

**SCHOOL DISTRICT
OF
PEQUANNOCK TOWNSHIP**

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

**Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2023**

**Annual Comprehensive
Financial Report**

of the

**Pequannock Township School District
Board of Education**

Pequannock, New Jersey

For the Fiscal Year Ended June 30, 2023

Prepared by

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

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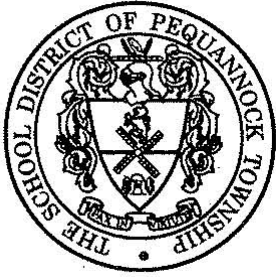
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**INTRODUCTORY SECTION
(UNAUDITED)**



Pequannock Township Board of Education
OFFICE OF THE SCHOOL BUSINESS ADMINISTRATOR

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School Business Administrator/Board Secretary
P: 973-616-6030 F: 973-616-6041

November 10, 2023

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

Dear Board Members:

The Annual comprehensive financial report of the Pequannock Township School District (the "District") for the fiscal year ended June 30, 2023, 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 Annual comprehensive 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 2,107 students, which is 7 students below the previous year's enrollment.

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 2023-2024 school year, the Pequannock Township School District administration and staff will continue to focus their efforts on the implementation of the following goals that were adopted by the Board of Education.

Five (5) Year Strategic Plan: The District has begun its implementation of aspects of the 2021-2026 Strategic Plan through various programs and initiatives. Specifically, the District focused on the four (4) goals areas outlined in the Plan. These included (1) Ensuring Student Success, (2) Ensuring Staff Success, (3) Facilities and Finance, and (4) Parent & Community Partnerships. Examples of successful implementation of these goals include the exploration of options to expand our preschool disabled and inclusion programs, increasing student access to technology through the ongoing Chromebook 1:1 instructional initiative for all students in Grades 1-12, sharing services with neighboring school districts, utilizing Twitter as a community outreach and professional development tool, renovation of learning spaces throughout the district, commissioning a feasibility study for the installation of air-conditioning in classrooms, growing of academy programs, and the use of pavilions at all schools as outdoor learning and socializing spaces. The district aspires to honor the spirit of the collaborative process that was critical to the development of the 2021-2026 Strategic Plan by including the myriad stakeholders involved to the greatest degree possible.

Student Achievement: The District continued to implement various benchmarking assessments to monitor and address learning progress using data to inform instruction and curriculum during the 2023-2024 school year. Though the pandemic-induced adaptations provided significant disruption to our ability to assess achievement accurately and through traditional means, we are applying the internal and external measures that we have been able to curate in order to paint a more accurate picture of our students’ actual learning levels. Districtwide professional development and staff articulation continued to center on generating assessments that accurately measure learning outcomes from common learning experiences. The district employs targeted professional development 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 continues to be updated throughout all grades levels and subjects with revisions addressing updates to the New Jersey State Learning Standards and statutes. Curricula are modified to fill the instructional gaps as students' transition to the 1:1 Chromebook initiative in Grades 1-12. We continue to invest in electronic sources 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 continues to emphasize sustainability and wellness for our staff and students. After having maintained Bronze status in the Sustainable Jersey for Schools program, we no longer participate formally but continue to focus on the process of ensuring sustainability. In short, though we suspended our efforts in the state program during the pandemic to prevent initiative overload, we have maintained the principles espoused therein. Each school works 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 grow in our work in the state's now-erstwhile Future Ready program. Each school continues to implement programs to empower educators to provide learning opportunities that enable greater interaction and problem solving while eschewing cookie cutter assessment design. In the absence of the specific state program, we continue to build on the foundational beliefs that it promoted as we provide support and challenge for our students.

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

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

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

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

The Honorable President and Members of
the Board of Education
Pequannock Township School District
Page 4
November 10, 2023

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, 2023.


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

7) RISK MANAGEMENT: The Board is a member of the Pooled Insurance Program of New Jersey ("PIP"). The PIP is a risk-sharing public entity risk pool that is both an insured and self-administered group of school districts established for the purpose of providing low-cost workers' compensation insurance coverage to its members. Additional information on the PIP is included in Note 11 to the Basic Financial Statements.

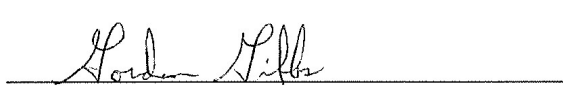
8) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP was selected by the Board's audit committee. In addition to meeting the requirements set forth in state 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,

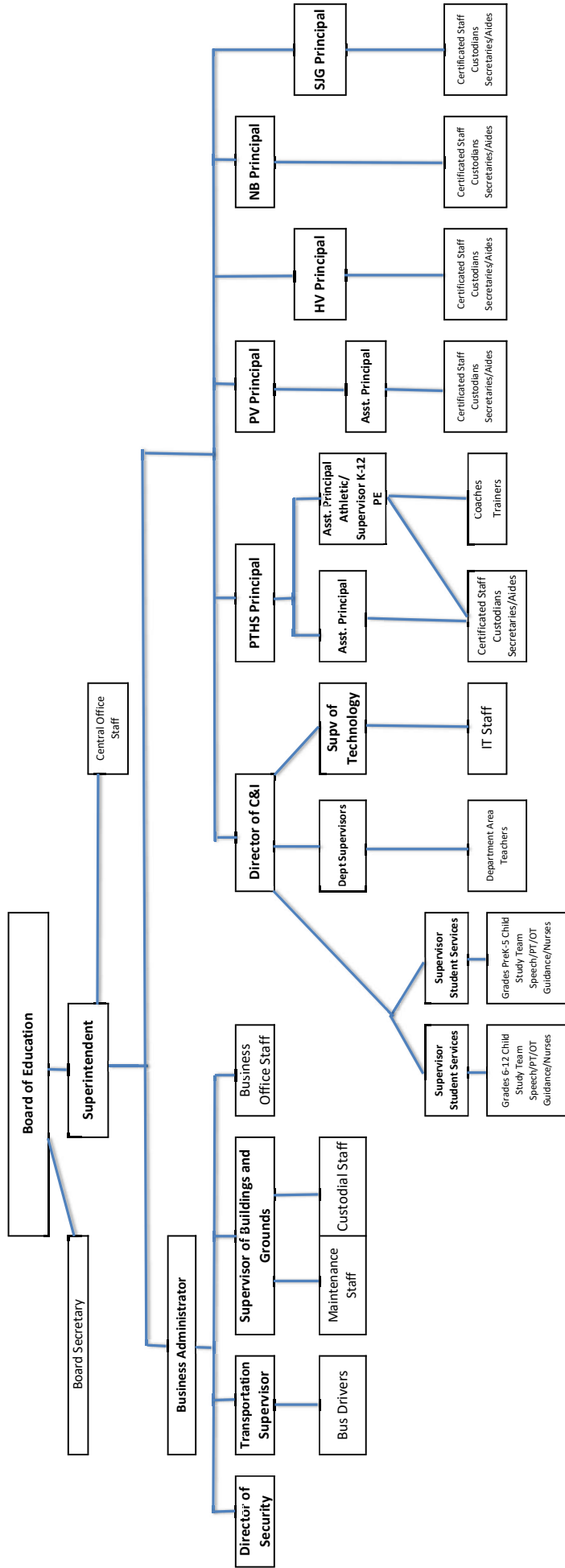


Michael Portas
Superintendent of Schools



Gordon Gibbs
Business Administrator/Board Secretary

Pequannock Township Public Schools Organizational Chart



Department area supervisors also report to building level principals

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
 ROSTER OF OFFICIALS
 JUNE 30, 2023**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Brian Senyk, President	2024
Danielle Esposito, Vice President	2025
Sam Ciresi	2023
Megan Dempsey	2024
Timothy Gitin	2023
Greg MacSweeney	2025
Vincent Pompeo	2025
Cara Shenton	2023
Joseph Blumert	2024

<u>Other Officials</u>	<u>Title</u>
Michael Portas	Superintendent of Schools
Gordon Gibbs	Business Administrator/Board Secretary
Raymond G. Karaty	Treasurer of School Monies
Cornell, Merlino, McKeever & Osborne, LLC	Board Attorney

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
Consultants and Advisors

Attorney

Cornell, Merlino, McKeever & Osborne, LLC
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
and
1140 Route 22 East, Suite 203
Bridgewater, New Jersey 08807

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 Audit of the Financial Statements

Opinion

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 (the “District”), in the County of Morris, as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District, as of June 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the “Office”) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Office will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Office, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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-retirement 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 is the responsibility of management and, although not a part of the basic financial statements, are 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information 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*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 accompanying supplementary information 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2023 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 District's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
November 10, 2023

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, 2023**

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, 2023. 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.

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**

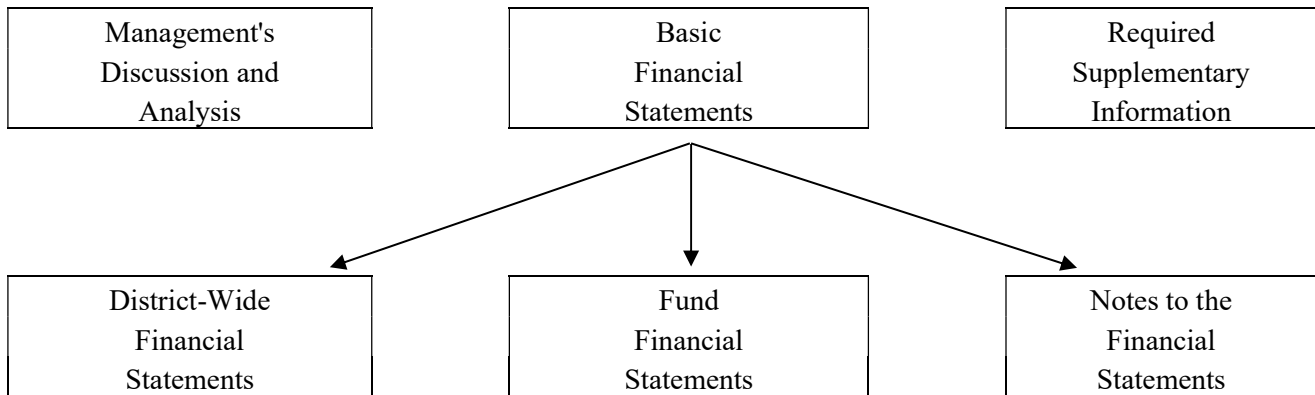


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights that structure and contents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

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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

	District-Wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District	The activities of the District that are not proprietary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services
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
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
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, lease assets, subscription assets or long-term liabilities are included	All assets and liabilities, both financial and capital, short-term and long-term
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

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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 liabilities) or to show that it is properly using certain revenue (such as federal grants).

The District has two 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, 2023**

Fund Financial Statements

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 9.50%. Net position from governmental activities increased \$2,537,323 and net position from business-type activities increased by \$20,221.

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage
	2022/2023	2021/2022	2022/2023	2021/2022	2022/2023	2021/2022	Change 2022/2023
Current and							
Other Assets	\$ 17,737,198	\$ 20,612,050	\$ 130,989	\$ 61,999	\$ 17,868,187	\$ 20,674,049	
Capital Assets, Net	31,883,466	28,938,248	40,428	44,654	31,923,894	28,982,902	
Lease Assets, Net	107,264	129,240			107,264	129,240	
Total Assets	49,727,928	49,679,538	171,417	106,653	49,899,345	49,786,191	0.23%
Deferred Outflows of Resources	1,017,295	877,521			1,017,295	877,521	15.93%
Other Liabilities	1,325,105	1,268,080	114,523	69,980	1,439,628	1,338,060	
Long-Term Liabilities	18,645,396	18,952,015			18,645,396	18,952,015	
Total Liabilities	19,970,501	20,220,095	114,523	69,980	20,085,024	20,290,075	-1.01%
Deferred Inflows of Resources	1,341,067	3,440,632			1,341,067	3,440,632	-61.02%
Net Position:							
Net Investment in							
Capital Assets	19,845,313	15,645,282	40,428	44,654	19,885,741	15,689,936	
Restricted	15,512,556	13,079,813			15,512,556	13,079,813	
Unrestricted/(Deficit)	(5,924,214)	(1,828,763)	16,466	(7,981)	(5,907,748)	(1,836,744)	
Total Net Position	\$ 29,433,655	\$ 26,896,332	\$ 56,894	\$ 36,673	\$ 29,490,549	\$ 26,933,005	9.50%

Changes in Net Position. The District's combined net position was \$29,490,549 at June 30, 2023, \$2,557,544 or 9.50% more than it was the year before (See Figure A-3). Net investment in capital assets increased by \$4,195,805 as a result of amortization of deferred amounts on refunding, capital acquisitions and construction in process, offset by a new lease, depreciation expense and bond principal payments.

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Restricted net position increased by \$2,432,743 mainly due to combined increases in excess surplus, capital and maintenances reserves, and unemployment compensation. Unrestricted net position decreased by \$4,071,004 primarily due to current year expenditures in the Capital Projects Fund, and a decrease in encumbrances, offset by an increase in the net pension liability and related deferred inflows and outflows. (See Figure A-3).

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2022/2023	2021/2022	2022/2023	2021/2022	2022/2023	2021/2022	Change 2022/2023
Revenue:							
Program Revenue:							
Charges for Services	\$ 1,566,037	\$ 1,478,501	\$ 872,737	\$ 900,214	\$ 2,438,774	\$ 2,378,715	
Grants and Contributions:							
Operating	8,991,220	11,224,716			8,991,220	11,224,716	
General Revenue:							
Property Taxes	38,878,360	38,097,207			38,878,360	38,097,207	
Federal and State Aid Not Restricted	1,071,265	1,092,835			1,071,265	1,092,835	
Other	741,643	655,630	2,328	201	743,971	655,831	
Total Revenue	<u>51,248,525</u>	<u>52,548,889</u>	<u>875,065</u>	<u>900,415</u>	<u>52,123,590</u>	<u>53,449,304</u>	-2.48%
Expenses:							
Instruction	29,868,512	29,844,114			29,868,512	29,844,114	
Pupil and Instruction Services	8,605,058	8,197,281			8,605,058	8,197,281	
Administration and Business	4,137,946	4,379,360			4,137,946	4,379,360	
Maintenance and Operations	4,065,773	3,989,518			4,065,773	3,989,518	
Transportation	1,691,801	1,617,335			1,691,801	1,617,335	
Other	255,046	291,254	946,852	955,220	1,201,898	1,246,474	
Total Expenses	<u>48,624,136</u>	<u>48,318,862</u>	<u>946,852</u>	<u>955,220</u>	<u>49,570,988</u>	<u>49,274,082</u>	0.60%
Capital Contributions Transfers	(87,066)	(50,000)	87,066	50,000			
Change in Net Position	<u>\$ 2,537,323</u>	<u>\$ 4,180,027</u>	<u>\$ 15,279</u>	<u>\$ (4,805)</u>	<u>\$ 2,552,602</u>	<u>\$ 4,175,222</u>	-38.86%

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Governmental Activities

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

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

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

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

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

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2022/2023</u>	<u>2021/2022</u>	<u>2022/2023</u>	<u>2021/2022</u>
Instruction	\$ 29,868,512	\$ 29,844,114	\$20,749,956	\$19,443,347
Pupil & Instruction Services	8,605,058	8,197,281	7,660,628	6,913,796
Administration & Business	4,137,946	4,379,360	3,798,154	3,763,195
Maintenance & Operations	4,065,773	3,989,518	4,064,643	3,780,483
Transportation	1,691,801	1,617,335	1,538,452	1,423,570
Other	255,046	291,254	255,046	291,254
	<u>\$ 48,624,136</u>	<u>\$ 48,318,862</u>	<u>\$ 38,066,879</u>	<u>\$ 35,615,645</u>

Business-Type Activities

Net position from the District's business-type activities increased by \$20,221 (refer to Figure A-4) primarily due to the transfers from General Fund used to cover the shortfall in sales revenue in its food service operations. 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, 2023**

Financial Analysis of the District's Funds

The District's General Fund financial position increased \$207,488 during the fiscal year primarily due to an increase in miscellaneous revenue for interest earned on the District's cash deposits. The District's Capital Projects Fund financial position decreased \$3,186,116 primarily due to expenditures on previously authorized projects. The District's overall financial position has been strong in the past several years. Expenditures during the recent fiscal year increased significantly due to more extensive instruction, related services and transportation costs associated with an increase in its students with special needs.

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 Change 2022/2023
	2022/2023	2021/2022	2022/2023	2021/2022	2022/2023	2021/2022	
Land	\$ 4,659,600	\$ 4,659,600			\$ 4,659,600	\$ 4,659,600	
Construction in Progress	9,186,898	6,937,774			9,186,898	6,937,774	
Site Improvements	3,045,888	2,266,174			3,045,888	2,266,174	
Buildings/Building Improvements	14,101,477	14,174,392			14,101,477	14,174,392	
Machinery and Equipment	889,603	900,308	\$ 40,428	\$ 44,654	930,031	944,962	
Total	\$ 31,883,466	\$ 28,938,248	\$ 40,428	\$ 44,654	\$ 31,923,894	\$ 28,982,902	10.15%

The District's capital assets increased \$2,940,992 or 10.15% during the year. This is due to continued capital assets acquisitions including construction in progress, offset by depreciation and deletions. (More detailed information about the District's capital assets is presented in Note 6 to the financial statements).

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Long-Term Liabilities

The District’s overall long-term liabilities decreased \$306,619, or 1.62%. The decrease in total long-term liabilities from the prior year is primarily due to decreases in general obligation bonds, leases, net unamortized bond premiums, compensated absences payable, and financed purchases, offset by an increase in the PERS net pension liability – as shown in Figure A-7. (More detailed information about the District’s long-term liabilities is presented in Note 8 to the financial statements).

Figure A-7

Outstanding Long-Term Liabilities

	Total School District		Percentage Change 2022/2023
	2022/2023	2021/2022	
General Obligation Bonds (Financed with Property Taxes)	\$ 7,260,000	\$ 8,250,000	
Net Pension Liability - PERS	5,421,380	4,284,568	
Net Unamortized Bond Premiums	539,828	629,800	
Financed Purchases Payable	5,062,283	5,376,005	
Leases Payable	109,952	130,822	
Compensated Absences Payable	251,953	280,820	
	<u>\$ 18,645,396</u>	<u>\$ 18,952,015</u>	-1.62%

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 prepared for varying decreases in student enrollment based on a recent demographic study. This may affect the ability to offer diverse high school programs of study if 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 encourages families that might be experiencing food instability to take advantage of the free and reduced lunch program, and continues not to participate in 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.

**PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 9,345,606	\$ 14,927	\$ 9,360,533
Internal Balances	(87,066)	87,066	
Receivables from Federal Government	184,969		184,969
Receivables from State Government	748,895		748,895
Receivables - Other	234,395	14,498	248,893
Prepaid Expense	135		135
Inventory		14,498	14,498
Restricted Cash and Cash Equivalents	7,310,264		7,310,264
Capital Assets, Net:			
Sites (Land)	4,659,600		4,659,600
Construction in Progress	9,186,898		9,186,898
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	18,036,968	40,428	18,077,396
Lease Assets, Net	107,264		107,264
Total Assets	49,727,928	171,417	49,899,345
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount on Refunding	286,818		286,818
Deferred Outflows - Pensions	730,477		730,477
Total Deferred Outflows of Resources	1,017,295		1,017,295
LIABILITIES			
Current Liabilities:			
Accrued Interest Payable	122,816		122,816
Payable to State Government	29,438		29,438
Accounts Payable	1,143,613	98,327	1,241,940
Unearned Revenue	29,238	16,196	45,434
Noncurrent Liabilities:			
Due Within One Year	1,632,337		1,632,337
Due Beyond One Year	17,013,059		17,013,059
Total Liabilities	19,970,501	114,523	20,085,024
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Pensions	1,341,067		1,341,067
Total Deferred Inflows of Resources	1,341,067		1,341,067
NET POSITION			
Net Investment in Capital Assets	19,845,313	40,428	19,885,741
Restricted for:			
Unemployment Compensation	801,359		801,359
Student Activities	216,600		216,600
Scholarships	130,731		130,731
Capital Projects	4,795,407		4,795,407
Excess Surplus	8,202,292		8,202,292
Maintenance Reserve	1,366,167		1,366,167
Unrestricted/(Deficit)	(5,924,214)	16,466	(5,907,748)
Total Net Position	\$ 29,433,655	\$ 56,894	\$ 29,490,549

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, 2023

Functions/Programs	Program Revenues				Net (Expenses)/Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Business-type Activities	Total
			Operating Grants and Contributions	Capital Grants and Contributions			
Governmental Activities:							
Instruction:							
Regular	\$ 20,835,380	\$ 1,174,433	\$ 4,103,412		\$ (15,557,535)		\$ (15,557,535)
Special Education	7,175,638		3,526,962		(3,648,676)		(3,648,676)
Other Special Instruction	387,447		80,283		(307,164)		(307,164)
School Sponsored Instruction	1,470,047		233,466		(1,236,581)		(1,236,581)
Support Services:							
Tuition	2,251,131		549,767		(1,701,364)		(1,701,364)
Student & Instruction Related Services	6,353,927	391,604	3,059		(5,959,264)		(5,959,264)
General Administrative Services	736,118		224		(735,894)		(735,894)
School Administrative Services	2,477,937		339,125		(2,138,812)		(2,138,812)
Central Services	649,107		343		(648,764)		(648,764)
Administration Information Technology	274,784		100		(274,684)		(274,684)
Plant Operations and Maintenance	4,065,773		1,130		(4,064,643)		(4,064,643)
Pupil Transportation	1,691,801		153,349		(1,538,452)		(1,538,452)
Interest on Long-Term Debt	255,046				(255,046)		(255,046)
Total Governmental Activities	48,624,136	1,566,037	8,991,220		(38,066,879)		(38,066,879)

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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	\$ 946,852	\$ 872,737		\$ 4,942	\$ (69,173)	\$ (69,173)	\$ (69,173)
Total Business-Type Activities	<u>946,852</u>	<u>872,737</u>		<u>4,942</u>	<u>(69,173)</u>	<u>(69,173)</u>	<u>(69,173)</u>
Total Primary Government	<u>\$ 49,570,988</u>	<u>\$ 2,438,774</u>	<u>\$ 8,991,220</u>	<u>\$ 4,942</u>	<u>\$ (38,066,879)</u>	<u>(69,173)</u>	<u>(38,136,052)</u>
General Revenues and Transfers:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					37,916,526		37,916,526
Taxes Levied for Debt Service					961,834		961,834
Federal and State Aid Not Restricted					1,071,265		1,071,265
Investment Earnings					84,382	2,328	86,710
Miscellaneous Income					657,261		657,261
Transfers					(87,066)	87,066	
Total General Revenues and Transfers					<u>40,604,202</u>	<u>89,394</u>	<u>40,693,596</u>
Change in Net Position					<u>2,537,323</u>	<u>20,221</u>	<u>2,557,544</u>
Net Position - Beginning					<u>26,896,332</u>	<u>36,673</u>	<u>26,933,005</u>
Net Position - Ending					<u>\$ 29,433,655</u>	<u>\$ 56,894</u>	<u>\$ 29,490,549</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, 2023

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS:				
Cash and Cash Equivalents	\$ 8,627,110		\$ 718,496	\$ 9,345,606
Interfund Receivable	754,652			754,652
Receivables from Federal Government		\$ 184,969		184,969
Receivables from State Government	748,895			748,895
Receivables - Other	233,526	869		234,395
Prepaid Expense	135			135
Restricted Cash and Cash Equivalents	6,962,933	347,331		7,310,264
TOTAL ASSETS	<u>\$ 17,327,251</u>	<u>\$ 533,169</u>	<u>\$ 718,496</u>	<u>\$ 18,578,916</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Interfund Payable	\$ 87,066	\$ 71,398	\$ 683,254	\$ 841,718
Payable to State Government		29,438		29,438
Accounts Payable	614,880	67,720	10,848	693,448
Unearned Revenue	11,956	17,282		29,238
Total Liabilities	<u>713,902</u>	<u>185,838</u>	<u>694,102</u>	<u>1,593,842</u>
Fund Balances:				
Restricted for:				
Excess Surplus - Current Year	4,101,146			4,101,146
Excess Surplus - Prior Year - For Subsequent Year's Expenditures	4,101,146			4,101,146
Capital Reserve Account	4,795,407			4,795,407
Maintenance Reserve Account	1,366,167			1,366,167
Unemployment Compensation	801,359			801,359
Student Activities		216,600		216,600
Scholarships		130,731		130,731
Committed:				
Capital Projects			24,394	24,394
Assigned:				
Year-End Encumbrances	482,816			482,816
Unassigned	965,308			965,308
Total Fund Balances	<u>16,613,349</u>	<u>347,331</u>	<u>24,394</u>	<u>16,985,074</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 17,327,251</u>	<u>\$ 533,169</u>	<u>\$ 718,496</u>	<u>\$ 18,578,916</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

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

Total Fund Balances - Governmental Funds (<i>Above</i>)	\$ 16,985,074
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the Funds.	31,883,466
Leased Assets, Net used in Governmental Activities are not financial resources and therefore are not reported in the Funds.	107,264
Long-Term Liabilities, including Bonds Payable, Net Pension Liability for PERS, Leases Payable and Financed Purchases Payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(18,105,568)
Bond Premiums are reported as revenue in the funds in the year the bonds are sold.	(539,828)
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	280,312
Deferred Inflows	(1,341,067)
The Deferred amount on the refunding is not reported as an expenditure in the Governmental Funds in the year of the expenditure.	286,818
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>(122,816)</u>
Net Position of Governmental Activities (Exhibit A-1)	<u><u>\$ 29,433,655</u></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, 2023

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources:					
Local Tax Levy	\$ 37,916,526			\$ 961,834	\$ 38,878,360
Tuition	1,174,433				1,174,433
Capital Reserve Interest	48,520				48,520
Maintenance Reserve Interest	500				500
Rents and Royalties	92,493				92,493
Restricted Miscellaneous	46,030	\$ 391,604	\$ 35,362		472,996
Unrestricted Miscellaneous	518,738	3,239			521,977
Total - Local Sources	39,797,240	394,843	35,362	961,834	41,189,279
State Sources	12,565,220	344,925		341,766	13,251,911
Federal Sources		994,485			994,485
Total Revenues	52,362,460	1,734,253	35,362	1,303,600	55,435,675
EXPENDITURES					
Current:					
Instruction:					
Regular Instruction	13,599,900	446,815			14,046,715
Special Education Instruction	5,249,795	245,055			5,494,850
Other Special Instruction	254,220				254,220
School Sponsored Instruction	1,082,613				1,082,613
Support Services and Undistributed Costs:					
Tuition	1,701,364	549,767			2,251,131
Student & Instruction Related Services	4,847,526	364,086			5,211,612
General Administration Services	647,535				647,535
School Administration Services	1,605,877				1,605,877
Central Services	525,793				525,793

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

EXPENDITURES	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Current:					
Support Services and Undistributed Costs:					
Administrative Information Technology	\$ 235,129				\$ 235,129
Plant Operations and Maintenance	3,520,505				3,520,505
Pupil Transportation	1,295,622				1,295,622
Unallocated Benefits	16,159,151				16,159,151
Capital Outlay	581,475	\$ 101,012	\$ 3,992,929		4,675,416
Debt Service:					
Principal				\$ 990,000	990,000
Interest and Other Charges				313,600	313,600
Total Expenditures	51,306,505	1,706,735	3,992,929	1,303,600	58,309,769
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	1,055,955	27,518	(3,957,567)		(2,874,094)
OTHER FINANCING SOURCES/(USES):					
Leases (Non-budgeted)	10,050				10,050
Transfers In/(Out)	(858,517)		771,451		(87,066)
Total Other Financing Sources/(Uses)	(848,467)		771,451		(77,016)
Net Change in Fund Balances	207,488	27,518	(3,186,116)		(2,951,110)
Fund Balance - July 1	16,405,861	319,813	3,210,510		19,936,184
Fund Balance - June 30	\$ 16,613,349	\$ 347,331	\$ 24,394	\$ - 0 -	\$ 16,985,074

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, 2023

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2) \$ (2,951,110)

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.

Capital Asset Additions	4,873,141
Depreciation Expense	(1,927,923)

Capital outlays related to lease assets are reported in Governmental Funds as expenditures. However, in the Statement of Activities the cost of those assets is allocated over the shorter of their estimated useful lives or lease term as amortization expense. This is the amount by which amortization differs from capital outlays in the period.

Amortization Expense	(32,026)
Lease Asset Additions	10,050

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 (+).

28,867

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.

990,000

Leases entered into by the District are an other financing source in the Governmental Funds, but the acquisition increases Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities.

(10,050)

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, 2023

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	\$ (1,136,812)
Change in Deferred Outflows	190,425
Change in Deferred Inflows	2,099,565

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 (+).

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 (+).	16,385
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Repayment of leases is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities.	30,920
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Repayment of financed purchases 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.	313,722
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The Governmental Funds report the effect of the deferred amount on the refunding when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities (-).	<u>(47,803)</u>
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Change in Net Position of Governmental Activities (Exhibit A-2)	<u>\$ 2,537,323</u>
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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, 2023

	Business-Type Activities: <u>Enterprise Funds</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 14,927
Other Receivable	14,498
Interfund Receivable - General Fund	87,066
Inventory	<u>14,498</u>
 Total Current Assets	 <u>130,989</u>
 Non-Current Assets:	
Capital Assets	176,368
Less: Accumulated Depreciation	<u>(135,940)</u>
 Total Non-Current Assets	 <u>40,428</u>
 Total Assets	 <u>171,417</u>
 LIABILITIES:	
Current Liabilities:	
Unearned Revenue - Prepaid Sales	16,196
Accounts Payable - Vendors	<u>98,327</u>
 Total Liabilities	 <u>114,523</u>
 NET POSITION:	
Investment in Capital Assets	40,428
Unrestricted	<u>16,466</u>
 Total Net Position	 <u>\$ 56,894</u>

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>Business-Type Activities: Enterprise Funds</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Non-Reimbursable Programs	\$ 872,531
Special Events	206
	872,737
Total Operating Revenue	872,737
Operating Expenses:	
Cost of Sales - Nonreimbursable Programs	431,572
Salaries	281,799
Payroll Taxes	43,062
Employee Benefits	17,930
Purchased Property Services	71,820
Supplies and Materials	42,323
Depreciation Expense	9,168
Miscellaneous Expenses	49,178
	946,852
Total Operating Expenses	946,852
Operating (Loss)	(74,115)
Non-Operating Revenue:	
Local Sources:	
Interest Revenue	2,328
	2,328
Total Non-Operating Revenue	2,328
Change in Net Position Before Transfer and Capital Contributions	(71,787)
Capital Contributions - General Fund	4,942
Transfer - General Fund	87,066
	92,008
Change in Net Position After Transfer and Capital Contributions	20,221
Net Position - Beginning of Year	36,673
Net Position - End of Year	\$ 56,894

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, 2023

	<u>Business-Type Activities: Enterprise Funds</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 874,607
Payments to Food Service Vendors	<u>(915,131)</u>
Net Cash Provided by/(Used for) used for Operating Activities	<u>(40,524)</u>
Cash Flows from Investing Activities:	
Interest Revenue	<u>2,328</u>
Net Cash Provided by/(Used for) Investing Activities	<u>2,328</u>
Cash Flows from Noncapital Financing Activities:	
Transfer - Board Contribution	<u>40,000</u>
Net Cash Provided by Noncapital Financing Activities	<u>40,000</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	1,804
Cash and Cash Equivalents, July 1	<u>13,123</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 14,927</u></u>
Reconciliation of Operating Loss to Net Cash Provided by/(Used for) Operating Activities:	
Operating (Loss)	\$ (74,115)
Adjustment to Reconcile Operating Loss to Cash Provided by / (Used for) Operating Activities:	
Depreciation	9,168
Changes in Assets and Liabilities:	
Increase/(Decrease) in Accounts Payable	42,673
Increase/(Decrease) in Prepaid Sales	1,870
Decrease/(Increase) in Other Receivables	(14,498)
Decrease/(Increase) in Inventory	<u>(5,622)</u>
Net Cash Provided by/(Used for) Operating Activities	<u><u>\$ (40,524)</u></u>

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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. 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, 2023
(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. Separate statements for each fund category – *governmental and proprietary* - 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, 2023
(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 or lease assets or subscription 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.

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary 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, 2023
(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 or lease asset or subscription asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under financed purchases 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, 2023 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 except for student activities and scholarships. 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, 2023
(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.

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 52,377,920	\$ 1,748,914
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not:		
Current Year Encumbrances		(97,932)
Prior Year Encumbrances		83,271
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	217,359	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(232,819)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 52,362,460</u>	<u>\$ 1,734,253</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 51,306,505	\$ 1,721,396
Differences - Budget to GAAP:		
Encumbrances for Supplies and Equipment Ordered but not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the year the Supplies are Received for Financial Reporting Purposes:		
Current Year Encumbrances		(97,932)
Prior Year Encumbrances		83,271
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 51,306,505</u>	<u>\$ 1,706,735</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(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)	\$ 2,361,140
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.	<u>(2,336,746)</u>
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds (GAAP Basis) (per Exhibit B-2)	<u>\$ 24,394</u>

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, 2023
(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, 2023.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(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. Lease Assets

Intangible right-to-use lease assets are assets which the District leases for a term of more than one year. The value of leases are determined by the net present value of the lease at the District's incremental borrowing rate at the time of the lease agreement, amortized over the term of the agreement.

M. Subscription Assets

Intangible right-to-use subscription assets are subscription-based information technology arrangements (SBITAs) with subscription terms of more than one year. The value of subscription assets are determined by the sum of the subscription liability and payments made to the SBITA vendor, including capitalizable initial implementation costs, before the commencement date of the subscription term.

N. 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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

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

O. 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 material accrued salaries and wages for this purpose as of June 30, 2023.

P. 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.

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.

Q. Lease Payable

In the district-wide financial statements, leases payable are reported as liabilities in the Statement of Net Position. In the governmental fund financial statements, the present value of lease payments is reported as other financing sources.

R. Subscriptions Payable

In the district-wide financial statements, subscriptions payable are reported as liabilities in the Statement of Net Position. In the governmental Fund financial statements, the present value of subscription payments at the District's incremental borrowing rate over the subscription term is reported as other financing sources.

S. 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.

T. Fund Balance Appropriated:

General Fund: Of the \$16,613,349 General Fund balance at June 30, 2023, \$482,816 is assigned for encumbrances; \$4,795,407 is restricted in the capital reserve account; \$1,366,167 is restricted in the maintenance reserve account; \$801,359 is restricted for unemployment compensation; \$4,101,146 is restricted as current year excess surplus and will be appropriated and included as anticipated revenue for the fiscal year ended June 30, 2025; \$4,101,146 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2024.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

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

T. Fund Balance Appropriated: (Cont'd)

General Fund (Cont'd): \$965,308 is unassigned which is \$232,819 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, 2024.

Special Revenue Fund: The Special Revenue Fund fund balance at June 30, 2023 is \$347,331 and is restricted for student activities and scholarships.

Capital Projects Fund: The Capital Projects Fund fund balance at June 30, 2023 of \$24,394, is committed, which 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, 2023 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.

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.

U. Deficit Fund Balance/Net Position:

The District had a \$5,924,214 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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

(Continued)

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

V. 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, 2023 for the deferred amount on refunding of debt, and pensions.

The District had a deferred inflow of resources at June 30, 2023 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, lease assets, net of accumulated amortization, and subscription assets, net of accumulated amortization reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

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

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

W. 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 have been restricted, committed, or assigned.

Fund balance restrictions have been established for excess surplus, capital reserve, maintenance reserve, unemployment compensation, student activities, and scholarships.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

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

W. Fund Balance Restrictions, Commitments and Assignments: (Cont'd)

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District had committed resources at June 30, 2023 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 for year-end encumbrances in the General Fund at June 30, 2023.

X. 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.

Y. 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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

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

Z. 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.

AA. Pensions:

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

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

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.

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

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

Investments (Cont'd)

- (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

- (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.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

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

Investments (Cont'd)

As of June 30, 2023, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents	Total
Checking and Savings Accounts	\$ 9,360,533	\$ 7,310,264	\$ 16,670,797

During the period ended June 30, 2023, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2023, was \$16,670,797 and the bank balances were \$17,672,663.

NOTE 4. CAPITAL RESERVE ACCOUNT

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

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

The activity of the Capital Reserve Account for the July 1, 2022 to June 30, 2023 fiscal year is as follows:

Beginning Balance, July 1, 2022	\$ 3,587,857
Interest Earnings	48,520
Increase by Board Resolution in June 2023	1,965,843
Transfer from Capital Projects Fund (Unexpended Project Balances)	399,187
Budgeted Withdrawal	(1,206,000)
Ending Balance, June 30, 2023	\$ 4,795,407

The balance in the Capital Reserve Account at June 30, 2023 does not exceed the local support costs of uncompleted capital projects in the District's approved Long Range Facilities Plan ("LRFP"). The withdrawals from the Capital reserve Account were for use in DOE approved facilities projects, consistent with the District's LRFP.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 5. TRANSFERS TO CAPITAL OUTLAY

During the fiscal year ended June 30, 2023, the District transferred \$58,217 to Equipment line items which do not require County Superintendent approval and \$21,314 to Facilities Acquisition and Construction Services line items which require County Superintendent approval and was obtained.

