

**SCHOOL DISTRICT**  
**OF**  
**FREDON TOWNSHIP**

**Fredon Township School District**  
**Board of Education**  
**Newton, Sussex County**  
**New Jersey**

**Comprehensive Annual Financial Report**  
**For The Fiscal Year Ended June 30, 2018**



# **Comprehensive Annual**

## **Financial Report**

**of the**

**Fredon Township School District**

**Board of Education**

**Newton, New Jersey**

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

**Prepared by**

**Fredon Township School District**

**Board of Education**

**Finance Department**



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# **Introductory Section**





# Fredon Township School District

459 Route 94, Newton, NJ 07860

Tel: 973-383-4151 Fax: 973-383-3644 www.fredon.org

Mr. Matthew Beck, *Chief School Administrator*

Mrs. LeeAnn Smith, *Vice Principal*

Mrs. Kathleen Kane, *Interim School Business Administrator & Board Secretary*

January 2019

Honorable President and  
Members of the Board of Education  
Fredon Township School District  
County of Sussex, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Fredon Township School District for the fiscal year ended June 30, 2018, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board), to the best of our knowledge and belief, the data presented in this report is accurate in all material aspects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is 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 general purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. This District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act and the U.S. Office of Management and Budget Uniform Guidance, "Audits of State and Local Governments" and the State Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1) **REPORTING ENTITY AND ITS SERVICES:** Fredon Township School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the District are included in this report. The Fredon Township Board of Education and its school constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 6. These included regular as well as special needs education for youngsters. The District completed the 2017-2018 fiscal year with an enrollment of 218 students. The following detail reflects the changes in the student enrollment of the Fredon Township School District over the past seven years.

Average Daily Enrollment		
Fiscal Year	Student Enrollment	Percent Change
2011-12	323	(3%)
2012-13	326	1%
2013-14	280	(14%)
2014-15	245	(13%)
2015-16	231	(14%)
2016-17	240	4.7%
2017-18	218	(9.2%)

2) **ECONOMIC CONDITION AND OUTLOOK:** The Five-Year Comprehensive Long-Range Facility Plan was completed as per N.J.A.C.6:22-7.1. The District has continued its efforts toward making improvements in the facility and school grounds.

As the District looks to the future, there will be several challenges facing it, including the economics of constrained costs in a small school district. The Fredon District has made several good decisions to improve the management of its resources over the past years.

3) **MAJOR INITIATIVES:** During the 2017-2018 School year the district continued to implement the 1:1 Technology Initiative. Additionally a large, multi-year undertaking began in an effort to offer professional development and training for English Language Arts teachers in the area of Reader's and Writer's Workshop. The anti-bullying program OLWEUS was launched in an effort to continue to improve school culture and student relationships. Lastly, an initiative was started in using data analysis to drive instruction and programming.

4) **INTERNAL ACCOUNTING CONTROLS:** Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure 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 to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the District management.

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

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 the voters of the municipality. Annual appropriated budgets are adopted for the general fund and the special revenue fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriation of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2016.

6) ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statement", Note 1.

7) FINANCIAL INFORMATION AT FISCAL YEAR-END: As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

8) DEBT ADMINISTRATION: At June 30, 2018, the District had \$4,255,000 in outstanding debt issues for the school construction project.

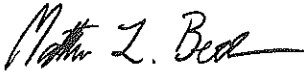
9) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The District has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from loss of funds on deposit with funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

10) RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, hazard and theft insurance on property and contents, and fidelity bonds.

11) OTHER INFORMATION: Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board selected the accounting firm of Ardito & Company, LLP. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act and the related OMB Uniform Guidance and State Treasury OMB Circular Letter 15-08. The auditor's report on the general purpose financial statement and combining individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

12) ACKNOWLEDGEMENTS: We would like to express our appreciation to the members of the Fredon Township 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 our financial and accounting staff.

