,506
N.J. School Development Authority Grants												
Capital Projects Fund:												
Pequannock High School Window Replacement and Security Project	4080-100-14-1001	2/24/14 - 12/31/16	453,700	(453,700)							(453,700)	
Roof Replacement and Various Renovations at Hillview Elementary	4080-055-14-1002	6/15/14 - 12/31/16	508,880	(508,880)							(508,880)	
Roof Replacement and Various Renovations at North Boulevard Elementary School	4080-060-14-1003	6/15/14 - 12/31/16	315,968	(315,968)							(315,968)	
Roof Replacement and Various Renovations at Pequannock Valley Middle School	4080-080-14-1004	6/15/14 - 12/31/16	574,805	(574,805)							(574,805)	
Stephen J. Gerace Elementary School												
Roof, Security and Window Projects	4080-100-14-1005	2/24/14 - 12/31/16	483,393	(483,393)							(483,393)	
Total Capital Projects Fund				(2,336,746)							(2,336,746)	
Total N.J. School Development Authority Grants				(2,336,746)							(2,336,746)	
Total State Awards Subject to Single Audit Determination				\$(2,886,343)	\$ 19,611	\$9,172,053	(9,219,553)	\$ 19,611	\$(428,786)	\$ 49,124	\$(2,982,967)	\$13,189,506
Less: On-Behalf TPAF Pension System Contributions:												
On-Behalf TPAF Post Retirement Contributions	20-495-034-5094-001	7/1/19 - 6/30/20	1,289,324				1,289,324					
On-Behalf Long Term Disability Insurance Contributions	20-495-034-5094-004	7/1/19 - 6/30/20	2,841				2,841					
On-Behalf TPAF Pension Contributions	20-495-034-5094-002	7/1/19 - 6/30/20	3,414,243				3,414,243					
On-Behalf TPAF Non-Contributory Insurance	20-495-034-5094-004	7/1/19 - 6/30/20	61,196				61,196					
Subtotal - On-Behalf TPAF Pension System Contributions							4,767,604					
Total State Awards Subject to Single Audit Major Program Determination							\$(4,451,949)					

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the “Schedules”) include the federal and state grant activity of the Pequannock Township School District under programs of the federal and state governments for the fiscal year ended June 30, 2020. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented on the accrual basis of accounting. These bases of accounting are described in Note 1 to the District’s basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3. INDIRECT COST RATE

The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the General Fund and Special Revenue Fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreements to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes these payments are not recognized until the subsequent budget year due to the state deferral and recording of the last two state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. SDA Grant revenue in the capital projects fund is recognized on the budgetary basis in the fiscal year of award but is not recognized on the GAAP basis until expended and submitted for reimbursement.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$4,604) for the General Fund and \$16,565 for the Special Revenue Fund which includes \$1,339 related to local grant encumbrances. See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general, special revenue, and capital projects funds. Awards and financial assistance revenue are reported on the Board’s basic financial statements on a GAAP basis as presented on the following page.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 8,590,303	\$ 8,590,303
Special Revenue Fund	\$ 576,508	293,925	870,433
Debt Service Fund		344,996	344,996
Total Financial Assistance	<u>\$ 576,508</u>	<u>\$ 9,229,224</u>	<u>\$ 9,805,732</u>

NOTE 5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

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

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

NOTE 7. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2020. Revenue and expenditures reported under the Federal Food Distribution Program represent current year value received and current year distributions, respectively.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over the major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for the major state programs for the District expresses an unmodified opinion on the major state programs.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2020 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District's programs tested as major state programs for the current fiscal year consisted of the following:

	<u>State Grant #</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>State:</u>				
Categorical Special Education Aid	20-495-034-5120-089	7/1/19 - 6/30/20	\$ 1,543,185	\$ 1,543,185
Equalization Aid	20-495-034-5120-078	7/1/19 - 6/30/20	406,379	406,379
Categorical Security Aid	20-495-034-5120-084	7/1/19 - 6/30/20	168,558	168,558
School Choice Aid	20-495-034-5120-068	7/1/19 - 6/30/20	53,201	53,201

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

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

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in 2 CFR 200.516(a) of the Uniform Guidance or NJ OMB 15-08.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Status of Prior Year Findings:

The District had no prior year audit findings.