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the fiscal year ended June 30, 2023 were as follows:

	Balance 6/30/2022	Increases	Adjustments & Deletions	Balance 6/30/2023
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Sites (Land)	\$ 4,659,600			\$ 4,659,600
Construction in Progress	6,937,774	\$ 3,992,929	\$ (1,743,805)	9,186,898
Total Capital Assets Not Being Depreciated	11,597,374	3,992,929	(1,743,805)	13,846,498
Capital Assets Being Depreciated:				
Site Improvements	3,915,185		1,023,157	4,938,342
Buildings and Building Improvements	40,583,031	669,467	720,648	41,973,146
Machinery and Equipment	4,313,609	210,745	(12,773)	4,511,581
Total Capital Assets Being Depreciated	48,811,825	880,212	1,731,032	51,423,069
Governmental Activities Capital Assets	60,409,199	4,873,141	(12,773)	65,269,567
Less Accumulated Depreciation for:				
Site Improvements	(1,649,011)	(243,443)		(1,892,454)
Buildings and Building Improvements	(26,408,639)	(1,463,030)		(27,871,669)
Machinery and Equipment	(3,413,301)	(221,450)	12,773	(3,621,978)
	(31,470,951)	(1,927,923)	12,773	(33,386,101)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 28,938,248	\$ 2,945,218	\$ - 0 -	\$ 31,883,466
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 171,426	\$ 4,942		\$ 176,368
Less Accumulated Depreciation	(126,772)	(9,168)		(135,940)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 44,654	\$ (4,226)	\$ - 0 -	\$ 40,428

The District expended \$3,992,929 towards construction projects in progress and for continuation of construction in the Capital Projects Fund and \$880,212 for improvements and equipment from the General Fund and Special Revenue Fund capital outlay accounts during the fiscal year. As of June 30, 2023, the District has \$12,827,562 in active or open construction projects with unexpended balances of \$2,361,140.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 718,446
Student & Instructional Related Services	45,628
General Administrative Services	8,975
School Administrative Services	183,878
Operations and Maintenance of Plant	612,330
Pupil Transportation	358,666
	\$ 1,927,923

NOTE 7. LEASE ASSETS

Lease asset balances and activity for the year ended June 30, 2023 were as follows:

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Lease Assets Being Amortized:				
Machinery and Equipment	\$ 155,090	\$ 10,050		\$ 165,140
Total Lease Assets Being Amortized	155,090	10,050		165,140
Governmental Activities Lease Assets	155,090	10,050		165,140
Less Accumulated Amortization for:				
Machinery and Equipment	(25,850)		\$ (32,026)	(57,876)
	(25,850)		(32,026)	(57,876)
Governmental Activities Lease Assets, Net of Accumulated Amortization	\$ 129,240	\$ 10,050	\$ (32,026)	\$ 107,264

Amortization expense was charged to governmental functions as follows:

Regular Instruction	\$ (32,026)
	\$ (32,026)

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2023, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance <u>6/30/2022</u>	Accrued	Retired	Balance <u>6/30/2023</u>
Serial Bonds Payable	\$ 8,250,000		\$ 990,000	\$ 7,260,000
Net Unamortized Bond Premiums	629,800		89,972	539,828
Compensated Absences Payable	280,820		28,867	251,953
Leases Payable	130,822	\$ 10,050	30,920	109,952
Financed Purchases Payable	5,376,005		313,722	5,062,283
Net Pension Liability - PERS	4,284,568	1,136,812		5,421,380
	<u>\$ 18,952,015</u>	<u>\$ 1,146,862</u>	<u>\$ 1,453,481</u>	<u>\$ 18,645,396</u>

A. Bonds Payable:

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

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

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

The District had bonds outstanding as of June 30, 2023 as follows:

<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
School Renovation Project	8/12/2029	2.75% - 3.875%	\$ 1,890,000
Refunding Bonds	1/15/2029	4.00%	<u>5,370,000</u>
			<u>\$ 7,260,000</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 8. LONG-TERM LIABILITIES (Cont'd)

A. Bonds Payable: (Cont'd)

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

Year Ending June 30,	Principal	Interest	Total
2024	\$ 1,030,000	\$ 279,775	\$ 1,309,775
2025	1,090,000	240,825	1,330,825
2026	1,135,000	199,725	1,334,725
2027	1,185,000	156,313	1,341,313
2028	1,235,000	110,631	1,345,631
2029-2030	1,585,000	78,925	1,663,925
	<u>\$ 7,260,000</u>	<u>\$ 1,066,194</u>	<u>\$ 8,326,194</u>

B. Bonds Authorized But Not Issued:

There were no bonds authorized but not issued as of June 30, 2023.

C. Financed Purchases Payable:

The District has a financed purchases agreement for a bus and maintenance vehicle under a financed purchases agreement for \$250,000, of which \$148,856 has been liquidated as of June 30, 2023. Additionally, on May 12, 2021, the District entered into a \$5,225,698 financed purchase agreement, with a fifteen-year term, to fund the implementation of the District's Energy Savings Improvement Program (ESIP), entailing various permitted energy conservation measures under the ESIP Law, throughout the District. As of June 30, 2023, \$364,539 of the financed purchase payments have matured and been repaid.

N.J.S.A. 18A:18A-4.6(c), Implementation of an energy savings improvement program by a board of education/board of trustees, provides the authority for public school districts/charter schools to finance an energy savings improvement program through a financed purchase agreement or through the issuance of energy savings obligations. The ESIP law provides that energy savings obligation shall be funded through appropriations in the General Fund annual budget, on the basis that the costs of implemented energy conservation measures should be fully offset by energy savings to be generated by such measures (on both an annual and aggregate basis).

The financed purchases payable will be liquidated by the General Fund. The current portion for governmental leases is \$479,538 and the long-term portion is \$4,582,745.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 8. LONG-TERM LIABILITIES (Cont'd)

C. Financed Purchase Payable: (Cont'd)

A schedule of the future minimum financed purchase payments under these financed purchases, and the present value of the net minimum financed purchase payments at June 30, 2023.

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2024	\$ 570,377
2025	435,793
2026	381,709
2027	389,776
2028	359,530
2029-2033	1,928,082
2034-2037	<u>1,711,163</u>
Total Minimum Financed Purchase Payments	5,776,430
Less: Amount Representing Interest	<u>(714,147)</u>
Present Value of Net Minimum Financed Purchase Payments	<u>\$ 5,062,283</u>

D. Leases Payable

The District had leases outstanding as of June 30, 2023 as follows:

<u>Purpose</u>	<u>Commencement</u> <u>Date</u>	<u>Frequency</u> <u>of Payment</u>	<u>Final Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Amount</u>
Copier Lease	09/09/21	Monthly	08/09/26	3.100%	\$ 100,892
Mailer Lease	01/30/23	Quarterly	10/30/27	2.000%	<u>9,060</u>
					<u>\$ 109,952</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 8. LONG-TERM LIABILITIES (Cont'd)

D. Leases Payable: (Cont'd)

Principal and interest due on leases outstanding will be liquidated through the General Fund and are as follows:

Fiscal Year Ending June 30,	Governmental Activities	
	Principal	Interest
2024	\$ 32,827	\$ 2,651
2025	33,774	1,703
2026	34,750	727
2027	7,581	36
2028	1,020	3
	<u>\$ 109,952</u>	<u>\$ 5,120</u>

E. 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, 2023 is \$89,972 and the long-term portion is \$449,856.

F. 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, 2023 is currently payable; therefore, the long-term portion of compensated absences is \$251,953.

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, 2023, no liability existed for compensated absences in the Food Service Enterprise Fund.

G. 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, 2023 is \$-0- and the long-term portion is \$5,421,380. See Note 10 for further information on the PERS.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 9. 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 10. 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 annual financial statements 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, 2023
(Continued)

NOTE 10. 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. 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 includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid.

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 \$453,015 for the current fiscal year. During the fiscal year ended June 30, 2022, the State of New Jersey contributed \$11,407 to the PERS for normal pension benefits on behalf of the District.

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

Special Funding Situation

A special funding situation exists for certain local employers of the PERS. The State of New Jersey, as a nonemployer, is required to pay the additional costs incurred by local employers Chapter 133, P.L. 2001. The special funding situation for Chapter 133, P.L. 2001 is due to the State paying the additional normal cost related to benefit improvements from Chapter 133. Previously, this additional normal cost was paid from the Benefit Enhancement Fund (BEF). As of June 30, 2022, there is no net pension liability associated with this special funding situation and there was no accumulated difference between the annual additional normal cost under the special funding situation and the actual State contribution through the valuation date. The State special funding situation for the fiscal year ending June 30, 2022, is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2022. The pension expense is deemed to be a State administrative expense due to the special funding situation

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

At June 30, 2023, the District's liability was \$5,421,380 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021 which was rolled forward to June 30, 2022.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 10. 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)

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, 2022, the District's proportion was 0.03606%, which was a decrease of 0.0001% from its proportion measured as of June 30, 2021.

For the fiscal year ended June 30, 2022, the District recognized an actual pension benefit in the amount of \$700,162 related to the District's proportionate share of the net pension liability. Additionally, for the fiscal year ended June 30, 2022, the State recognized pension expense on behalf of the District in the amount of \$11,407 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2023 financial statements.

There was no state proportionate share of net pension liability attributable to the District as of June 30, 2023.

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources on the following page:

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

(Continued)

NOTE 10. 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)

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2018	5.63		\$ (130,319)
	2019	5.21		(162,855)
	2020	5.16		(478,883)
	2021	5.13		(39,738)
	2022	5.04	\$ 16,797	
			<u>16,797</u>	<u>(811,795)</u>
Difference Between Expected and Actual Experience	2018	5.63		(4,963)
	2019	5.21	12,449	
	2020	5.16	26,682	
	2021	5.13		(13,358)
	2022	5.04		(16,185)
			<u>39,129</u>	<u>(34,506)</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2019	5.00	5,363	
	2020	5.00	161,161	
	2021	5.00	(1,005,216)	
	2022	5.00	1,063,078	
			<u>224,386</u>	
Changes in Proportion	2018	5.63		(45,842)
	2019	5.21		(81,204)
	2020	5.16		(286,077)
	2021	5.13		(44,485)
	2022	5.04		(37,158)
				<u>(494,766)</u>
District Contribution Subsequent to Measurement Date	2022	1.00	450,165	
			<u>\$ 730,477</u>	<u>\$ (1,341,067)</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 10. 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 the pension benefit as follows:

Fiscal Year Ending June 30,	Total
2023	\$ (465,041)
2024	(236,923)
2025	(115,543)
2026	252,070
2027	(552)
	\$ (565,989)

Actuarial Assumptions

The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021 which was rolled forward to June 30, 2022. This actuarial valuation used the following actuarial assumptions:

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases	2.75 – 6.55% 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-2021.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 10. PENSION PLANS (Cont'd)

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

Actuarial Assumptions (Cont'd)

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

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, 2022) 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, 2022 are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.12%
Non-U.S. Developed Markets Equity	13.50%	8.38%
Emerging Markets Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
Real Estate	8.00%	11.19%
Real Assets	3.00%	7.60%
High Yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	7.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 10. 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 7.00% as of June 30, 2022. 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 and the nonemployer contributing entity will be based upon 100% of the actuarially determined contributions for the State employer and 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 all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments 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, 2022 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, 2022		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the Net Pension Liability	\$ 6,964,885	\$ 5,421,380	\$ 4,107,795

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, 2023
(Continued)

NOTE 10. 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 annual financial statements 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 2022, the State's pension contribution was more than the actuarial determined amount.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 10. 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. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer. In addition, each local participating employer must recognize pension expense associated with the employer as well as revenue in an amount equal to the nonemployer contributing entities' total proportionate share of the collective pension expense associated with the local participating employer. During the fiscal year ended 2023, the State of New Jersey contributed \$6,319,994 to the TPAF for normal pension benefits on behalf of the District, which is more than the contractually required contribution of \$2,114,673.

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, 2023, the State's proportionate share of the net pension liability associated with the District was \$78,575,013. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021 which was rolled forward to June 30, 2022. 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, 2022, the District's proportion was 0.1522%, which was an increase of 0.0031% from its proportion measured as of June 30, 2021.

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		<u>78,575,013</u>
Total	\$	<u><u>78,575,013</u></u>

For the fiscal year ended June 30, 2022, the State recognized pension expense on behalf of the District in the amount of \$2,114,673 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2023 financial statements.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 10. 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)

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	2015	8.30	\$ 213,742,984	
	2016	8.30	1,695,809,748	
	2017	8.30		\$ 3,681,530,748
	2018	8.29		2,705,362,525
	2019	8.04		2,012,738,111
	2020	7.99	1,007,402,060	
	2021	7.93		11,041,509,093
	2022	7.83	96,143,072	
			<u>3,013,097,864</u>	<u>19,441,140,477</u>
Difference Between Expected and Actual Experience	2015	8.30	13,201,022	
	2016	8.30		21,088,845.00
	2017	8.30	65,502,212	
	2018	8.29	474,592,771	
	2019	8.04		78,198,040
	2020	7.99		5,368,990
	2021	7.93	146,524,969	
	2022	7.83		18,009,041
			<u>699,820,974</u>	<u>122,664,916</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2019	5.00	36,220,692	
	2020	5.00	482,791,080	
	2021	5.00	(2,665,975,358)	
	2022	5.00	3,319,334,659	
			<u>1,172,371,073</u>	
			<u>\$ 4,885,289,911</u>	<u>\$ 19,563,805,393</u>

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 10. 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
2023	\$ (2,658,825,381)
2024	(3,823,762,872)
2025	(3,351,102,048)
2026	(1,509,375,379)
2027	(1,647,727,819)
Thereafter	(1,687,721,983)
	\$ (14,678,515,482)

Actuarial Assumptions

The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021 which was rolled forward to June 30, 2022. 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	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-2021.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 10. 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, 2022) 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, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.12%
Non-U.S. Developed Markets Equity	13.50%	8.38%
Emerging Markets Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
Real Estate	8.00%	11.19%
Real Assets	3.00%	7.60%
High Yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	7.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. 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 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 all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all projected benefit payments in determining the total pension liability.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 10. 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, 2022 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, 2022		
	At 1% Decrease (6.00%)	At Current Discount Rate (57.00%)	At 1% Increase (8.00%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 92,130,873	\$ 78,575,013	\$ 67,155,905

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 \$27,006 for the fiscal year ended June 30, 2023. Employee contributions to DCRP amounted to \$36,695 for the fiscal year ended June 30, 2023.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 11. RISK MANAGEMENT

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

Property and Liability Insurance and Health Benefits

The District maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the statistical section of this Annual Comprehensive 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 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, 2023 was not available as of the date of this report. Selected, summarized financial information as of June 30, 2022 is as follows:

	<u>Pooled Insurance Program of New Jersey</u>
Total Assets	<u>\$ 20,734,051</u>
Net Position	<u>\$ 6,279,806</u>
Total Revenue	<u>\$ 9,242,784</u>
Total Expenses	<u>\$ 10,198,425</u>
Change in Net Position	<u>\$ (2,092,872)</u>
Member Dividends	<u>\$ 1,137,231</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 11. 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 Compensation Restricted Fund Balance in the General 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>
2023	\$ 55,812	\$ 50,000	\$ 20,879	\$ 30,662	\$ 801,359
2022	37,320	50,000	1,703	705	705,330
2021	24,107	50,000	1,272	13,373	617,012

NOTE 12. 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 |
| Vanguard Services | |

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 13. 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, 2023, there were encumbrances as detailed below in the governmental funds:

General Fund	Special Revenue Fund	Total Governmental Funds
\$ 482,816	\$ 97,932	\$ 580,748

On the District's Governmental Funds Balance Sheet as of June 30, 2023, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund. On the GAAP basis, actual encumbrances of \$97,932 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 14. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The following interfund balances existed as of June 30, 2023:

<u>Fund</u>	Interfund Receivable	Interfund Payable
General Fund	\$ 754,652	\$ 87,066
Special Revenue Fund		71,398
Capital Projects Fund		683,254
Proprietary Fund:		
Food Service Enterprise Fund	87,066	
	\$ 841,718	\$ 841,718

The interfund receivable in the General Fund is comprised of cash advanced to the Special Revenue Fund and Capital Projects Fund while awaiting reimbursement of grant expenditures. The interfund receivable in the Food Service Fund is for the Board contribution that was not received as of June 30, 2023.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 15. 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 16. 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, 2022 to June 30, 2023 fiscal year is as follows:

Beginning Balance, July 1, 2022	\$ 1,365,667
Interest Earnings	<u>500</u>
Ending Balance, June 30, 2023	<u><u>\$ 1,366,167</u></u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 17. ACCOUNTS PAYABLE

The following accounts payable balances existed as of June 30, 2023:

	<u>Governmental Funds</u>			District Contribution Subsequent to the	Total Governmental Activities	Proprietary
	General Fund	Special Revenue Fund	Capital Projects Fund	Measurement Date		Fund Food Service
Vendors	\$ 587,621	\$ 67,720	\$ 10,848		\$ 666,189	\$ 98,327
Accrued Salaries	100				100	
Payroll Deductions and Withholdings	27,159				27,159	
Due to:						
State of New Jersey				\$ 450,165	450,165	
	<u>\$ 614,880</u>	<u>\$ 67,720</u>	<u>\$ 10,848</u>	<u>\$ 450,165</u>	<u>\$ 1,143,613</u>	<u>\$ 98,327</u>

NOTE 18. 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 \$148,078 from one payment in lieu of taxes (“PILOT”) agreement. The taxes which would have been paid on this property for 2022 without the abatement would have been \$240,006 of which \$153,151 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, 2023
(Continued)

NOTE 19. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

State Health Benefit Program Fund – Local Education Retired Employees Plan

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 Employees Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other than Pensions*. The State Health 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 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 annual financial statements 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, 2023
(Continued)

NOTE 19. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired Employees Plan (Cont'd)

Employees Covered by Benefit Terms

At June 30, 2021, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	151,669
Active Plan Members	213,148
Total	364,817

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2021, which was rolled forward to June 30, 2022.

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.

	TPAF/ABP	PERS	PFRS
Salary Increases:			
Through 2026	2.75 - 4.25%	2.75 - 6.55%	3.25 - 16.25%
	based on years	based on years	based on years
	of service	of service	of service

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of the TPAF, PERS and PFRS experience studies prepared for July 1, 2018 – June 30, 2021.