Respectfully submitted,



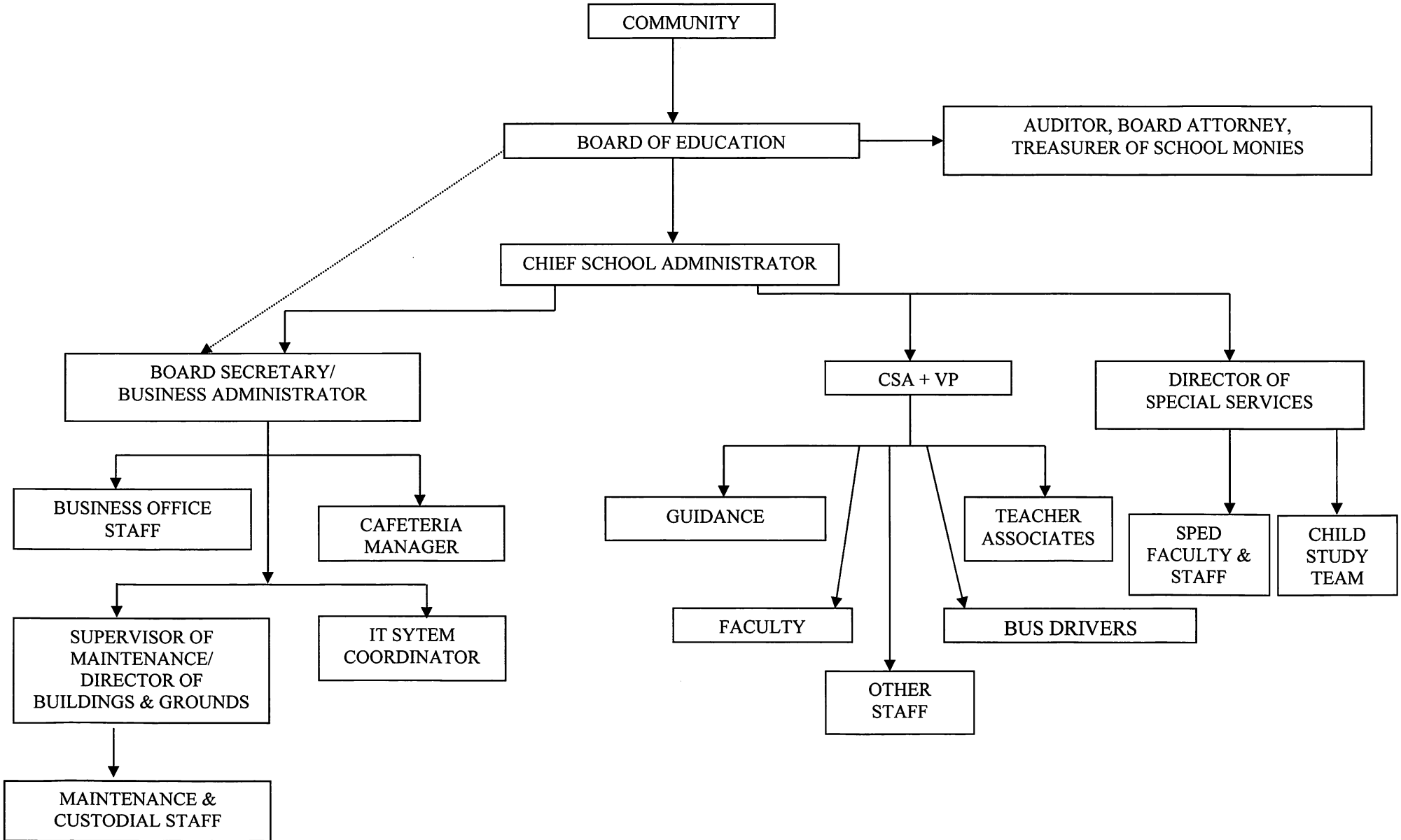
Matthew Beck  
Chief School Administrator



Kathleen Kane  
Interim School Business Administrator

FREDON TOWNSHIP BOARD OF EDUCATION  
Newton, NJ 07860

**ORGANIZATION CHART**







FREDON TOWNSHIP SCHOOL DISTRICT  
BOARD OF EDUCATION

ROSTER OF OFFICIALS

June 30, 2018

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Courtney Wisinski, <i>President</i>	2020
John Niemasz, <i>Vice-President</i>	2018
Robin Knutelsky	2018
Catherine M. Higgins	2019
Benjamin Kappler	2020

Other Officials

Dr. Gayle Carrick, *Interim Chief School Administrator*

Susan Decker, *Interim Board Secretary/School Business Administrator*  
*(effective May 29, 2018)*

Barbara A. Decker, *Board Secretary/School Business Administrator (through May 29, 2018)*

Kerry A. Keane, *Treasurer*

**FREDON TOWNSHIP SCHOOL DISTRICT  
BOARD OF EDUCATION**

**CONSULTANTS AND ADVISORS**

**Audit Firm**

**Ardito & Co., LLP**  
1110 Harrison Street, Suite C  
Frenchtown, New Jersey 08825-1192

**Attorney**

**Nathanya Simon, Esquire**  
**Schwartz, Simon, Edelstein**  
10 James Street  
Florham Park, New Jersey 07932

**Official Depository**

**Lakeland Bank**  
Fredon Branch  
Route 94  
Newton, New Jersey 07860

## **Financial Section**

# **Independent Auditor's Report**



## **ARDITO & Co., LLP**

1110 Harrison Street, Suite C  
Frenchtown, New Jersey 08825-1192  
908-996-4711 Fax: 908-996-4688  
e-mail: anthony@arditoandcompany.com

Anthony Ardito, CPA, RMA, CMFO, PSA  
Douglas R. Williams, CPA, RMA, PSA

### **Independent Auditor's Report**

The Honorable President and  
Members of the Board of Education  
Fredon Township School District  
County of Sussex  
Newton, New Jersey 07860

#### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the government activities, the business-type activities, each major fund and the aggregate remaining fund information of the Fredon Township School District Board of Education, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

-Continued-

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Fredon Township School District Board of Education, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension trend information as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fredon Township School District Board of Education's basic financial statements. The introductory section, combining and individual fund financial statements, long-term debt schedules, statistical section, and schedule of state financial assistance, as required by New Jersey OMB's circulars 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.

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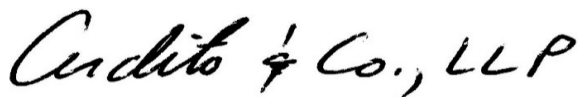
The combining and individual fund financial statement information, long-term debt schedules, and the schedule of state financial assistance, as required by New Jersey OMB's Circulars 15-08, ***Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid***, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual fund financial statement information, long-term debt schedules, and schedule of state financial assistance, as required by New Jersey OMB's circulars 15-08, ***Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid***, are fairly stated in all material respects in relation to the basic financial statements as a whole.

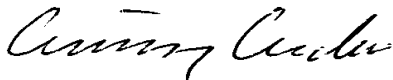
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with ***Government Auditing Standards***, we have also issued our report dated January 16, 2019, on our consideration of the Fredon Township School District Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the District's internal control over financial reporting and compliance.



ARDITO & CO., LLP  
January 16, 2019



Licensed Public School Accountant No. 2369

**Required Supplementary Information - Part I**

**Management's Discussion and Analysis**



FREDON TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

The discussion and analysis of Fredon Township School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2018 are as follows:

- ◆ In total, Net Position increased \$61,044 which represents a 7.6% increase from 2017.
- ◆ General revenues accounted for \$4,728,354 in revenue or 64.9% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$2,553,249 or 35.1% of total revenues of \$7,281,603.
- ◆ Total assets of governmental activities decreased by \$234,644, as cash and cash equivalents increased by \$355,841, receivables decreased by \$427,329, and capital assets decreased by \$172,498.
- ◆ The School District had \$7,220,559 in expenses; only \$2,553,249 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$4,728,354 were available to provide for these programs.
- ◆ Among major funds, the General Fund had \$5,612,836 in revenues and \$5,642,011 in expenditures. The General Fund's surplus balance decreased \$20,547 over 2017, which compares favorably to the budgeted decrease of \$330,955.