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-2021. 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-2021. 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-2021 for current disabled retirees. Future disabled retirees were based on the Pub-2010 “Safety” (PFRS), “General” (PERS) and “Teachers” (TPAF/ABP) classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 19. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired Employees Plan (Cont'd)

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 6.25% and decreases to a 4.50% long term trend rate after eight years. For post-65 medical benefits PPO, the trend is initially -1.99% in fiscal year 2023, increasing to 13.44% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For HMO the trend is initially -3.54% in fiscal year 2023, increasing to 15.19% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For prescription drug benefits, the initial trend rate is 8.00% and decreases to a 4.50% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.54%. 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

	<u>Total OPEB Liability</u>
Balance at June 30, 2021	\$ 90,220,306
Changes for Year:	
Service Cost	3,904,267
Interest on the Total OPEB Liability	2,031,227
Differences between Expected and Actual Experience	2,999,726
Changes in Assumptions	(20,561,211)
Contributions from Members	64,546
Gross Benefit Payments by the State	<u>(2,011,990)</u>
Net Changes	<u>(13,573,435)</u>
Balance at June 30, 2022	<u>\$ 76,646,871</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 19. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired Employees Plan (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, 2022, 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, 2022		
	At 1% Decrease (2.54%)	At Discount Rate (3.54%)	At 1% Increase (4.54%)
Total OPEB Liability Attributable to the District	\$ 90,090,334	\$ 76,646,871	\$ 65,872,607

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, 2022, 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, 2022		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 63,353,324	\$ 76,646,871	\$ 94,108,753

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 19. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired Employees Plan (Cont'd)

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

For the fiscal year ended June 30, 2023 the District recognized OPEB expense of \$1,701,452 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, 2022 the State had deferred outflows of resources and deferred inflows of resources related to OPEB associated with the District from the following sources:

	Deferral Year	Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2017	9.54		\$ 3,979,588
	2018	9.51		3,797,659
	2019	9.29	\$ 536,172	
	2020	9.24	12,659,259	
	2021	9.24	70,202	
	2022	9.13		18,309,161
			<u>13,265,633</u>	<u>26,086,408</u>
Differences between Expected and Actual Experience	2018	9.51		3,589,969
	2019	9.29		6,310,774
	2020	9.24	11,798,926	
	2021	9.24		13,500,432
	2022	9.13	1,885,581	
			<u>13,684,507</u>	<u>23,401,175</u>
Changes in Proportion	N/A	N/A	<u>1,174,634</u>	<u>3,997,605</u>
			<u>\$ 28,124,774</u>	<u>\$ 53,485,188</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows on the following page.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 19. 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

Fiscal Year Ending June 30,	Total
2023	\$ (3,809,383)
2024	(3,809,383)
2025	(3,809,383)
2026	(3,292,262)
2027	(1,882,559)
Thereafter	(5,934,473)
	\$ (22,537,443)

**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 NINE FISCAL YEARS

	Fiscal Year Ending June 30,								
	2015	2016	2017	2018	2019	2020	2021	2022	2023
District's proportion of the net pension liability	0.0405464396%	0.0430193461%	0.0435155578%	0.0428972281%	0.0410807800%	0.0395371493%	0.0365016828%	0.0361673753%	0.0359236914%
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	\$ 5,952,470	\$ 4,284,568	\$ 5,421,380
District's covered employee payroll	\$ 2,894,283	\$ 2,894,283	\$ 2,903,815	\$ 2,894,287	\$ 2,856,368	\$ 2,694,579	\$ 2,566,001	\$ 2,680,675	\$ 2,613,544
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%	231.97%	159.83%	207.43%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%	48.10%	53.60%	56.27%	58.32%	70.33%	62.91%

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 NINE FISCAL YEARS

	Fiscal Year Ending June 30,								
	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required contribution	\$ 334,259	\$ 369,851	\$ 386,586	\$ 400,248	\$ 408,621	\$ 391,842	\$ 401,133	\$ 423,562	\$ 453,015
Contributions in relation to the contractually required contribution	(334,259)	(369,851)	(386,586)	(400,248)	(408,621)	(391,842)	(401,133)	(423,562)	(453,015)
Contribution deficiency/(excess)	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 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	\$ 2,680,675	\$ 2,613,544	\$ 2,618,671
Contributions as a percentage of covered employee payroll	11.55%	12.74%	13.36%	14.01%	15.16%	15.27%	14.96%	16.21%	17.30%

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 NINE FISCAL YEARS

	Fiscal Year Ending June 30,								
	2015	2016	2017	2018	2019	2020	2021	2022	2023
State's proportion of the net pension liability attributable to the District	0.1711547577%	0.1573045551%	0.1558576554%	0.1578440446%	0.1581692231%	0.1558997954%	0.1556610407%	0.1490656400%	0.1522936392%
\$	91,476,648	\$ 99,423,196	\$ 122,607,555	\$ 106,424,146	\$ 100,623,862	\$ 95,677,176	\$ 102,500,922	\$ 71,663,588	\$ 78,575,013
State's proportionate share of the net pension liability attributable to the District	\$ 15,860,920	\$ 15,860,920	\$ 15,537,032	\$ 16,253,270	\$ 16,563,883	\$ 16,463,344	\$ 16,520,960	\$ 17,650,371	\$ 17,987,288
District's covered employee payroll	576.74%	626.84%	789.13%	654.79%	607.49%	581.15%	620.43%	406.02%	436.84%
State's proportionate share of the net pension liability attributable to the district as a percentage of its covered employee payroll	33.64%	28.71%	22.33%	25.41%	26.49%	26.95%	24.60%	35.52%	32.29%
Plan fiduciary net position as a percentage of the total pension liability									

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 NINE FISCAL YEARS

	Fiscal Year Ending June 30,								
	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required contribution	\$ 4,922,302	\$ 6,070,681	\$ 9,212,252	\$ 7,372,526	\$ 5,866,019	\$ 5,643,296	\$ 6,373,944	\$ 4,368,388	\$ 2,114,673
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)	(4,415,602)	(6,269,405)	(6,319,994)
Contribution deficiency/(excess)	\$ 4,071,856	\$ 4,822,824	\$ 7,498,896	\$ 5,043,252	\$ 2,799,847	\$ 2,229,053	\$ 1,958,342	\$ (1,901,017)	\$ (4,205,321)
District's covered employee payroll	\$ 15,860,920	\$ 15,537,032	\$ 16,253,270	\$ 16,563,883	\$ 16,463,344	\$ 16,520,960	\$ 17,650,371	\$ 17,987,288	\$ 18,816,531
Contributions as a percentage of covered employee payroll	31.03%	39.07%	56.68%	44.51%	35.63%	34.16%	36.11%	24.29%	11.24%

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 SIX FISCAL YEARS

	Fiscal Year Ending June 30,					
	2017	2018	2019	2020	2021	2022
Service Cost	\$ 3,364,071	\$ 2,789,237	\$ 2,480,950	\$ 2,675,433	\$ 4,553,755	\$ 3,904,267
Interest Cost	2,671,378	3,086,977	2,888,647	2,389,362	2,340,410	2,031,227
Changes in Benefit Terms					(96,029)	
Differences between Expected and Actual Experience		(6,828,124)	(11,061,737)	15,064,671	(18,681,292)	2,999,726
Changes in Assumptions	(11,081,177)	(8,393,355)	990,934	18,960,366	89,009	(20,561,211)
Member Contributions	71,962	67,595	60,476	54,771	59,833	64,546
Gross Benefit Payments	(1,954,303)	(1,955,778)	(2,040,144)	(1,807,041)	(1,843,587)	(2,011,990)
Net Change in Total OPEB Liability	(6,928,069)	(11,233,448)	(6,680,874)	37,337,562	(13,577,901)	(13,573,435)
Total OPEB Liability - Beginning	91,303,036	84,374,967	73,141,519	66,460,645	\$ 103,798,207	\$ 90,220,306
Total OPEB Liability - Ending	\$ 84,374,967	\$ 73,141,519	\$ 66,460,645	\$ 103,798,207	\$ 90,220,306	\$ 76,646,871
State's Covered Employee Payroll *	\$ 18,440,847	\$ 19,147,557	\$ 19,420,251	\$ 19,157,923	\$ 19,086,961	\$ 20,331,046
Total OPEB Liability as a Percentage of Covered Employee Payroll	458%	382%	342%	542%	473%	377%

* - Covered payroll for the fiscal years ending June 30, 2017 - 2022 are based on the payroll on the June 30, 2016 - 2021 census data, respectively.

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, 2023

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

In the July 1, 2021 actuarial valuation the salary increases were 2.75% – 6.55% based on years of service while in the July 1, 2020 actuarial valuation the salary increases were 2.00%-6.00% through 2026 and 3.00-7.00% thereafter based on years of service.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021. The actuarial assumptions used in the July 1, 2020 actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

B. TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

In the July 1, 2021 actuarial valuation, the salary increases were 2.75%-5.65% based on years of service while in the July 1, 2020 actuarial valuation the salary increases were 1.55%-4.45% through 2026 and 2.75%-5.65% thereafter based on years of service.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021. The actuarial assumptions used in the July 1, 2020 actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

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, 2022 was 3.54%. The discount rate for June 30, 2021 was 2.16%, a change of 1.38%.

The salary increases for TPAF/ABP thereafter were 1.55%-4.45% through 2026 and 2.75%-5.65% for thereafter in the valuation as of June 30, 2021. The salary increases for TPAF/ABP were 2.75%-4.25% in the valuation as of June 30, 2022.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

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

Changes of Actuarial Assumptions (Cont'd)

The salary increases for PERS were 2.00%-6.00% through 2026 and 3.00%-7.00% for thereafter in the valuation as of June 30, 2021. The salary increases for PERS were 2.75%-6.55% in the valuation as of June 30, 2022.

The salary increases for PFRS were 3.25%-15.25% through 2026 and not applicable for thereafter in the valuation as of June 30, 2021. The salary increases for PFRS were 3.25%-16.25% in the valuation as of June 30, 2022.

The health care trend rates in the valuation as of June 30, 2022 were based on the following:

For pre-Medicare medical benefits, the trend rate is initially 6.25% and decreases to a 4.50% long term trend rate after eight years. For post-65 medical benefits PPO, the trend is initially -1.99% in fiscal year 2023, increasing to 13.44% in fiscal year 2026 and decreases to 4.5% in fiscal year 2033. For HMO the trend is initially -3.54% in fiscal year 2023, increasing to 15.19% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For prescription drug benefits, the initial trend rate is 8.00% and decreases to a 4.50% long term rate after eight years.

The health care trend rates in the valuation as of June 30, 2021 were based on the following:

For pre-Medicare medical benefits, the trend rate is initially 5.65% and decreases to a 4.5% long term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal years 2022 through 2023 are reflected. For PPO the trend is initially 5.74% in fiscal year 2024, increasing to 12.93% in fiscal year 2025 and decreasing to 15.23% in fiscal year 2025 and decreasing to 4.5% after 11 years. For HMO the trend is initially 6.01% in fiscal year 2024, increasing to 15.23% in fiscal year 2025 and decreasing to 4,5% after 11 years. For prescription drug benefits, the initial trend rate is 6.75% and decreases to a 4.5% long term rate after seven years.

BUDGETARY COMPARISON SCHEDULES

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues from Local Sources:					
Local Tax Levy	\$ 37,916,526		\$ 37,916,526	\$ 37,916,526	
Tuition From Individuals	155,150		155,150	185,858	\$ 30,708
Tuition From Other LEAs Within the State	1,079,921		1,079,921	988,575	(91,346)
Rents and Royalties	55,000		55,000	92,493	37,493
Unrestricted Miscellaneous Revenues	135,000		135,000	518,738	383,738
Interest Earned on Maintenance Reserve	500		500	500	
Interest Earned on Capital Reserve Funds	2,210		2,210	48,520	46,310
Other Restricted Miscellaneous Revenues				46,030	46,030
Total Revenues from Local Sources	<u>39,344,307</u>		<u>39,344,307</u>	<u>39,797,240</u>	<u>452,933</u>
Revenues from State Sources:					
School Choice Aid	55,852		55,852	55,852	
Categorical Transportation Aid	124,035		124,035	124,035	
Extraordinary Aid	345,000		345,000	652,931	307,931
Categorical Special Education Aid	1,675,244		1,675,244	1,675,244	
Equalization Aid	406,379		406,379	406,379	
Categorical Security Aid	168,558		168,558	168,558	
Non-Public Transportation				29,510	29,510
TPAF Post Retirement Contributions (Non-Budgeted)				1,683,281	1,683,281
TPAF Pension Contributions (Non-Budgeted)				6,319,994	6,319,994
TPAF Non-Contributory Insurance (Non-Budgeted)				87,683	87,683
TPAF Long-Term Disability Insurance (Non-Budgeted)				2,394	2,394
Reimbursed TPAF Social Security Contributions				1,374,819	1,374,819
Total Revenues from State Sources	<u>2,775,068</u>		<u>2,775,068</u>	<u>12,580,680</u>	<u>9,805,612</u>
Revenues from Federal Sources:					
Medicaid Reimbursement	20,138		20,138		(20,138)
Total Revenues from Federal Sources	<u>20,138</u>		<u>20,138</u>		<u>(20,138)</u>
TOTAL REVENUE	<u>42,139,513</u>		<u>42,139,513</u>	<u>52,377,920</u>	<u>10,238,407</u>
GENERAL CURRENT EXPENSE					

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	\$ 156,776		\$ 156,776	\$ 156,540	\$ 236
Kindergarten - Salaries of Teachers	519,395	10,217	529,612	528,220	1,392
Grades 1-5 - Salaries of Teachers	4,282,568	(283,429)	3,999,139	3,982,092	17,047
Grades 6-8 - Salaries of Teachers	2,574,900	(15,027)	2,559,873	2,438,443	121,430
Grades 9-12 - Salaries of Teachers	4,834,397	(275,361)	4,559,036	4,419,053	139,983
Regular Programs - Home Instruction:					
Salaries of Teachers	15,480	14,705	30,185	26,925	3,260
Purchased Professional-Educational Services	30,000	5,595	35,595	27,095	8,500
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	69,740	(16,291)	53,449	53,214	235
Purchased Professional-Educational Services	375,000	220,120	595,120	446,831	148,289
Purchased Technical Services	401,073	(164,422)	236,651	144,349	92,302
Other Purchased Services (400-500 series)	574,380	(228,219)	346,161	278,184	67,977
General Supplies	1,866,829	(327,513)	1,539,316	999,100	540,216
Textbooks	31,281	312,963	344,244	99,419	244,825
Other Objects	2,000	710	2,710	435	2,275
Total Regular Programs - Instruction	15,733,819	(745,952)	14,987,867	13,599,900	1,387,967
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	386,395	(68,894)	317,501	317,501	
Other Salaries for Instruction	138,720	(90,242)	48,478	48,478	
General Supplies	8,320	(4,125)	4,195	4,195	
Total Learning and/or Language Disabilities	533,435	(163,261)	370,174	370,174	

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Multiple Disabilities:					
Salaries of Teachers	\$ 269,587	\$ 5,705	\$ 275,292	\$ 275,292	
Other Salaries for Instruction	129,408	(53,237)	76,171	76,171	
General Supplies	14,700	(9,029)	5,671	5,671	
Other Objects	510	(510)			
Total Multiple Disabilities	414,205	(57,071)	357,134	357,134	
Resource Room/Resource Center:					
Salaries of Teachers	2,371,755	(102,125)	2,269,630	2,269,630	
Other Salaries for Instruction	266,830	(157,487)	109,343	109,343	
Purchased Professional-Educational Services	1,100,000	979,078	2,079,078	1,799,834	\$ 279,244
General Supplies	10,125	(3,900)	6,225	6,225	
Total Resource Room/Resource Center	3,748,710	715,566	4,464,276	4,185,032	279,244
Preschool Disabilities - Full-Time:					
Salaries of Teachers	144,912	44,948	189,860	189,860	
Other Salaries for Instruction	62,818	41,219	104,037	104,037	
Total Preschool Disabilities - Full-Time	208,730	85,167	293,897	293,897	
Home Instruction:					
Purchased Professional-Educational Services	18,500	26,486	44,986	43,558	1,428
General Supplies	1,000	(1,000)			
Total Home Instruction	19,500	25,486	44,986	43,558	1,428
TOTAL SPECIAL EDUCATION - INSTRUCTION	4,924,580	605,887	5,530,467	5,249,795	280,672

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	\$ 207,133	\$ (18,466)	\$ 188,667	\$ 188,667	
General Supplies	1,200	(1,200)			
Total Basic Skills/Remedial - Instruction	<u>208,333</u>	<u>(19,666)</u>	<u>188,667</u>	<u>188,667</u>	
Bilingual Education - Instruction:					
Salaries of Teachers	65,512	(562)	64,950	64,950	
General Supplies	200	403	603	603	
Total Bilingual Education - Instruction	<u>65,712</u>	<u>(159)</u>	<u>65,553</u>	<u>65,553</u>	
School-Spon. Cocurricular & Extracurricular Actvts. - Inst.:					
Salaries	188,330	19,937	208,267	201,958	\$ 6,309
Purchased Services (300-500 series)	12,700	3,503	16,203	16,203	
Supplies and Materials	35,945	(16,023)	19,922	19,113	809
Other Objects	544	903	1,447	1,447	
Total School-Spon. Cocurricular & Extracurricular Actvts. - Inst.	<u>237,519</u>	<u>8,320</u>	<u>245,839</u>	<u>238,721</u>	<u>7,118</u>
School-Sponsored Athletics - Instruction:					
Salaries	559,656	(1,044)	558,612	527,389	31,223
Purchased Services (300-500 series)	144,500	1,436	145,936	125,897	20,039
Supplies and Materials	189,762	(19,036)	170,726	128,170	42,556
Other Objects	43,030	12,699	55,729	54,251	1,478
Total School-Sponsored Athletics - Instruction	<u>936,948</u>	<u>(5,945)</u>	<u>931,003</u>	<u>835,707</u>	<u>95,296</u>
Before/After School Programs - Instruction:					
Salaries of Teachers	25,800		25,800	8,185	17,615
Total Before/after School Programs - Instruction	<u>25,800</u>		<u>25,800</u>	<u>8,185</u>	<u>17,615</u>
Total Before/after School Programs	<u>25,800</u>		<u>25,800</u>	<u>8,185</u>	<u>17,615</u>
TOTAL INSTRUCTION	<u>22,132,711</u>	<u>(157,515)</u>	<u>21,975,196</u>	<u>20,186,528</u>	<u>1,788,668</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures - Instruction:					
Tuition to Other LEAs Within the State-Special	\$ 194,080		\$ 194,080	\$ 152,361	\$ 41,719
Tuition to County Voc. School Dist.-Regular	551,606		551,606	441,423	110,183
Tuition to County Voc. School Dist.-Special	45,000		45,000	19,893	25,107
Tuition to Priv. Sch. for the Handicap. W/I State	1,795,679		1,795,679	1,087,687	707,992
Total Undistributed Expenditures - Instruction	<u>2,586,365</u>		<u>2,586,365</u>	<u>1,701,364</u>	<u>885,001</u>
Undistributed Expend. - Attend. & Social Work:					
Salaries	34,723	\$ (56)	34,667	34,651	16
Total Undist. Expend. - Attendance and Social Work	<u>34,723</u>	<u>(56)</u>	<u>34,667</u>	<u>34,651</u>	<u>16</u>
Undistributed Expenditures - Health Services:					
Salaries	443,385	26,504	469,889	469,871	18
Purchased Professional and Technical Services	30,000	14,119	44,119	41,104	3,015
Supplies and Materials	60,115	(41,091)	19,024	8,999	10,025
Total Undist. Expenditures - Health Services	<u>533,500</u>	<u>(468)</u>	<u>533,032</u>	<u>519,974</u>	<u>13,058</u>
Undist. Expend. - Speech, OT, PT, Related Svcs:					
Salaries	323,624	49,606	373,230	373,230	
Purchased Professional - Educational Services	436,066	(17,738)	418,328	383,993	34,335
Supplies and Materials	13,550	(5,645)	7,905	3,917	3,988
Total Undist. Expend. - Speech, OT, PT, Related Svcs	<u>773,240</u>	<u>26,223</u>	<u>799,463</u>	<u>761,140</u>	<u>38,323</u>
Undist.Expend.-Other Supp.Serv.-Students-Extra.Serv.:					
Salaries	217,788	(31,627)	186,161	186,022	139
Purchased Professional - Educational Services	188,680	8,393	197,073	158,113	38,960
Supplies and Materials	13,000	(9,906)	3,094		3,094
Total Undist. Expend. - Other Supp. Svcs. Students - Extra. Serv.	<u>419,468</u>	<u>(33,140)</u>	<u>386,328</u>	<u>344,135</u>	<u>42,193</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Guidance:					
Salaries of Other Professional Staff	\$ 784,761	\$ 2,227	\$ 786,988	\$ 734,378	\$ 52,610
Salaries of Secretarial and Clerical Assistants	50,511	629	51,140	51,140	
Purchased Professional - Educational Services	49,433		49,433	29,685	19,748
Other Purchased Prof. and Tech. Services	6,000	5,823	11,823	5,823	6,000
Other Purchased Services (400-500 series)	97,000	(41,607)	55,393		55,393
Supplies and Materials	1,272		1,272	1,151	121
Other Objects	850		850		850
Total Undist Expend. - Guidance	989,827	(32,928)	956,899	822,177	134,722
Undist. Expend. - Child Study Team:					
Salaries of Other Professional Staff	794,043	23,512	817,555	696,958	120,597
Salaries of Secretarial and Clerical Assistants	52,666		52,666	45,477	7,189
Purchased Professional - Educational Services	26,290		26,290	21,175	5,115
Other Purchased Prof. and Tech. Services	13,250		13,250	1,760	11,490
Other Purchased Services (400-500 series)	5,180		5,180	848	4,332
Supplies and Materials	17,650		17,650	11,627	6,023
Other Objects	1,300		1,300	517	783
Total Undist Expend. - Child Study Team	910,379	23,512	933,891	778,362	155,529
Undist. Expend. - Improv. of Inst. Serv.:					
Salaries of Supervisors of Instruction	128,342		128,342	128,342	
Salaries of Other Professional Staff	850,127	(12,000)	838,127	832,809	5,318
Salaries of Secretarial and Clerical Assistants	73,465	8,485	81,950	80,968	982
Other Purchased Services (400-500 series)	500	4,200	4,700	3,139	1,561
Supplies and Materials	15,572		15,572	4,401	11,171
Other Objects	5,000	(1,700)	3,300	3,066	234
Total Undist. Expend. - Improv. of Inst. Serv.	1,073,006	(1,015)	1,071,991	1,052,725	19,266