**Using this Generally Accepted Accounting Principals Report (GAAP)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Fredon Township School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities. The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail.

For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Fredon Township School District, the General Fund is by far the most significant fund.

FREDON TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

**Reporting the School District as a Whole**

**Statement of Net Position and the Statement of Activities**

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's Net Position and changes in those assets. This change in Net Position is important because it tells the reader that, for the School District as a whole, the financial positions of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Nonfinancial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- Governmental activities--All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- Business-type Activity--This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

**Reporting the School District's Most Significant Funds**

**Fund Financial Statements**

The analysis of the School District's major funds begins on page 24. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, and Capital Projects Fund.

FREDON TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

**Governmental Funds**

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's Net Position for 2018 compared to 2017.

<b>Table 1</b>		
<b>Net Position</b>		
	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Current and Other Assets	\$ 2,526,972	\$ 2,589,118
Capital Assets	<u>4,221,460</u>	<u>4,393,958</u>
<b>Total Assets</b>	<u>6,748,432</u>	<u>6,983,076</u>
<b>Deferred Outflows of Resources</b>	<u>503,196</u>	<u>737,327</u>
<b>Liabilities</b>		
Long-Term Liabilities	5,609,508	6,381,666
Other Liabilities	<u>135,159</u>	<u>171,548</u>
<b>Total Liabilities</b>	<u>5,744,667</u>	<u>6,553,214</u>
<b>Deferred Inflows of Resources</b>	<u>641,640</u>	<u>362,912</u>
<b>Net Position</b>		
Invested in Capital Assets, Net of Debt	(33,540)	(71,042)
Restricted	2,100,523	2,127,459
Unrestricted	<u>(1,201,662)</u>	<u>(1,252,140)</u>
<b>Total Net Position</b>	<u>\$ 865,321</u>	<u>\$ 804,277</u>

FREDON TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

Total assets of governmental activities decreased by \$234,644, as cash and cash equivalents increased by \$355,841, receivables decreased by \$427,329, and capital assets decreased by \$172,498.

The cash increase and accounts receivable decrease was mainly due to the collection of the prior year's tax levy payment from the township, and the decrease in capital assets was due to depreciation expense, net of capital outlay (fund 12) spending for various capital acquisitions.

Table 2 shows the changes in Net Position from fiscal year 2017.

**Table 2**  
**Changes in Net Position**

	<u>2018</u>	<u>2017</u>
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 101,067	\$ 106,535
Operating Grants and Contributions	2,452,182	2,012,881
General Revenues:		
Property Taxes	4,696,963	4,851,139
Federal & State Aid on Capital Asset Projects		
Investment Earnings	4,109	4,392
Other	<u>27,282</u>	<u>30,751</u>
<b>Total Revenues</b>	<u>7,281,603</u>	<u>7,005,698</u>
<b>Program Expenses</b>		
Instruction	3,648,355	3,073,569
Support Services:		
Tuition	37,510	31,907
Pupils and Instructional Staff	1,167,017	924,371
General Administration, School Administration, Business	823,256	792,534
Operations and Maintenance of Facilities	1,018,560	701,000
Pupil Transportation	314,191	307,023
Business-Type Activities	80,957	102,513
Interest and Fiscal Charges	<u>130,713</u>	<u>360,781</u>
<b>Total Expenses</b>	<u>7,220,559</u>	<u>6,293,698</u>
Increase in Net Position	<u>\$ 61,044</u>	<u>\$ 712,000</u>

FREDON TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

**Governmental Activities**

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 64.5% percent of revenues for governmental activities for the FredonTownship School District for the fiscal year 2018.