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend.-Edu. Media Serv./Sch. Library:					
Salaries	\$ 371,747	\$ 1,907	\$ 373,654	\$ 373,443	\$ 211
Salaries of Technology Coordinators	74,098	17,151	91,249	89,763	1,486
Purchased Professional and Technical Services	6,100	(3,293)	2,807	1,926	881
Supplies and Materials	32,967		32,967	28,405	4,562
Total Undist Expend.-Edu. Media Serv./Sch. Library	484,912	15,765	500,677	493,537	7,140
Undist.Expend.-Instructional Staff Training Services:					
Salaries of Other Professional Staff	5,475		5,475	3,014	2,461
Purchased Professional - Educational Service	20,000	5,000	25,000	24,540	460
Other Purchased Services (400-500 series)	12,800	6,015	18,815	11,656	7,159
Supplies and Materials	1,200		1,200	1,198	2
Other Objects	600		600	417	183
Total Undist.Expend.-Instructional Staff Training Services	40,075	11,015	51,090	40,825	10,265
Undist. Expend.-Support Serv.-Gen. Admin.:					
Salaries	309,164		309,164	300,089	9,075
Legal Services	145,000		145,000	107,554	37,446
Audit Fees	50,985		50,985	49,000	1,985
Architectural/Engineering Services	105,218	(13,346)	91,872	22,503	69,369
Other Purchased Professional Services	43,000		43,000	11,800	31,200
Purchased Technical Services	3,500		3,500	3,500	
Communications / Telephone	258,250		258,250	20,623	237,627
BOE Other Purchased Services	9,500	989	10,489	6,787	3,702
Other Purch. Serv. (400-500 series other than 530 & 585)	120,900	(989)	119,911	100,745	19,166
General Supplies	12,010		12,010	2,063	9,947
BOE In-house training/ Meeting Supplies	3,150		3,150	106	3,044
Judgments Against The School District	50,000		50,000		50,000
Miscellaneous Expenditures	7,305		7,305	6,192	1,113
BOE Membership Dues and Fees	18,500		18,500	16,573	1,927
Total Undist. Expend.-Support Serv.-Gen. Admin.	1,136,482	(13,346)	1,123,136	647,535	475,601

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend.-Support Serv.-School Admin.:					
Salaries of Principals/Assistant Principals/Prog Director	\$ 1,056,919	\$ 17,136	\$ 1,074,055	\$ 1,070,205	\$ 3,850
Salaries of Secretarial and Clerical Assistants	510,557	(17,136)	493,421	469,405	24,016
Purchased Professional and Technical Services	83,700	5,560	89,260	8,012	81,248
Other Purchased Services (400-500 series)	75,333	7,230	82,563	8,184	74,379
Supplies and Materials	75,604	(12,412)	63,192	34,293	28,899
Other Objects	18,555	850	19,405	15,778	3,627
Total Undist. Expend.-Support Serv.-School Adm.	1,820,668	1,228	1,821,896	1,605,877	216,019
Undist. Expend. - Central Services:					
Salaries	465,941	(6,504)	459,437	459,437	
Purchased Professional Services	12,500		12,500	12,000	500
Purchased Technical Services	144,700	(7,181)	137,519	38,900	98,619
Miscellaneous Purchased Services (400-500 series other than 594)	12,500		12,500	3,074	9,426
Supplies and Materials	18,752	13,685	32,437	9,267	23,170
Interest on Lease Purchase Agreements	2,791		2,791	2,790	1
Other Objects	1,400		1,400	325	1,075
Total Undist. Expend. - Central Services	658,584		658,584	525,793	132,791
Undist. Expend. - Admin. Info. Technology:					
Salaries	207,180	2,414	209,594	133,458	76,136
Purchased Technical Services	275,000	(2,414)	272,586	93,828	178,758
Other Purchased Services (400-500 series)	11,000		11,000		11,000
Supplies and Materials	17,510		17,510	7,843	9,667
Total Undist. Expend. - Admin. Info. Technology	510,690		510,690	235,129	275,561
Undist. Expend. - Required Maintenance for School Facilities:					
Salaries	255,037	(16,000)	239,037	194,774	44,263
Cleaning, Repair, and Maintenance Services	498,861		498,861	223,887	274,974
General Supplies	270,500	(23,698)	246,802	112,787	134,015
Other Objects	750		750	100	650
Total Undist. Expend. - Required Maintenance for School Facilities	1,025,148	(39,698)	985,450	531,548	453,902

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Custodial Services:					
Salaries	\$ 1,128,552	\$ (79,529)	\$ 1,049,023	\$ 992,086	\$ 56,937
Salaries of Non-Instructional Aides	61,920	27,768	89,688	89,688	
Purchased Professional and Technical Services	10,500	122,650	133,150	119,923	13,227
Cleaning, Repair, and Maintenance Services	87,000	(17,760)	69,240	68,124	1,116
Rental of Land & Bldg. Oth. than Lease Pur. Agrmt.	14,000	4,724	18,724	17,474	1,250
Other Purchased Property Services	98,000	(20,015)	77,985	74,579	3,406
Insurance	237,300	54,275	291,575	291,575	
Miscellaneous Purchased Services	750		750		750
General Supplies	131,315	(58,545)	72,770	70,259	2,511
Energy (Natural Gas)	241,000	(9,498)	231,502	200,128	31,374
Energy (Electricity)	326,000	9,498	335,498	333,220	2,278
Energy (Gasoline)	7,500	4,349	11,849	10,747	1,102
Other Objects	750	1,781	2,531	2,531	
Interest - Energy Savings Impr Prog Bonds	103,769		103,769	103,769	
Principal - Energy Savings Impr Prog Bonds	264,540		264,540	264,539	1
Total Undist. Expend. - Custodial Services	2,712,896	39,698	2,752,594	2,638,642	113,952
Care and Upkeep of Grounds:					
Cleaning, Repair, and Maintenance Services	77,000		77,000	67,427	9,573
General Supplies	28,549		28,549	15,112	13,437
Total Care And Upkeep Of Grounds	105,549		105,549	82,539	23,010
Security:					
Salaries	225,054	13,656	238,710	238,710	
Purchased Professional and Technical Services	25,000	(13,656)	11,344	5,125	6,219
Cleaning, Repair, and Maintenance Services	8,900	239	9,139	1,125	8,014
General Supplies	35,500	(444)	35,056	22,461	12,595
Other Objects	150	205	355	355	
Total Security	294,604		294,604	267,776	26,828
Total Undist. Expend. - Operatering and Maintenance of Plant Services	4,138,197		4,138,197	3,520,505	617,692

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expenditures - Student Transportation Services:					
Salaries of Non-Instructional Aides	\$ 7,146	\$ 400	\$ 7,546	\$ 7,546	
Salaries for Pupil Transportation (Between Home and Sch) - Regular	137,037	(1,459)	135,578	107,755	\$ 27,823
Salaries for Pupil Transportation (Bet. Home and Sch)-Spl. Ed.	157,195	(2,644)	154,551	126,778	27,773
Salaries for Pupil Transportation (Oth. than Bet. Home & Sch)	77,400	3,533	80,933	80,933	
Management Fee - ESC & CTSA Transportation Program	16,500	13,169	29,669	29,169	500
Cleaning, Repair, and Maint. Services	55,000	(15,892)	39,108	32,584	6,524
Lease Purchase Payments - School Buses	37,152		37,152	37,152	
Contract. Services - Aid in Lieu of Payments-Nonpublic Studts	75,000	8,804	83,804	83,804	
Contract. Services (Other than Between Home & School) - Vendor	95,000	34,534	129,534	129,534	
Contract. Services (Special Ed. Students) - Vendors	19,500	(1,022)	18,478	10,942	7,536
Contract. Services (Regular Students) - ESCs & CTSA	275,000	(39,424)	235,576	227,811	7,765
Contract. Services (Special Ed. Students) - ESCs & CTSA	391,000		391,000	383,530	7,470
Misc. Purchased Services - Transportation	1,200		1,200	879	321
General Supplies	1,500		1,500	683	817
Transportation Supplies	43,500		43,500	36,122	7,378
Other Objects	2,000		2,000	400	1,600
Total Undist. Expenditures - Student Transportation Services	1,391,130	(1)	1,391,129	1,295,622	95,507
UNALLOCATED BENEFITS					
Social Security Contributions	493,853		493,853	445,837	48,016
Other Retirement Contributions - PERS	432,000	21,015	453,015	453,015	
Other Retirement Contributions - ERIP	44,000	(44,000)			
Other Retirement Contributions - Regular	27,000	6	27,006	27,006	
Unemployment Compensation	50,000		50,000		50,000
Workers Compensation	235,664	(66,601)	169,063	169,060	3
Health Benefits	5,375,081	122,355	5,497,436	5,346,406	151,030
Tuition Reimbursement	95,000	(14,227)	80,773	56,893	23,880
Other Employee Benefits	176,847	59,709	236,556	135,901	100,655
Unused Sick Payment to Terminated/Retired Staff	79,500	2,938	82,438	56,862	25,576
TOTAL UNALLOCATED BENEFITS	7,008,945	81,195	7,090,140	6,690,980	399,160

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
ON-BEHALF CONTRIBUTIONS (NON-BUDGETED)					
TPAF Post Retirement Contributions (Non-Budgeted)			\$ 1,683,281	\$ (1,683,281)	
TPAF Pension Contributions (Non-Budgeted)			6,319,994	(6,319,994)	
TPAF Non-Contributory Insurance (Non-Budgeted)			87,683	(87,683)	
TPAF Long-Term Disability Insurance (Non-Budgeted)			2,394	(2,394)	
Reimbursed TPAF Social Security Contributions			1,374,819	(1,374,819)	
TOTAL ON-BEHALF CONTRIBUTIONS (NON-BUDGETED)			9,468,171	(9,468,171)	
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	\$ 7,008,945	\$ 81,195	\$ 7,090,140	16,159,151	(9,069,011)
TOTAL UNDISTRIBUTED EXPENDITURES	24,510,191	77,984	24,588,175	30,538,502	(5,950,327)
TOTAL GENERAL CURRENT EXPENSE	46,642,902	(79,531)	46,563,371	50,725,030	(4,161,659)
CAPITAL OUTLAY					
Equipment					
Grades 6-8	60,000	7,925	67,925	67,925	
Grades 9-12	62,292	(1,552)	60,740	60,740	
Undistributed:					
Undistributed Expenditures - Instruction	21,581		21,581	21,581	
Undistributed Expenditures - School Admin.	4,275		4,275	4,275	
Undistributed Expenditures - Admin. Info. Tech.	23,120		23,120	23,120	
Undist. Expend. - Security	187,540	1	187,541	187,497	44
Undistributed Expenditures - Non-Inst. Serv.	102,398	51,843	154,241	80,922	73,319
Total Equipment	461,206	58,217	519,423	446,060	73,363

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Facilities Acquisition and Construction Serv.:					
Architectural/Engineering Services	\$ 118,680	\$ 21,314	\$ 21,314	\$ 3,892	\$ 17,422
Lease Purchase Agreements - Principal Bldgs. Other than Lease Purchase Agreements		(118,680)			
Assessment for Debt Service on SDA Funding	2,793	118,680	118,680	118,680	
Total Facilities Acquisition and Const. Serv.	121,473	21,314	142,787	125,365	17,422
Assets Acquired Under Leases (Non-Budgeted):					
Regular Programs - Instruction				10,050	(10,050)
Total Assets Acquired Under Capital Leases (Non-Budgeted)				10,050	(10,050)
TOTAL CAPITAL OUTLAY	582,679	79,531	662,210	581,475	80,735
TOTAL EXPENDITURES	47,225,581		47,225,581	51,306,505	(4,080,924)
Excess/(Deficit) of Revenues Over/(Under) Expenditures	(5,086,068)		(5,086,068)	1,071,415	(6,157,483)
Other Financing Sources/(Uses):					
Transfers from Capital Projects Fund - Interest Earnings				35,362	35,362
Transfers from Capital Projects Fund - Unexpended Balances Cancelled Leases (Non-budgeted)				399,187	399,187
Transfers to Cover Deficit (Enterprise Fund)				10,050	10,050
Capital Reserve - Transfer to Capital Projects Fund	(1,206,000)		(1,206,000)	(87,066)	(87,066)
	(1,206,000)		(1,206,000)	(1,206,000)	
				(848,467)	357,533
Excess/(Deficit) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(6,292,068)		(6,292,068)	222,948	6,515,016
Fund Balance, July 1	16,623,220		16,623,220	16,623,220	
Fund Balance, June 30	\$ 10,331,152	\$ - 0 -	\$ 10,331,152	\$ 16,846,168	\$ 6,515,016

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<u>Recapitulation:</u>					
<u>Restricted Fund Balance:</u>					
Excess Surplus - Restricted For 2024-2025	\$ 4,101,146				
Excess Surplus - Restricted For 2023-2024	4,101,146				
Capital Reserve	4,795,407				
Maintenance Reserve	1,366,167				
Unemployment Compensation	801,359				
Assigned Fund Balance:					
Year End Encumbrances	482,816				
Unassigned Fund Balance	1,198,127				
	16,846,168				
Reconciliation to Governmental Funds Statement (GAAP):					
Last State Aid Payments not Recognized on GAAP basis			(232,819)		
			\$ 16,613,349		

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources		\$ 410,865	\$ 410,865	\$ 394,338	\$ (16,527)
State Sources	\$ 339,102	35,828	374,930	342,501	(32,429)
Federal Sources	1,206,083	411,905	1,617,988	1,012,075	(605,913)
Total Revenues	1,545,185	858,598	2,403,783	1,748,914	(654,869)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	286,000	(29,896)	256,104	160,393	95,711
Purchased Professional - Educational Services	301,190	(102,254)	198,936	161,052	37,884
Tuition	443,875	106,665	550,540	549,767	773
Other Purchased Services		8,400	8,400	7,826	574
General Supplies	250,425	607	251,032	107,437	143,595
Textbooks	21,013	4,001	25,014	24,768	246
Total Instruction	1,302,503	(12,477)	1,290,026	1,011,243	278,783
Support Services:					
Salaries of Other Professional Staff		106,870	106,870	35,520	71,350
Other Salaries		10,541	10,541	10,500	41
Personal Services - Employee Benefits	128,700	2,129	130,829	37,855	92,974
Purchase Professional - Educational Services	113,982	103,136	217,118	97,268	119,850
Purchased Professional and Technical Services		90,358	90,358	63,748	26,610
Other Objects		4,769	4,769	164	4,605
Student Activities		387,561	387,561	356,373	31,188
Scholarships		7,713	7,713	7,713	
Total Support Services	242,682	713,077	955,759	609,141	346,618
Facilities Acquisition and Construction Services:					
Non-Instructional Equipment		72,001	72,001	21,010	50,991
Building		85,997	85,997	80,002	5,995
Total Facilities Acquisition and Construction Services		157,998	157,998	101,012	56,986
Total Expenditures	1,545,185	858,598	2,403,783	1,721,396	682,387
Excess/(Deficit) of Revenues Over/(Under) Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ 27,518	\$ 27,518

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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 Difference - Budget to GAAP:	\$ 52,377,920	\$ 1,748,914
Grant accounting budgetary basis differs from GAAP in that the budgetary basis recognizes encumbrances as expenditures and revenue, whereas GAAP basis does not.		
Current Year Encumbrances		(97,932)
Prior Year Encumbrances		83,271
Prior Year State aid payments recognized for GAAP statements, not recognized for budgetary purposes.	217,359	
Current Year State aid payments recognized for budgetary purposes, not recognized for GAAP statements.	(232,819)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 52,362,460</u>	<u>\$ 1,734,253</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule Differences - Budget to GAAP:	\$ 51,306,505	\$ 1,721,396
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Current Year Encumbrances		(97,932)
Prior Year Encumbrances		83,271
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 51,306,505</u>	<u>\$ 1,706,735</u>

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue, and Debt Service Funds. The budget for the fiscal year ended June 30, 2023 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). 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.