Instruction comprises 50.5% of district expenses. Support services expenses make up 46.5% of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services compared to 2017. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3**

	<u>Total Cost of</u> <u>Services 2018</u>	<u>Net Cost of</u> <u>Services 2018</u>	<u>Total Cost of</u> <u>Services 2017</u>	<u>Net Cost of</u> <u>Services 2017</u>
Instruction	\$ 3,648,355	\$ 2,282,228	\$ 3,073,569	\$ 2,007,425
Support Services:				
Tuition	37,510	25,908	31,907	21,816
Pupils and Instructional Staff	1,167,017	806,038	924,371	632,020
General Admin., School Admin., Business	823,256	568,609	792,534	541,879
Operation and Maintenance of Facilities	1,018,560	703,502	701,000	479,295
Pupil Transportation	314,191	217,006	307,023	209,921
Business-Type Activities	80,957	6,072	102,513	437
Interest and Fiscal Charges	<u>130,713</u>	<u>57,947</u>	<u>360,781</u>	<u>281,489</u>
<b>Total Expenses</b>	<b><u>\$ 7,220,559</u></b>	<b><u>\$ 4,667,310</u></b>	<b><u>\$ 6,293,698</u></b>	<b><u>\$ 4,174,282</u></b>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students.

General administration, school administration and business include expenses associated with administrative and financial supervision of the District.

Operation and maintenance of facilities activities involve keeping the school grounds, buildings and equipment in an effective working condition.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

FREDON TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

Business-type activities includes expenses related to activities provided by the School District which are designed to provide for students to participate in food service.

Interest and fiscal charges involve the transactions associated with the payment of interest and other related charges to debt of the School District and unallocated depreciation.

The dependence upon tax revenues is apparent. Over 62.6% of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 69.1%. The community, as a whole, is the primary support for the FredonTownship School District.

### **The School District's Funds**

Information about the School District's major funds starts on page 24. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other sources of \$6,125,137 and expenditures of \$6,154,313. The General Fund's surplus balance decreased \$20,547 over 2017, which compares favorably to the budgeted decrease of \$330,955.

### **General Fund Budgeting Highlights**

The School District's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of the fiscal 2018 year, the School District amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

For the General Fund, budget basis revenue and other financing sources, excluding on-behalf payments, was \$5,059,137, \$50,019 over original budgeted estimates of \$5,009,118. This difference was due primarily to increases in tuition and miscellaneous revenue.

General fund revenues fell short of expenditures by \$20,547. Again this deficit compares to a budgeted deficit of \$330,955. The surplus gain was due to cost savings in the areas of instruction, tuition, training, and maintenance.

Overall general fund balance (budget basis) was \$2,470,052, and amounts ear-marked and reserved for future purposes were \$2,139,864, creating a surplus in unreserved fund balance of \$254,295. Management believes unreserved fund balance at or near statutory levels will provide adequate working capital for the district.

FREDON TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

**Capital Assets**

At the end of the fiscal year 2018, the School District had \$4,221,625 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2018 balances compared to 2017.

**Table 4**  
**Capital Assets (Net of Depreciation) at June 30,**

	<u>2018</u>	<u>2017</u>
Land		
Land Improvements	3,052	3,052
Buildings and Improvements	4,142,867	4,289,147
Machinery and Equipment	<u>75,706</u>	<u>101,759</u>
Totals	<u>\$ 4,221,625</u>	<u>\$ 4,393,958</u>

Overall capital assets decreased \$172,333 from fiscal year 2017 to fiscal year 2018. The decrease in capital assets was due to depreciation expense for the year, net of capital additions.

Capital improvements of \$13,542 were purchased during fiscal year 2018 for a new copier and music equipment.

**Debt Administration**

At June 30, 2018, the School District had \$4,334,941 as outstanding long term debt. Of this amount, \$79,941 is for compensated absences and \$4,255,000 is for bonds payable outstanding.