The accounting records of the Special Revenue Fund are maintained on the grant accounting budgetary basis, except for student activities and scholarships. 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, 2023

	IDEA, Part B		Elementary and Secondary Education Act				CRRSA		ARP
	Basic	Preschool	Title I	Title II, Part A	Title III	Title IV	ESSER II	Learning Acceleration	
REVENUE:									
Local Sources									
State Sources									
Federal Sources	\$ 516,949	\$ 19,047	\$ 117,725	\$ 39,443	\$ 2,021	\$ 10,417	\$ 23,637	\$ 6,700	\$ 143,770
Total Revenue	516,949	19,047	117,725	39,443	2,021	10,417	23,637	6,700	143,770
EXPENDITURES:									
Instruction:									
Salaries of Teachers			47,311				13,421		68,450
Purchased Professional - Educational Services									
Tuition	467,540				2,021		1,188	1,200	162
Other Purchased Services			414						
General Supplies									
Textbooks									
Total Instruction	467,540	14,047	47,725		2,021		14,609	1,200	68,612
Support Services:									
Salaries of Other Professional Staff									35,520
Other Salaries									
Personal Services - Employee Benefits									
Purchased Professional - Educational Services	49,409			39,443		8,416	1,027	5,500	18,628
Other Purchased Professional Services									
Other Objects									
Student Activities									
Scholarships									
Total Support Services	49,409	5,000		39,443		8,416	1,027	5,500	54,148
Facilities Acquisition and Construction Services:									
Non-Instructional Equipment			70,000						21,010
Building									
Total Facilities Acquisition and Construction Services			70,000						21,010
Total Expenditures	\$ 516,949	\$ 19,047	\$ 117,725	\$ 39,443	\$ 2,021	\$ 10,417	\$ 23,637	\$ 6,700	\$ 143,770

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Accelerated Learning	ARP		Nonpublic Auxiliary Services		Nonpublic Handicapped Services		Student Activities
		Evidence Based Summer Learning	Comprehensive Beyond the Day	Mental Health	Compensatory Education	Exam and Classification	Supplementary Instruction	
REVENUE:								
Local Sources								
State Sources	\$ 29,299	\$ 37,804	\$ 14,041	\$ 42,299	\$ 73,827	\$ 47,400	\$ 34,444	\$ 20,739
Federal Sources								
Total Revenue	29,299	37,804	14,041	42,299	73,827	47,400	34,444	20,739
EXPENDITURES:								
Instruction:								
Salaries of Teachers		23,000	8,041					
Purchased Professional - Educational Services						47,400	34,444	20,739
Tuition			6,000		73,827			
Other Purchased Services								
General Supplies		4,454						
Textbooks								
Total Instruction		27,454	14,041		73,827	47,400	34,444	20,739
Support Services:								
Salaries of Other Professional Staff								
Other Salaries	10,500							
Personal Services - Employee Benefits	2,350	10,350						
Purchased Professional - Educational Services								
Other Purchased Professional Services	16,449			42,299				
Other Objects								
Student Activities								356,373
Scholarships								
Total Support Services	29,299	10,350		42,299				356,373
Facilities Acquisition and Construction Services:								
Non-Instructional Equipment								
Building								
Total Facilities Acquisition and Construction Services								
Total Expenditures	\$ 29,299	\$ 37,804	\$ 14,041	\$ 42,299	\$ 73,827	\$ 47,400	\$ 34,444	\$ 20,739
								\$ 387,562

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Scholarships	Local Grants	Nonpublic Technology	Nonpublic Nursing	Nonpublic Textbooks	Nonpublic Security	Nonpublic Auxiliary Services Transportation	CARES Emergency Relief	Totals
REVENUE:									
Local Sources	\$ 4,042	\$ 2,734	\$ 15,573	\$ 42,896	\$ 24,768	\$ 78,237	\$ 4,617	\$ 8,923	\$ 394,338
State Sources									342,501
Federal Sources									1,012,075
Total Revenue	4,042	2,734	15,573	42,896	24,768	78,237	4,617	8,923	1,748,914
EXPENDITURES:									
Instruction:									
Salaries of Teachers		170							160,393
Purchased Professional - Educational Services			15,573	42,896					161,052
Tuition		2,400							549,767
Other Purchased Services							4,617		7,826
General Supplies								8,923	107,437
Textbooks					24,768				24,768
Total Instruction		2,570	15,573	42,896	24,768	78,237	4,617	8,923	1,011,243
Support Services:									
Salaries of Other Professional Staff									35,520
Other Salaries									10,500
Personal Services - Employee Benefits									37,855
Purchased Professional - Educational Services									97,268
Other Purchased Professional Services									63,748
Other Objects		164							164
Student Activities									356,373
Scholarships	7,713								7,713
Total Support Services	7,713	164							609,141
Facilities Acquisition and Construction Services:									
Non-Instructional Equipment									21,010
Building									80,002
Total Facilities Acquisition and Construction Services									101,012
Total Expenditures	7,713	2,734	15,573	42,896	24,768	78,237	4,617	8,923	\$1,721,396

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, 2023

Revenue and Other Financing Sources:	
Investment Income	\$ 35,362
Transfer from General Fund - Capital Reserve	<u>1,206,000</u>
Total Revenue and Other Financing Sources	<u>1,241,362</u>
Expenditures and Other Financing Uses:	
Legal Services	478
Purchased Professional and Technical Services	133,601
Construction Services	3,858,850
Transfers Out:	
Transfer to General Fund - Capital Reserve (Unexpended Balances)	399,187
Transfer to General Fund - Interest	<u>35,362</u>
Total Expenditures	<u>4,427,478</u>
Excess/(Deficit) of Revenue and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(3,186,116)
Fund Balance - Beginning	<u>5,547,256</u>
Fund Balance - Ending	<u>\$ 2,361,140</u>
<u>Recapitulation:</u>	
Fund Balance - Committed (Budgetary)	\$ 2,361,140
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 - Committed (GAAP)	<u>\$ 24,394</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, 2023

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

Additional Project Information:

Project Number(s)	4080-055-14-1002
Grant Date	6/15/2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 1,272,200
Percentage Completion	100.00%
Original Target Completion Date	8/31/2014
Revised Target Completion Date	12/31/2016

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
STEPHEN J. GERACE ELEMENTARY SCHOOL WINDOW REPLACEMENT PROJECT,
ROOF REPAIR AND SECURITY INFRASTRUCTURE
FROM INCEPTION AND FOR THE YEAR FISCAL ENDED JUNE 30, 2023

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

Additional Project Information:

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
PEQUANNOCK HIGH SCHOOL WINDOW REPLACEMENT, GENERATOR
AND SECURITY INFRASTRUCTURE
FROM INCEPTION AND FOR THE YEAR FISCAL ENDED JUNE 30, 2023

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

Additional Project Information:	
Project Number(s)	4080-100-14-1001
Grant Date	2/24/2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 1,334,250
Percentage Completion	100.00%
Original Target Completion Date	12/31/2016
Revised Target Completion Date	6/30/2017

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
ROOF REPLACEMENT AND VARIOUS RENOVATIONS AT
NORTH BOULEVARD ELEMENTARY SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<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	12/31/2016

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
ROOF REPLACEMENT AND VARIOUS RENOVATIONS AT
PEQUANNOCK VALLEY MIDDLE SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Prior Periods	Current Year	Totals	Project Authorization
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	1,731,013		1,731,013	1,731,013
Expenditures:				
Purchased Professional & Technical Services	98,942		98,942	216,813
Construction Services	1,310,179		1,310,179	1,514,200
Total Expenditures	1,409,121		1,409,121	1,731,013
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	\$ 321,892	\$ - 0 -	\$ 321,892	\$ - 0 -

Additional Project Information:

Project Number(s)	4080-080-14-1004
Grant Date	6/15/2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 1,731,013
Percentage Completion	100.00%
Original Target Completion Date	8/31/2014
Revised Target Completion Date	11/14/2016

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
ENERGY SAVINGS IMPROVEMENT PROGRAM PROJECT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Project Authorization</u>
Revenue and Other Financing Sources:				
Financed Purchase Proceeds	\$ 5,225,698		\$5,225,698	\$ 5,225,698
Transfer from Capital Reserve	60,000		60,000	60,000
Total Revenue and Other Financing Sources	5,285,698		5,285,698	5,285,698
Expenditures:				
Legal Services	33,258	\$ 478	33,736	33,736
Purchased Professional & Technical Services	240,943	122,603	363,546	363,546
Construction Services	2,425,227	2,388,776	4,814,003	4,888,416
Total Expenditures	2,699,428	2,511,857	5,211,285	5,285,698
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 2,586,270</u>	<u>\$ (2,511,857)</u>	<u>\$ 74,413</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
Lease Issued	\$ 5,225,698
Original Authorized Cost	\$ 5,225,698
Change Orders	\$ 60,000
Revised Authorized Cost	\$ 5,285,698
Original Target Completion Date	9/30/2022
Percentage Completion	98.59%

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
VARIOUS 2022 PROJECTS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<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	\$ 1,063,596	\$ (399,187)	\$ 664,409	\$ 664,409
Total Revenue and Other Financing Sources	<u>1,063,596</u>	<u>(399,187)</u>	<u>664,409</u>	<u>664,409</u>
Expenditures:				
Legal Services	1,510		1,510	1,510
Purchased Professional & Technical Services	5,915	10,998	16,913	16,913
Construction Services	255,437	390,549	645,986	645,986
Total Expenditures	<u>262,862</u>	<u>401,547</u>	<u>664,409</u>	<u>664,409</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 800,734</u>	<u>\$ (800,734)</u>	<u>\$ -0-</u>	<u>\$ - 0 -</u>

Additional Project Information:

Project Number(s)	N/A
Grant Date	N/A
Bonds/Notes Authorization Date	N/A
Bonds/ Notes Authorized	N/A
Bonds/Notes Issued	N/A
Original Authorized Cost	\$ 1,063,596
Change Orders/Cancellations	\$ (399,187)
Revised Authorized Cost	\$ 664,409
Change Order/Cancellation Percentage	-37.53%
Percentage Completion	100.00%
Original Target Completion Date	6/30/2022
Revised Target Completion Date	6/30/2023

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
VARIOUS 2023 PROJECTS
FROM INCEPTION AND FOR THE YEAR FISCAL ENDED JUNE 30, 2023

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
Transfer from Capital Reserve		\$ 1,206,000	\$ 1,206,000	\$ 1,206,000
Total Revenue and Other Financing Sources		1,206,000	1,206,000	1,206,000
Expenditures and Other Financing Uses:				
Construction Services		1,079,525	1,079,525	1,206,000
Total Expenditures		1,079,525	1,079,525	1,206,000
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses	\$ - 0 -	\$ 126,475	\$ 126,475	\$ - 0 -

Additional Project Information:

Project Number(s)	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 1,206,000
Percentage Completion	89.51%
Original Target Completion Date	9/30/2023

PROPRIETARY FUNDS

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2023

	<u>Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 14,927
Other Receivable	14,498
Interfund Receivable - General Fund	87,066
Inventory	14,498
Total Current Assets	130,989
Non-Current Assets:	
Capital Assets	176,368
Less: Accumulated Depreciation	(135,940)
Total Non-Current Assets	40,428
Total Assets	171,417
LIABILITIES:	
Current Liabilities:	
Unearned Revenue - Prepaid Sales	16,196
Accounts Payable - Vendors	98,327
Total Liabilities	114,523
NET POSITION:	
Investment in Capital Assets	40,428
Unrestricted	16,466
Total Net Position	\$ 56,894

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>Food Service</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Nonreimbursable Programs	\$ 872,531
Special Events	206
	<hr/>
Total Operating Revenue	872,737
	<hr/>
Operating Expenses:	
Cost of Sales - Nonreimbursable Programs	431,572
Salaries	281,799
Payroll Taxes	43,062
Employee Benefits	17,930
Management Fee	71,820
Supplies and Materials	42,323
Depreciation Expense	9,168
Miscellaneous Expenses	49,178
	<hr/>
Total Operating Expenses	946,852
	<hr/>
Operating (Loss)	(74,115)
	<hr/>
Non-Operating Revenue:	
Local Sources:	
Interest Revenue	2,328
	<hr/>
Total Non-Operating Revenue	2,328
	<hr/>
Change in Net Position Before Transfer and Capital Contributions	(71,787)
	<hr/>
Capital Contributions - General Fund	4,942
Transfer - General Fund	87,066
	<hr/>
Change in Net Position After Transfer and Capital Contributions	20,221
	<hr/>
Net Position - Beginning of Year	36,673
	<hr/>
Net Position - End of Year	\$ 56,894
	<hr/> <hr/>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>Food Service</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 874,607
Payments to Food Service Vendors	(915,131)
	(40,524)
Net Cash Provided by/(Used for) used for Operating Activities	
Cash Flows from Investing Activities:	
Interest Revenue	2,328
	2,328
Net Cash Provided by/(Used for) Investing Activities	
Cash Flows from Noncapital Financing Activities:	
Transfer - Board Contribution	40,000
	40,000
Net Cash Provided by Noncapital Financing Activities	
	1,804
Net Increase/(Decrease) in Cash and Cash Equivalents	
Cash and Cash Equivalents, July 1	13,123
	\$ 14,927
Cash and Cash Equivalents, June 30	
Reconciliation of Operating Loss to Net Cash	
Provided by/(Used for) Operating Activities:	
Operating (Loss)	\$ (74,115)
Adjustment to Reconcile Operating Loss to Cash	
Provided by / (Used for) Operating Activities:	
Depreciation	9,168
Changes in Assets and Liabilities:	
Increase/(Decrease) in Accounts Payable	42,673
Increase/(Decrease) in Prepaid Sales	1,870
Decrease/(Increase) in Other Receivables	(14,498)
Decrease/(Increase) in Inventory	(5,622)
	(40,524)
Net Cash Provided by/(Used for) Operating Activities	\$ (40,524)

**FIDUCIARY ACTIVITIES
(NOT APPLICABLE)**

LONG-TERM LIABILITIES

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds				Interest Rate	Matured	Balance July 1, 2022	Balance June 30, 2023
			Outstanding		Amount	Matured				
			Date	June 30, 2023						
School Renovation Project	8/29/2013	\$ 3,350,000	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%		\$ 220,000	\$ 2,110,000	\$ 1,890,000	
Refunding Bonds	2/25/2016	9,025,000	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%		770,000	6,140,000	5,370,000	
							<u>\$ 8,250,000</u>	<u>\$ 7,260,000</u>		

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
LONG-TERM LIABILITIES
SCHEDULE OF OBLIGATIONS UNDER FINANCED PURCHASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Purpose	Date of Issue	Original Issue	Interest Rate	Balance		Matured	Balance June 30, 2023
				July 1, 2022			
Bus and Maintenance Vehicle	6/4/2020	\$ 250,000	1.86%	\$ 150,307	\$ 49,183	\$ 101,124	
Energy Savings Improvement Plan	5/12/2021	5,225,698	1.83%	5,225,698	264,539	4,961,159	
				<u>\$ 5,376,005</u>	<u>\$ 313,722</u>	<u>\$ 5,062,283</u>	

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
LONG-TERM LIABILITIES
SCHEDULE OF OBLIGATIONS UNDER LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Balance July 1, 2022</u>	<u>Issued</u>	<u>Matured</u>	<u>Balance June 30, 2023</u>
Copier Lease	9/9/2021	\$ 155,090	3.10%	\$ 130,822		\$ 29,930	\$ 100,892
Mailer Lease	1/30/2023	10,050	2.00%		\$ 10,050	990	9,060
				<u>\$ 130,822</u>	<u>\$ 10,050</u>	<u>\$ 30,920</u>	<u>\$ 109,952</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 961,834		\$ 961,834	\$ 961,834	
State Sources:					
Debt Service Aid Type II	341,766		341,766	341,766	
Total Revenues	1,303,600		1,303,600	1,303,600	
EXPENDITURES:					
Regular Debt Service:					
Interest and Other Charges	313,600		313,600	313,600	
Redemption of Principal	990,000		990,000	990,000	
Total Regular Debt Service	1,303,600		1,303,600	1,303,600	
Total Expenditures	1,303,600		1,303,600	1,303,600	
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 annual comprehensive 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 annual comprehensive 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,				
	2014	2015	2016	2017	2018
Governmental Activities:					
Net Investment in Capital Assets	\$ 10,897,989	\$ 15,002,450	\$ 19,449,441	\$ 15,601,657	\$ 16,691,630
Restricted	9,175,464	6,680,364	4,808,520	6,023,368	5,923,057
Unrestricted/(Deficit)	(8,832,048)	(9,700,752)	(8,036,597)	(10,039,782)	(9,801,768)
Total Governmental Activities Net Position	<u>\$ 11,241,405</u>	<u>\$ 11,982,062</u>	<u>\$ 16,221,364</u>	<u>\$ 11,585,243</u>	<u>\$ 12,812,919</u>
Business-type Activities:					
Investment in Capital Assets	\$ 15,429	\$ 11,678	\$ 22,579	\$ 22,059	\$ 38,332
Unrestricted/(Deficit)	24,308	57,625	49,483	55,770	30,286
Total Business-type Activities Net Position	<u>\$ 39,737</u>	<u>\$ 69,303</u>	<u>\$ 72,062</u>	<u>\$ 77,829</u>	<u>\$ 68,618</u>
District-wide:					
Net Investment in Capital Assets	\$ 10,913,418	\$ 15,014,128	\$ 19,472,020	\$ 15,623,716	\$ 16,729,962
Restricted	9,175,464	6,680,364	4,808,520	6,023,368	5,923,057
Unrestricted/(Deficit)	(8,807,740)	(9,643,127)	(7,987,114)	(9,984,012)	(9,771,482)
Total District-wide Net Position	<u>\$ 11,281,142</u>	<u>\$ 12,051,365</u>	<u>\$ 16,293,426</u>	<u>\$ 11,663,072</u>	<u>\$ 12,881,537</u>

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

	June 30,			
	2019	2020	2021	2022
	2023			
Governmental Activities:				
Net Investment in Capital Assets	\$ 17,708,038	\$ 17,753,408	\$ 13,280,445	\$ 15,645,282
Restricted	6,221,057	9,942,765	10,458,882	13,079,813
Unrestricted/(Deficit)	(9,487,392)	(8,594,626)	(1,023,023)	(1,828,764)
Total Governmental Activities Net Position	<u>\$ 14,441,703</u>	<u>\$ 19,101,547</u>	<u>\$ 22,716,304</u>	<u>\$ 26,896,331</u>
Business-type Activities:				
Investment in Capital Assets	\$ 38,520	\$ 61,826	\$ 53,328	\$ 44,654
Unrestricted/(Deficit)	23,068	1,199	(11,850)	(7,981)
Total Business-type Activities Net Position	<u>\$ 61,588</u>	<u>\$ 63,025</u>	<u>\$ 41,478</u>	<u>\$ 36,673</u>
District-wide:				
Net Investment in Capital Assets	\$ 17,746,558	\$ 17,815,234	\$ 13,333,773	\$ 15,689,936
Restricted	6,221,057	9,942,765	10,458,882	13,079,813
Unrestricted/(Deficit)	(9,464,324)	(8,593,427)	(1,034,873)	(1,836,745)
Total District-wide Net Position	<u>\$ 14,503,291</u>	<u>\$ 19,164,572</u>	<u>\$ 22,757,782</u>	<u>\$ 26,933,004</u>
				<u>\$ 29,490,549</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,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenses:										
Governmental Activities:										
Instruction:										
Regular	\$ 17,288,486	\$ 20,102,745	\$ 20,356,850	\$ 23,161,900	\$ 24,311,883	\$ 22,596,936	\$ 20,902,487	\$ 22,869,624	\$ 21,184,960	\$ 20,835,380
Special Education	5,226,471	5,810,299	6,315,970	7,109,136	6,880,544	6,084,379	5,961,531	6,848,438	6,823,620	7,175,638
Other Special Instruction	335,517	635,573	712,544	471,048	402,146	390,077	343,130	395,214	420,202	387,447
School Sponsored Instruction	974,701	1,180,467	1,259,036	1,479,322	1,469,927	1,361,289	1,329,613	1,369,288	1,415,332	1,470,047
Support Services:										
Tuition	1,759,129	2,415,310	2,275,185	1,885,284	2,253,517	2,020,279	2,159,405	1,987,831	1,726,640	2,251,131
Student & Instruction Related Services	4,716,527	5,029,259	5,344,281	5,780,071	6,054,130	5,942,987	5,917,883	5,856,847	6,470,641	6,353,927
General Administration Services	794,428	707,109	639,725	623,713	684,108	833,062	842,367	745,278	832,591	736,118
School Administration Services	1,962,188	2,568,393	2,740,609	2,626,583	2,944,449	2,775,403	2,628,329	2,642,594	2,580,101	2,477,937
Central Services	507,535	526,938	508,638	594,207	594,457	603,736	598,104	622,960	681,050	649,107
Administrative Information Technology	243,475	52,889	83,497	326,248	311,476	304,293	315,399	360,809	285,618	274,784
Plant Operations and Maintenance	2,913,742	2,913,546	2,282,507	3,032,863	3,659,460	4,013,680	3,016,727	3,392,454	3,989,518	4,065,773
Pupil Transportation	1,085,674	1,160,443	1,236,391	1,287,637	1,322,997	1,281,338	1,284,704	1,417,713	1,617,335	1,691,801
Interest on Long-term Debt	504,650	653,130	360,486	556,024	406,202	378,575	354,143	325,606	291,254	255,046
Capital Outlay	2,793	2,587								
Total Governmental Activities Expenses	38,315,316	43,758,688	44,115,719	48,934,036	51,295,296	48,586,034	45,653,822	48,834,656	48,318,862	48,624,136
Business-type Activities:										
Food Service	712,616	630,439	615,384	691,714	798,574	820,867	598,961	87,050	955,220	946,852
Total Business-type Activities Expenses	712,616	630,439	615,384	691,714	798,574	820,867	598,961	87,050	955,220	946,852
Total District-wide Expenses	39,027,932	44,389,127	44,731,103	49,625,750	52,093,870	49,406,901	46,252,783	48,921,706	49,274,082	49,570,988
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Tuition	403,512	306,786	313,874	331,675	416,809	321,868	775,009	1,059,723	1,207,780	1,174,433
Student Activities								172,224	270,721	391,604
Pupil Transportation	22,073	13,505	19,004	30,326						
Operating Grants and Contributions	6,057,551	5,680,108	10,037,487	11,190,927	14,436,463	16,107,937	11,224,639	12,542,338	11,224,716	8,991,220
Total Governmental Activities Program Revenues	6,482,936	6,000,399	10,370,365	11,552,928	14,853,272	16,429,805	11,999,648	13,774,285	12,703,217	10,557,257

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

	Fiscal Year Ending June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Program Revenues:										
Business-type Activities:										
Charges for Services:										
Food Service	\$ 579,114	\$ 553,402	\$ 538,728	\$ 695,172	\$ 768,387	\$ 789,893	\$ 569,464	\$ 5,491	\$ 900,214	\$ 872,737
Capital Contributions	107,539	106,463	79,101	1,704	19,869	21,944				4,942
Total Business-type Activities Program Revenues	686,653	659,865	617,829	696,876	788,256	811,837	569,464	5,491	900,214	877,679
Total District-wide Program Revenues	7,169,589	6,660,264	10,988,194	12,249,804	15,641,528	17,241,642	12,569,112	13,779,776	13,603,431	11,434,936
Net (Expense)/Revenue:										
Governmental Activities	(31,832,380)	(37,758,289)	(33,745,354)	(37,381,108)	(36,442,024)	(32,156,229)	(33,654,174)	(35,060,371)	(35,615,645)	(38,066,879)
Business-Type Activities	(25,963)	29,426	2,445	5,162	(10,318)	(9,030)	(29,497)	(81,559)	(55,006)	(69,173)
Total District-wide Net (Expense)/Revenue	(31,858,343)	(37,728,863)	(33,742,909)	(37,375,946)	(36,452,342)	(32,165,259)	(33,683,671)	(35,141,930)	(35,670,651)	(38,136,052)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	31,150,449	31,711,157	32,281,958	33,139,323	33,536,481	34,994,588	35,694,480	36,408,370	37,136,537	37,916,526
Taxes Levied for Debt Service	730,986	874,265	820,694	795,800	827,445	939,888	947,329	957,815	960,670	961,834
Unrestricted Grants and Contributions	1,107,834	1,088,258	1,132,036	1,148,700	892,436	983,314	961,569	985,413	1,092,835	1,071,265
Investment Earnings	19,133	8,306	19,223	9,715	13,828	16,826	11,819	5,957	5,885	84,382
Miscellaneous Income	610,611	446,994	415,703	258,167	410,646	474,262	470,984	377,573	649,745	657,261
Transfers								(60,000)	(50,000)	(87,066)
Total Governmental Activities General Revenues & Other Changes in Net Position	33,619,013	34,128,980	34,669,614	35,351,705	35,680,836	37,408,878	38,086,181	38,675,128	39,795,672	40,604,202
Business-type Activities:										
Investment Earnings	298	140	314	605	1,107	2,000	1,188	12	201	2,328
Transfers								60,000	50,000	87,066
Total Business-type Activities General Revenues & Other Changes in Net Position	298	140	314	605	1,107	2,000	1,188	60,012	50,201	89,394
Total District-wide General Revenues & Other Changes in Net Position	33,619,311	34,129,120	34,669,928	35,352,310	35,681,943	37,410,878	38,087,369	38,735,140	39,845,873	40,693,596
Change in Net Position:										
Governmental Activities	1,786,633	(3,629,309)	924,260	(2,029,403)	(761,188)	5,252,649	4,432,007	3,614,757	4,180,027	2,537,323
Business-type Activities	(25,665)	29,566	2,759	5,767	(9,211)	(7,030)	(28,309)	(21,547)	(4,805)	20,221
Total District-wide Change in Net Position	\$ 1,760,968	\$ (3,599,743)	\$ 927,019	\$ (2,023,636)	\$ (770,399)	\$ 5,245,619	\$ 4,403,698	\$ 3,593,210	\$ 4,175,222	\$ 2,557,544

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,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund:										
Restricted	\$5,591,955	\$5,403,234	\$4,331,787	\$6,017,471	\$5,918,334	\$6,221,057	\$9,513,665	\$10,118,043	\$12,760,000	\$15,165,225
Assigned	928,189	411,086	698,570	520,960	848,855	953,613	1,534,760	1,698,217	2,088,778	482,816
Unassigned	614,034	548,804	526,287	492,833	579,514	574,648	554,389	1,636,020	1,557,083	965,308
Total General Fund	\$7,229,970	\$7,134,178	\$6,363,124	\$5,556,644	\$7,031,264	\$7,346,703	\$7,749,318	\$13,452,280	\$16,405,861	\$16,613,349
Other Governmental Funds:										
Restricted	\$3,583,479	\$1,277,130	\$476,733	\$5,897	\$4,723		\$355,594	\$340,839	\$319,813	\$347,331
Committed	42,947						73,506	5,725,826	3,210,509	24,394
Unassigned/(Deficit)	(1,440,000)	(1,707,875)	913,054	(30,018)	(50,566)					
Total Other Governmental Funds	\$2,186,426	\$(430,745)	\$1,389,787	\$(24,121)	\$(45,843)	\$536,435	\$429,100	\$6,066,665	\$3,530,322	\$371,725
Total Governmental Funds:										
Restricted	\$9,175,434	\$6,680,364	\$4,808,520	\$6,023,368	\$5,923,057	\$6,221,057	\$9,869,259	\$10,458,882	\$13,079,813	\$15,512,556
Committed	42,947					536,435	73,506	5,725,826	3,210,509	24,394
Assigned	928,189	411,086	698,570	520,960	848,855	953,613	1,534,760	1,698,217	2,088,778	482,816
Unassigned/(Deficit)	(825,966)	(1,159,071)	1,439,341	462,815	528,948	574,648	554,389	1,636,020	1,557,083	965,308
Total Governmental Funds	\$9,320,604	\$5,932,379	\$6,946,431	\$7,007,143	\$7,300,860	\$8,285,753	\$12,031,914	\$19,518,945	\$19,936,183	\$16,985,074

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,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues:										
Tax Levy	\$31,881,435	\$32,585,422	\$33,102,652	\$33,935,123	\$34,363,926	\$35,934,476	\$36,641,809	\$37,366,185	\$38,097,207	\$38,878,360
Tuition Charges	306,786	313,874	331,675	416,809	287,799	355,591	775,009	1,059,723	1,207,780	1,174,433
Transportation Fees	13,505	19,004	30,326							
Interest Earnings	19,133	2,480	19,223	9,715	13,828	16,826	11,819	5,957	5,885	49,020
Budget Appropriation	560,000	615,000	625,000	200,000						
Miscellaneous	612,171	458,854	415,703	262,431	414,812	475,066	480,675	552,597	937,154	1,087,466
State Sources	6,201,643	6,444,009	6,908,633	7,505,930	2,665,818	8,912,999	9,229,224	10,791,286	12,780,449	13,251,911
Federal Sources	584,739	603,845	591,506	576,073	552,856	604,640	576,508	728,048	855,779	994,485
Total Revenues	40,179,412	41,042,488	42,024,718	42,906,081	38,299,039	46,299,598	47,715,044	50,503,796	53,884,254	55,435,675
Expenditures:										
Instruction:										
Regular Instruction	12,081,988	11,815,509	11,441,861	11,771,347	12,198,687	12,199,902	11,923,501	13,504,990	14,066,615	14,046,715
Special Education	3,581,397	3,373,285	3,507,371	3,626,759	3,448,315	3,472,440	3,623,211	4,407,910	4,860,348	5,494,850
Other Special Instruction	207,555	213,033	216,700	221,804	198,468	198,468	189,263	217,567	264,719	254,220
School Sponsored Instruction	717,004	756,647	771,571	832,795	813,511	813,510	844,608	856,950	1,020,787	1,082,613
Support Services:										
Tuition	1,759,129	2,415,310	2,275,185	1,885,284	2,138,412	2,020,279	2,159,405	1,987,831	1,726,640	2,251,131
Student/Instruction-related Serv.	3,488,489	3,782,133	3,886,672	3,857,609	4,032,543	4,063,175	4,220,489	4,579,745	4,910,484	5,211,612
General Administration	696,628	607,792	536,175	528,380	727,925	727,925	739,721	639,793	717,197	647,535
School Administration	1,298,532	1,454,611	1,490,160	1,328,755	1,437,099	1,437,100	1,463,929	1,513,838	1,565,858	1,605,877
Central Services	403,781	416,117	401,429	470,613	472,768	472,768	471,606	496,671	515,408	525,793
Administrative Info. Technology	197,617	52,889	81,672	274,972	247,118	247,119	259,496	245,722	235,364	235,129
Plant Operations/Maintenance	2,482,717	2,422,188	2,271,828	2,511,753	3,154,620	3,154,619	2,720,954	2,647,333	2,864,089	3,520,505
Pupil Transportation	881,959	922,299	986,734	982,248	959,888	959,888	971,210	854,783	1,136,709	1,295,622

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,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenditures:										
Support Services:										
Allocated Benefits										
Unallocated Benefits	\$ 9,175,145	\$ 9,699,036	\$ 10,364,716	\$ 10,897,772	\$ 6,587,580	\$ 12,305,131	\$ 12,330,417	\$ 13,251,103	\$ 14,914,682	\$ 16,159,151
Capital Outlay	2,766,955	4,630,044	796,642	2,153,047	3,236,979	1,950,906	1,919,348	1,675,752	3,469,156	4,675,416
Debt Service:										
Principal	1,160,000	1,235,000	1,415,000	1,050,000	845,000	860,000	885,000	920,000	955,000	990,000
Interest & Other Charges	514,275	634,820	566,950	452,231	462,075	431,475	407,325	382,475	349,050	313,600
Total Expenditures	41,413,171	44,430,713	41,010,666	42,845,369	40,960,988	45,314,705	45,129,483	48,182,463	53,572,106	58,309,769
Other Financing Sources (Uses):										
Refunding Bonds Issued				9,025,000			250,000	5,225,698	155,090	10,050
Financed Purchases/Lease Proceeds				1,214,617						
Bond Premium				(9,460,000)						
Serial Bonds Defeased				(134,277)						
Bond Issuance Costs				(645,340)						
Deferred Amount on Refunding										
Bond Proceeds		3,350,000								
Transfers In	45,918	780,928	1,736,403	3,330,065	932,208	1,767,384	998,385			
Transfers Out	(45,918)	(780,928)	(1,736,403)	(3,330,065)	(932,208)	647,187	(998,385)	(60,000)	(50,000)	(87,066)
Total Other Financing Sources/(Uses)		3,350,000		(779,617)		2,414,571		5,165,698	105,090	(77,016)
Net Change in Fund Balances	\$ (1,233,759)	\$ (38,225)	\$ 1,014,052	\$ (718,905)	\$ (2,661,949)	\$ 3,399,464	\$ 2,585,561	\$ 7,487,031	\$ 417,238	\$ (2,951,110)
Debt Service as a Percentage of Noncapital Expenditures	4.33%	4.70%	4.93%	3.69%	3.46%	2.98%	2.99%	2.80%	2.60%	2.43%

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>
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
2021	30,079		1,059,723	53,725	299,726	1,443,253
2022	44,072		1,207,780	86,532	525,026	1,863,410
2023	449,894		1,174,433	92,493	163,894	1,880,714

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)
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	\$ -	\$ 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	-	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	2,436,459,600	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
2020	12,691,000	1,780,350,400	10,873,500	101,500	244,519,600	56,845,400	245,016,500	2,350,397,900	100	2,350,398,000	210,984,100	1.59	2,829,056,195
2021	13,703,900	1,786,362,900	10,873,500	101,500	250,073,500	56,845,400	245,016,500	2,362,977,200	100	2,362,977,300	211,874,900	1.60	2,904,422,811
2022	14,857,200	1,791,941,000	10,873,500	101,500	250,339,600	56,845,400	245,016,500	2,369,974,700	100	2,369,974,800	211,322,500	1.64	3,010,712,815

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

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

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

Source: Pequannock Township Tax Assessor.

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

Year Ended December 31,	<u>Pequannock Township School District Direct Rate</u>			<u>Overlapping Rates</u>		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Pequannock Township	Morris County	
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
2020	1.55	0.04	1.59	0.58	0.31	2.48
2021	1.56	0.04	1.60	0.59	0.32	2.50
2022	1.60	0.04	1.64	0.59	0.33	2.56

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.

^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

	2023				2014			
	Taxpayer	Taxable Assessed Value	Rank	% of Total District Net Valuation Taxable	Taxpayer	Taxable Assessed Value	Rank	% of Total District Net Valuation Taxable
Point View Campus LLC	\$ 241,500,000	1	10.22%	Point View Campus LLC	\$ 358,026,000	1	12.40%	
Plaza Twenty Three Station LLC	30,000,000	2	1.27%	Plaza 23 Associates	24,446,100	2	0.85%	
ABN Realty	19,500,000	3	0.83%	West End Road Associates	7,280,000	3	0.25%	
West End Road Associates	7,280,000	4	0.31%	New EKC Corporation	6,633,400	4	0.23%	
Perrin Associates	7,196,500	5	0.30%	Adjess Associates	6,224,900	5	0.22%	
New EKC Corp	6,633,400	6	0.28%	Pequannock Joint Venture	5,856,500	6	0.20%	
Balaji LLC	6,530,400	7	0.28%	Perrin Associates LLC	5,751,000	7	0.20%	
Pompton Realty	6,224,900	8	0.26%	Romont Corporate	5,027,000	8	0.17%	
Pequannock Joint Venture	5,856,500	9	0.25%	Panraq Associates	4,650,500	9	0.16%	
Romont Corporation	5,027,000	10	0.21%	Adventure Holdings	4,596,000	10	0.16%	
Total	\$ 335,748,700		12.18%		\$ 428,491,400		14.84%	

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		Collections in Subsequent Years
		Amount	Percentage of Levy	
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
2021	37,366,185	35,849,169	95.94%	1,517,016
2022	38,097,207	38,097,207	100.00%	- 0 -
2023	38,878,360	38,878,360	100.00%	- 0 -

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

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

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

Year Ended June 30,	Governmental Activities							Percentage of Personal Income ^a		Per Capita ^a
	General Obligation Bonds	Leases	Bond Anticipation Notes	Financed Purchases	Total District	Income ^a	Per Capita ^a			
2014	\$ 15,410,000	\$ -0-	\$ 1,440,000	\$ -0-	\$ 16,850,000	1.34%	\$ 1,086.82			
2015	14,790,000	-0-	825,000	-0-	15,615,000	1.20%	1,012.65			
2016	13,565,000	-0-	200,000	-0-	13,765,000	1.02%	897.27			
2017	12,715,000	-0-	-0-	-0-	12,715,000	0.91%	832.30			
2018	11,870,000	-0-	-0-	-0-	11,870,000	0.83%	779.54			
2019	11,010,000	-0-	-0-	-0-	11,010,000	0.75%	727.65			
2020	10,125,000	-0-	-0-	250,000	10,375,000	0.70%	693.75			
2021	9,205,000	-0-	-0-	5,424,292	14,629,292	0.96%	982.89			
2022	8,250,000	130,822	-0-	5,376,005	13,756,827	0.82%	884.57			
2023	7,260,000	109,952	-0-	5,062,283	12,432,235	0.74%	798.52			

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		
2014	\$ 15,410,000	\$ 1,440,000	\$ - 0 -	\$ 16,850,000	0.697%	1,086.82
2015	14,790,000	825,000	- 0 -	15,615,000	0.646%	1,012.65
2016	13,565,000	200,000	- 0 -	13,765,000	0.569%	897.27
2017	12,715,000	- 0 -	- 0 -	12,715,000	0.512%	832.30
2018	11,870,000	- 0 -	- 0 -	11,870,000	0.487%	779.54
2019	11,010,000	- 0 -	- 0 -	11,010,000	0.458%	727.65
2020	10,125,000	- 0 -	- 0 -	10,125,000	0.424%	677.03
2021	9,205,000	- 0 -	- 0 -	9,205,000	0.392%	618.45
2022	8,250,000	- 0 -	- 0 -	8,250,000	0.349%	530.48
2023	7,260,000	- 0 -	- 0 -	7,260,000	0.306%	466.31

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

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

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

Source: Pequannock Township School District Financial Reports.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2022
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	\$ 653,351	100.00%	\$ 653,351
Morris County General Obligation Debt	253,387,955	2.75%	<u>6,976,194</u>
Subtotal Overlapping Debt			7,629,545
Pequannock Township School District Direct Debt			<u>8,030,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 15,659,545</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				
	2014	2015	2016	2017	2018
Debt Limit	\$ 102,652,324	\$ 100,339,682	\$ 101,819,326	\$ 103,833,439	\$ 105,628,538
Total Net Debt Applicable to Limit	16,850,000	15,615,000	13,765,000	12,715,000	11,870,000
Legal Debt Margin	<u>\$ 98,804,702</u>	<u>\$ 84,724,682</u>	<u>\$ 88,054,326</u>	<u>\$ 91,118,439</u>	<u>\$ 93,758,538</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	16.41%	15.56%	13.52%	12.25%	11.24%

	Fiscal Year				
	2019	2020	2021	2022	2023
Debt Limit	\$ 108,257,283	\$ 111,329,087	\$ 113,715,019	\$ 116,593,461	\$ 120,716,409
Total Net Debt Applicable to Limit	11,010,000	10,125,000	9,205,000	8,250,000	7,260,000
Legal Debt Margin	<u>\$ 93,758,538</u>	<u>\$ 97,247,283</u>	<u>\$ 101,204,087</u>	<u>\$ 104,510,019</u>	<u>\$ 113,456,409</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	10.17%	9.09%	8.09%	7.08%	6.01%

Legal Debt Margin Calculation for Fiscal Year 2023

	Year Ended December 31,	Equalized Valuation Basis
	2020	\$ 2,882,862,627
	2021	2,995,660,751
	2022	3,175,207,262
		<u>\$ 9,053,730,640</u>
Average Equalized Valuation of Taxable Property		<u>\$ 3,017,910,213</u>
Debt Limit (4% of Average Equalization Value) ^a		\$ 120,716,409
Net Bonded School Debt		<u>7,260,000</u>
Legal Debt Margin		<u>\$ 113,456,409</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

Year	Township Population ^a	Morris County Per Capita Personal Income ^b	Township Personal Income ^c	Township Unemployment Rate ^d
2014	15,420	\$ 84,287	\$ 1,299,705,540	5.10%
2015	15,341	88,298	1,354,579,618	4.50%
2016	15,277	91,252	1,394,056,804	4.10%
2017	15,227	93,544	1,424,394,488	4.00%
2018	15,131	97,244	1,471,398,964	3.40%
2019	14,955	99,140	1,482,638,700	2.80%
2020	14,884	102,227	1,521,546,668	8.00%
2021	15,552	107,767	1,675,992,384	5.10%
2022	15,569	107,767 *	1,677,824,423	3.20%
2023	15,569 **	107,767 *	1,677,824,423	N/A

* - Latest Morris County per capita personal income available (2021) was used for calculation purposes.