At June 30, 2018, the School District's overall legal debt margin was \$6,484,159 and the unvoted debt margin was the same.

FREDON TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

**For the Future**

The Fredon Township School District is in very good financial condition presently. A major concern is the continued reliance on local property taxes. However, future finances are not without challenges as enrollment and state funding is decreased.

In conclusion, the Fredon Township School District has committed itself to financial excellence for many years. In addition, the School District's system for financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenge of the future.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Barbara A. Decker, School Business Administrator/ Board Secretary at Fredon Township School District, 459 Route 94, Newton, NJ, 07860, (973) 579-5838).



## **Basic Financial Statements**

## **DISTRICT-WIDE FINANCIAL STATEMENTS**

The statement of net position and the statement of activities display information about the District. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District.

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION

June 30, 2018

	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 314,247	\$ 2,267	\$ 316,514
Receivables, Net	110,742	1,381	112,123
Interfund Receivables	6,033	2,085	8,118
Inventory		2,700	2,700
Other Assets	9,690		9,690
Restricted Assets:			
Capital Reserve Account - Cash	2,077,827		2,077,827
Capital Assets, Net (Note 5):	4,221,460		4,221,460
<b>Total Assets</b>	<b>6,739,999</b>	<b>8,433</b>	<b>6,748,432</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Deferred Outflows	503,196		503,196
<b>LIABILITIES</b>			
Accounts Payable	11,694		11,694
Unearned Revenue	69,325	1,169	70,494
Interfund Payable	2,090		2,090
Accrued Interest	50,881		50,881
Net Pension Liability (Note 7)	1,274,567		1,274,567
Noncurrent Liabilities (Note 6):			
Due Within One Year	220,000		220,000
Due Beyond One Year	4,114,941		4,114,941
<b>Total Liabilities</b>	<b>5,743,498</b>	<b>1,169</b>	<b>5,744,667</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Deferred Inflows	641,640		641,640
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	(33,540)		(33,540)
Restricted for:			
Other Purposes	2,081,794		2,081,794
Capital Projects Fund			
Debt Service Fund	18,729		18,729
Unrestricted	(1,208,926)	7,264	(1,201,662)
<b>Total Net Position</b>	<b>\$ 858,057</b>	<b>\$ 7,264</b>	<b>\$ 865,321</b>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>Functions/Programs</b>						
Governmental Activities:						
Instruction:						
Regular	\$ 3,149,465	\$ 50,244	\$ 1,161,567	\$ (1,937,654)		\$ (1,937,654)
Special Education	298,033		92,187	(205,846)		(205,846)
Other Special Instruction	200,857		62,129	(138,728)		(138,728)
Support Services:						
Tuition	37,510		11,602	(25,908)		(25,908)
Student & Instruction Related Serv.	1,167,017		360,979	(806,038)		(806,038)
School Administrative Services	153,719		47,548	(106,171)		(106,171)
General and Business Admin. Serv.	669,537		207,099	(462,438)		(462,438)
Plant Operations and Maintenance	1,018,560		315,058	(703,502)		(703,502)
Pupil Transportation	314,191		97,185	(217,006)		(217,006)
Interest Expense and Fiscal Charges	112,109		72,766	(39,343)		(39,343)
Unallocated Depreciation	18,604			(18,604)		(18,604)
Total Governmental Activities	7,139,602	50,244	2,428,120	(4,661,238)		(4,661,238)
Business-Type Activities:						
Food Service	80,144	50,822	24,062		\$ (5,260)	(5,260)
AM Program	813	1			(812)	(812)
Total Business-Type Activities	80,957	50,823	24,062		(6,072)	(6,072)
Total Primary Government	\$ 7,220,559	\$ 101,067	\$ 2,452,182	\$ (4,661,238)	\$ (6,072)	\$ (4,667,310)
General Revenues:						
Taxes:						
Property Taxes. Levied for General Purposes, Net			\$ 4,444,811			\$ 4,444,811
Property Taxes. Levied for Debt Service			252,152			252,152
Investment Earnings			4,099	\$ 10		4,109
Miscellaneous Income			21,381	5,901		27,282
Transfers			8,623	(8,623)		
Total General Revenues, Special Items, Extraor. Items			4,731,066	(2,712)		4,728,354
Change in Net Position			69,828	(8,784)		61,044
Net Position—Beginning (As Restated)			788,229	16,048		804,277
<b>Net Position—Ending</b>			<b>\$ 858,057</b>	<b>\$ 7,264</b>		<b>\$ 865,321</b>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