** - Latest Pequannock Township population available (2022) 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

	2022		2013			
	Employer	Employees	Percentage of Total Employment	Employer	Employees	Percentage of Total Employment
Atlantic Health System		10,552	3.93%	U.S Army Aramament R&D	5,841	2.27%
Novartis		6,500	2.42%	Novartis	5,035	1.96%
Picatinny Arsenal		6,000	2.23%	Atlantic Health System	4,463	1.74%
Barclays		3,374	1.26%	ADP	2,060	0.80%
ADP		2,400	0.89%	Bayer Healthcare, LLC	1,900	0.74%
Accenture		2,344	0.87%	County of Morris	1,674	0.65%
PricewaterhouseCoopers		2,095	0.78%	Wyndham Worldwide Corporation	1,653	0.64%
Cigna		1,686	0.63%	Saint Clare's Health System	1,642	0.64%
Deloitte & Touche		1,646	0.61%	BASF Corporation	1,500	0.58%
Saint Clare's Health		1,473	0.55%	Accenture	1,480	0.58%
Total		<u>38,070</u>	<u>14.17%</u>		<u>27,248</u>	<u>10.60%</u>
Total County Labor Force		<u>268,713</u>			<u>274,179</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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Instruction:										
Regular	158.50	150.90	147.30	144.70	146.10	144.70	147.50	148.55	148.15	148.70
Special Education	65.50	67.60	70.00	73.10	72.13	68.20	68.80	67.60	63.74	64.19
Support Services:										
Student/Instruction-Related	39.90	47.20	48.80	49.38	50.98	51.90	59.70	48.71	55.90	56.71
General Administration	3.00	3.00	3.00	2.50	2.50	2.50	2.50	2.50	2.50	2.50
School Administration	16.50	17.00	17.00	16.00	15.68	20.46	21.40	24.22	21.40	21.70
Plant Operations/Maintenance	21.00	21.00	23.00	23.00	24.00	25.80	26.80	26.50	28.70	27.90
Pupil Transportation	4.70	5.00	6.20	6.00	6.00	6.00	6.00	5.00	5.50	5.00
Business & Other Support	8.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Total	317.10	316.70	320.30	319.68	322.39	324.56	337.70	328.08	330.89	331.70

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						
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%		
2021	2,063	45,204,236	21,912	10.72%	202	11.2:1	9.1:1	10.8:1	11.1:1	9.6:1	2,047	1,994	-0.10%	97.41%		
2022	2,114	48,798,900	23,084	5.35%	220	11.3:1	9.1:1	11.3:1	9.5:1	8.7:1	2,087	1,972	1.95%	94.49%		
2023	2,107	52,330,753	24,837	7.59%	204	11.8:1	9.6:1	11.3:1	10.5:1	9.6:1	2,079	1,962	-0.38%	94.37%		

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>	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
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	349	349	302	296	314	290	307	313	304	308
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	305	305	327	328	351	340	318	303	325	338
Stephen J. Gerace School (1969):										
Square Feet	34,834	34,834	34,834	34,834	44,350	44,350	44,350	44,350	44,350	44,350
Capacity (Students)	278	278	278	278	357	357	357	357	357	357
Enrollment	291	291	281	298	286	312	293	278	317	305
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	557	557	536	513	481	459	463	476	477	485
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	739	739	719	703	698	702	677	693	691	671
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, 2023:

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*
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
2021	73,771	73,771	62,422	141,868	215,638	567,470
2022	55,934	57,482	59,683	116,370	205,292	494,761
2023	56,294	65,020	67,851	150,432	191,951	531,548

* - 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, 2023
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
National Union Fire Insurance Company Package Policy		
Property – Blanket Building & Contents	\$ 76,123,346	\$ 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	100,000
Flood Insurance		
Zones A, N or V	2,500,000	500,000
Zone B	7,500,000	100,000
Zone C	10,000,000	50,000
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
Greenwich Insurance Company		
School Board Legal Liability:		
Educators Errors and Omissions Liability	1,000,000	15,000
Employment Practices Liability	1,000,000	40,000
Policy Aggregate	1,000,000	
National Union Fire		
Blanket Crime	500,000	
SELECTIVE Ins. Co. Public Officials Bonds		
Treasurer	300,000	
Board Secretary/Business Administrator	300,000	
Evanston/Markel		
Environmental Impairment Liability - Public/Education Entity Pollution Liability	1,000,000/	
Each occurrence /Aggregate	3,000,000	25,000
Fund Aggregate	10,000,000	
Fungi/Mold Sublimit	100,000	

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2023
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
Excess Liability (not shared) Hudson/Allied World/Evanston		
Each occurrence	\$ 30,000,000	
Aggregate	30,000,000	
Excess Liability Policy - Fireman's Fund (Shared)		
Excess Liability Each occurrence	25,000,000	
Fund Aggregate	25,000,000	
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	
Coalition Cyber Insurance		
Each Claim	1,000,000	\$ 10,000
Policy Aggregate	1,000,000	
Pooled Insurance Program:		
Workers Compensation	1,000,000	
Excess Workers Compensation - Safety National Statutory Limits		
Employer's Liability	1,000,000	
BOND: Treasurer	300,000	
BOND: Board Secretary/Business Administrator	300,000	
Police Professional - Greenwich Insurance Company		
Each Occurrence	3,000,000	5,000
Aggregate	3,000,000	

Source: Pequannock Township School District records.

SINGLE AUDIT SECTION

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

Independent Auditors' Report

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 "Office"), 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 (the "District"), in the County of Morris, as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 10, 2023.

Report on 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 or significant deficiencies may exist that were not identified.

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

Report on 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
November 10, 2023

Nisivoccia, LLP
NISIVOCCIA, LLP

Kathryn L. Mantell

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

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

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 Federal and State Program

Opinion on Each Major Federal and State Program

We have audited the Pequannock Township School District's (The District's) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement and the New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major federal and state programs for the fiscal year ended June 30, 2023. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2023.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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*. Our responsibilities under those standards, the Uniform Guidance and New Jersey's OMB Circular 15-08 are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal and state programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and New Jersey's OMB Circular 15-08 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and New Jersey's OMB Circular 15-08, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Mount Arlington, New Jersey
November 10, 2023

Nisivoccia, LLP
NISIVOCCIA, LLP

Kathryn L. Mantell

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

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass Through Grantor Program Title/Cluster Title	Assistance Listing Number	Grant or State Project Number	Grant Period	Award Amount	Balance at		Cash Received	Budgetary Expenditures	Cancellation of Prior Year Encumb.	Balance at	
					June 30, 2022 Budgetary Accounts Receivable	June 30, 2023 Budgetary Accounts Receivable				June 30, 2022 Budgetary Accounts Receivable	June 30, 2023 Budgetary Accounts Receivable
U.S. Department of Treasury - Passed-through State Department of Education: Additional or Compensatory Special COVID 19 - Education and Related Services (ACSERS)	21,027	N/A	7/1/21-6/30/22	\$ 32,443	\$ (32,443)	\$ 32,443					
Total Department of Treasury					(32,443)	32,443					
Total Special Revenue Fund					(214,049)	637,217	(1,012,075)	\$ 1,879		\$ (280,555)	
U.S. Department of Homeland Security - Passed-through State Department of Emergency Management: General Fund: COVID 19 - Disaster Grants - Public Assistance (FEMA): COVID-19 Pandemic	93,046	N/A	3/13/20-6/30/21	86,770	(86,770)	86,770					
Total U.S. Department of Homeland Security					(86,770)	86,770					
TOTAL FEDERAL AWARDS					\$ (214,049)	\$ 637,217	\$ (1,012,075)	\$ 1,879		\$ (280,555)	\$ - 0 -

N/A - Information is not available.

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, 2023

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2022		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2023		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	23-495-034-5120-089	7/1/22 - 6/30/23	\$ 1,675,244		\$ 1,514,742	\$ (1,675,244)			\$ (160,502)	\$ 1,675,244	\$ 1,675,244	
Equalization Aid	23-495-034-5120-078	7/1/22 - 6/30/23	406,379		367,445	(406,379)			(38,934)	406,379	406,379	
Categorical Security Aid	23-495-034-5120-084	7/1/22 - 6/30/23	168,558		152,409	(168,558)			(16,149)	168,558	168,558	
School Choice Aid	23-495-034-5120-068	7/1/22 - 6/30/23	55,852		50,501	(55,852)			(5,351)	55,852	55,852	
Categorical Transportation Aid	23-495-035-5120-014	7/1/22 - 6/30/23	124,035		112,152	(124,035)			(11,883)	124,035	124,035	
Additional Nonpublic Transportation Aid	23-495-034-5120-014	7/1/22 - 6/30/23	29,510						(29,510)	29,510	29,510	
Extraordinary Aid	23-495-034-5120-044	7/1/22 - 6/30/23	652,931			(652,931)			(652,931)	652,931	652,931	
Reimbursed TPAF Social Security Contributions	22-495-034-5094-003	7/1/22 - 6/30/23	1,374,819		1,308,365	(1,374,819)			(66,454)	1,374,819	1,374,819	
			\$ (65,445)		65,445					1,310,721	1,310,721	
Categorical Special Education Aid	22-495-034-5120-089	7/1/21 - 6/30/22	1,601,412		147,781					1,601,412	1,601,412	
Equalization Aid	22-495-034-5120-078	7/1/21 - 6/30/22	406,379		37,501					406,379	406,379	
Categorical Security Aid	22-495-034-5120-084	7/1/21 - 6/30/22	168,558		15,555					168,558	168,558	
School Choice Aid	22-495-034-5120-068	7/1/21 - 6/30/22	55,008		5,076					55,008	55,008	
Categorical Transportation Aid	22-495-035-5120-014	7/1/21 - 6/30/22	124,035		11,446					124,035	124,035	
Nonpublic Transportation Aid	22-495-034-5120-014	7/1/21 - 6/30/22	24,983		24,983					24,983	24,983	
Extraordinary Aid	22-495-034-5120-044	7/1/21 - 6/30/22	513,743							513,743	513,743	
On Behalf:												
TPAF Post Retirement Contributions	23-495-034-5094-001	7/1/22 - 6/30/23	1,683,281		1,683,281	(1,683,281)				1,683,281	1,683,281	
Long Term Disability Insurance Contributions	23-495-034-5094-004	7/1/22 - 6/30/23	2,394		2,394	(2,394)				2,394	2,394	
TPAF Pension Contributions	23-495-034-5094-002	7/1/22 - 6/30/23	6,319,994		6,319,994	(6,319,994)				6,319,994	6,319,994	
TPAF Non-Contributory Insurance	23-495-034-5094-004	7/1/22 - 6/30/23	87,683		87,683	(87,683)				87,683	87,683	
Total General Fund			(821,530)		12,420,496	(12,580,680)			(748,895)	16,785,519	16,785,519	
Special Revenue Fund:												
New Jersey Nonpublic Aid:												
Handicapped Services:												
Examination and Classification	23-100-034-5120-066	7/1/22 - 6/30/23	56,132		56,132	(47,400)			\$ 8,732	47,400	47,400	
Supplementary Instruction	23-100-034-5120-066	7/1/22 - 6/30/23	51,212		51,212	(34,444)			16,768	34,444	34,444	
Corrective Speech	23-100-034-5120-066	7/1/22 - 6/30/23	23,808		23,808	(20,739)			3,069	20,739	20,739	
Examination and Classification	22-100-034-5120-066	7/1/21 - 6/30/22	80,383							80,383	80,383	
Supplementary Instruction	22-100-034-5120-066	7/1/21 - 6/30/22	54,516							54,516	54,516	
Corrective Speech	22-100-034-5120-066	7/1/21 - 6/30/22	18,972							18,972	18,972	
Security Aid	23-100-034-5120-084	7/1/22 - 6/30/23	78,515		78,515	(78,237)			278	78,237	78,237	
Textbook Aid	23-100-034-5120-064	7/1/22 - 6/30/23	25,014		25,014	(24,768)			246	24,768	24,768	
Technology Initiative	23-100-034-5120-373	7/1/22 - 6/30/23	15,918		15,918	(15,573)			345	15,573	15,573	
Nursing Services	23-100-034-5120-070	7/1/22 - 6/30/23	42,896		42,896	(42,896)				42,896	42,896	
Security Aid	22-100-034-5120-084	7/1/21 - 6/30/22	68,775							68,775	68,775	
Auxiliary Services:												
Compensatory Education	23-100-034-5120-067	7/1/22 - 6/30/23	73,827		73,827	(73,827)				73,827	73,827	
Transportation	23-100-034-5120-067	7/1/22 - 6/30/23	4,617		4,617	(4,617)				4,617	4,617	
Compensatory Education	22-100-034-5120-067	7/1/21 - 6/30/22	73,456							73,456	73,456	
Total Special Revenue Fund			47,988		371,939	(342,501)			29,438	674,317	674,317	

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2022		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2023		MEMO
				Budgetary Accounts Receivable	Due to Grantor				GAAP Accounts Receivable	Due to Grantor	
New Jersey Department of Education:											
Debt Service Fund:											
Debt Service Aid	23-100-034-5120-075	7/1/22 - 6/30/23	\$ 341,766	\$ 341,766	\$ 341,766	\$ 341,766	\$ (341,766)	\$ 47,988	\$ (748,895)	\$ 29,438	\$ 341,766
Total Debt Service Fund				\$ 341,766	\$ 341,766	\$ 341,766	\$ (341,766)	\$ 47,988	\$ (748,895)	\$ 29,438	\$ 341,766
Total New Jersey Department of Education				\$ 341,766	\$ 341,766	\$ 341,766	\$ (341,766)	\$ 47,988	\$ (748,895)	\$ 29,438	\$ 341,766
N.J. School Development Authority Grants											
General Fund:											
Securing Our Children's Future Bond Act	20E00170	7/1/20 - 6/30/22	118,680	(118,680)	118,680						118,680
Special Revenue Fund:											
Emergent and Capital Maintenance Needs	N/A	11/19/21 - 6/30/22	50,813	(50,813)	50,813						50,813
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 N.J. School Development Authority Grants				(2,506,239)	169,493	\$ 13,303,694	\$ (13,264,947)	\$ 47,988	\$ (748,895)	\$ 29,438	\$ 169,493
Total State Awards Subject to Single Audit Determination				\$ (3,327,769)	\$ 47,988	\$ 13,303,694	\$ (13,264,947)	\$ 47,988	\$ (748,895)	\$ 29,438	\$ 17,971,095
Less: On-Behalf TPAF Pension System Contributions:											
TPAF Post Retirement Contributions	23-495-034-5094-001	7/1/22 - 6/30/23	1,683,281				1,683,281				
Long Term Disability Insurance Contributions	23-495-034-5094-004	7/1/22 - 6/30/23	2,394				2,394				
TPAF Pension Contributions	23-495-034-5094-002	7/1/22 - 6/30/23	6,319,994				6,319,994				
TPAF Non-Contributory Insurance	23-495-034-5094-004	7/1/22 - 6/30/23	87,683				87,683				
Subtotal - On-Behalf TPAF Pension System Contributions							8,093,352				
Total State Awards Subject to Single Audit Major Program Determination							\$ (5,171,595)				

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, 2023

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, 2023. 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. This basis of accounting is 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 (\$15,460) for the General Fund and (\$14,661) for the Special Revenue Fund which includes \$505 related to prior year 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, 2023
(Continued)

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

	Federal	State	Total
General Fund		\$ 12,565,220	\$12,565,220
Special Revenue Fund	\$ 994,485	344,925	1,339,410
Debt Service Fund		341,766	341,766
Total Financial Assistance	\$ 994,485	\$ 13,251,911	\$14,246,396

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 grant awards 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 filed, are awaiting SDA final approval, 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, 2023.

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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 federal and state programs disclosed during the audit as reported in the *Report on Compliance For Each Major Federal and State Program; Report on Internal Control Over Compliance* required by the *Uniform Guidance and NJOMB 15-08*.
- The auditor's report on compliance for the major federal and state programs for the District expresses an unmodified opinion on the major federal and state programs.
- 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 federal and state programs for the current fiscal year consisted of the following:

	<u>Assistance Listing/ State Project Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>Federal:</u>				
I.D.E.A. Part B, Basic	84.027A	7/1/22-9/30/23	\$ 553,799	\$ 516,949
I.D.E.A. Part B, Preschool	84.173A	7/1/22-9/30/23	19,424	19,047
<u>State:</u>				
Categorical Special Education Aid	23-495-034-5120-089	7/1/22 - 6/30/23	\$ 1,675,244	\$ 1,675,244
Equalization Aid	23-495-034-5120-078	7/1/22 - 6/30/23	406,379	406,379
Categorical Security Aid	23-495-034-5120-084	7/1/22 - 6/30/23	168,558	168,558
School Choice Aid	23-495-034-5120-068	7/1/22 - 6/30/23	55,852	55,852

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

Summary of Auditors' Results (Cont'd)

- The threshold used for distinguishing between Type A and Type B federal and state programs was \$750,000.
- The District was determined not to be a "low-risk" auditee for federal and state programs due to a qualified opinion in the prior year.

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:

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

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, 2023

Status of Prior Year Findings:

The District had no prior year audit findings.