## **FUND FINANCIAL STATEMENTS**

The Individual Fund statements and schedules present more detailed information for the individual fund in a format that segregates information by fund type.

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2018

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 2,373,340		\$ 5	\$ 18,729	\$ 2,392,074
Receivables from Other Governments	10,989	\$ 93,555			104,544
Other Receivables	6,198				6,198
Other Assets			9,690		9,690
Interfund Receivables	39,953				39,953
<b>TOTAL ASSETS</b>	<b>\$ 2,430,480</b>	<b>\$ 93,555</b>	<b>\$ 9,695</b>	<b>\$ 18,729</b>	<b>\$ 2,552,459</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 11,694				\$ 11,694
Interfund Payable	2,085	\$ 24,230	\$ 9,695		36,010
Deferred Revenue	-	69,325			69,325
<b>Total Liabilities</b>	<b>13,779</b>	<b>93,555</b>	<b>9,695</b>	<b>-</b>	<b>117,029</b>
<b>Fund Balances:</b>					
<u>Restricted for:</u>					
Capital Reserve Account	2,077,827				2,077,827
Excess Surplus-Design. For Subseq. Yrs. Expend.	2,904				2,904
Excess Surplus	1,063				1,063
<u>Assigned to:</u>					
Year-End Encumbrances	62,037				62,037
Designated For Subsequent Years Expenditures	71,926				71,926
Debt Service Fund			\$ 18,729		18,729
<u>Unassigned:</u>					
General Fund - Unreserved, Undesignated	200,944				200,944
<b>Total Fund Balances</b>	<b>2,416,701</b>	<b>-</b>	<b>-</b>	<b>18,729</b>	<b>2,435,430</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 2,430,480</b>	<b>\$ 93,555</b>	<b>\$ 9,695</b>	<b>\$ 18,729</b>	<b>\$ 2,552,459</b>

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$6,547,478 and the accumulated depreciation is \$2,326,018.

\$ 4,221,460

Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore are not reported in the fund statements. (See Note 7)

503,196

Deferred Inflows related to pension actuarial gains from experience and differences in actual return and assumed returns and other deferred items are not reported as liabilities in the fund statements. (See Note 7)

(641,640)

Long-term liabilities, including Net Pension Liability, are not due and payable in the current period and therefore are not reported as liabilities in the fund statements (see Note 7)

(1,274,567)

Accrued Interest on Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the fund statement (see Note 6)

(50,881)

Long-term liabilities, such as bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 6)

(4,334,941)

Net position of governmental activities

\$ 858,057

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
<b>Local sources:</b>					
Local Tax Levy	\$ 4,444,811			\$ 252,152	\$ 4,696,963
Tuition	50,244				50,244
Miscellaneous	25,480				25,480
<b>Total - Local Sources</b>	<u>4,520,535</u>			252,152	<u>4,772,687</u>
<b>State Sources</b>	1,092,301			72,766	1,165,067
<b>Federal Sources</b>		\$ 187,383			187,383
<b>Total Revenues</b>	<u><b>5,612,836</b></u>	<u><b>187,383</b></u>		<u><b>324,918</b></u>	<u><b>6,125,137</b></u>
<b>EXPENDITURES</b>					
<b>Current:</b>					
Regular Instruction	1,611,951	187,383			1,799,334
Special Education Instruction	186,115				186,115
Other Special Instruction	125,431				125,431
Support services and undistributed costs:					
Tuition	37,510				37,510
Student and Instruction Related Services	728,776				728,776
School Administrative Services	95,994				95,994
Other Administrative Services	339,832				339,832
Plant Operations and Maintenance	636,068				636,068
Pupil Transportation	314,191				314,191
Unallocated Benefits	1,429,431				1,429,431
Transfer to Charter School	44,121				44,121
<b>Debt Service:</b>					
Principal				210,000	210,000
Interest and Other Charges				114,919	114,919
<b>Capital Outlay</b>	92,591				92,591
<b>Total Expenditures</b>	<u><b>5,642,011</b></u>	<u><b>187,383</b></u>		<u><b>324,919</b></u>	<u><b>6,154,313</b></u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(29,175)</u>			(1)	<u>(29,176)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from Other Funds	8,628		\$ (5)		8,623
<b>Total Other Financing Sources and Uses</b>	<u>8,628</u>		<u>(5)</u>	-	<u>8,623</u>
Net Change in Fund Balances	(20,547)		(5)	(1)	(20,553)
Fund Balance—July 1	2,437,248		\$ 5	18,730	2,455,983
<b>Fund Balance—June 30</b>	<u><b>\$ 2,416,701</b></u>		<u><b>-</b></u>	<u><b>\$ 18,729</b></u>	<u><b>\$ 2,435,430</b></u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

**Total Net Change in Fund Balances - Governmental Funds (from B-2)** \$ (20,553)

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which capital outlays exceeded depreciation in the period.

Depreciation Expense	\$ (186,040)	
Capital Outlays	<u>13,542</u>	(172,498)

Pension contributions are reported in governmental funds as expenditures. However, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns, and experience/assumption.

This is the amount by which net pension liability and deferred inflows/outflows related to pension changed during the period.

39,204

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.

210,000

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. This is the amount by which current year's amount of interest accrual exceeds the prior year's amount.

3,580

In the statement of activities, compensated absences is accrued regardless of when paid. In the governmental funds, compensated absences are reported when paid. This is the amount by which the current year's compensated absence payments exceed the current year's amount earned.

10,095

**Change in Net Position of Governmental Activities**

\$ 69,828

The accompanying Notes to Basic Financial Statements are an integral part of this statement.



FREDON TOWNSHIP SCHOOL DISTRICT

STATEMENT OF PROPRIETARY NET POSITION  
 PROPRIETARY FUNDS

June 30, 2018

		<b>Business-Type Activities - Enterprise Funds</b>	
		<b><u>Food Service</u></b>	<b><u>Totals</u></b>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and Cash Equivalents		\$ 2,267	\$ 2,267
Accounts Receivable		1,381	1,381
Interfund Receivables		2,085	2,085
Inventories		2,700	2,700
<b>Total Current Assets</b>		<b>8,433</b>	<b>8,433</b>
<b>Noncurrent Assets:</b>			
Furniture, Machinery and Equipment		44,775	44,775
Less Accumulated Depreciation		(44,775)	(44,775)
<b>Total Noncurrent Assets</b>			
<b>Total Assets</b>		<b>8,433</b>	<b>8,433</b>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Deferred Revenue		1,169	1,169
<b>Total Liabilities</b>		<b>1,169</b>	<b>1,169</b>
<b>NET POSITION</b>			
Unrestricted		7,264	7,264
<b>Total Net Position</b>		<b>\$ 7,264</b>	<b>\$ 7,264</b>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit B-5

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
**PROPRIETARY FUNDS**  
 FOR THE YEAR ENDED JUNE 30, 2018

	<b>Business-type Activities - Enterprise Fund</b>		
	<b>Food Service</b>	<b>AM Program</b>	<b>Total Enterprise</b>
<b>Operating Revenues:</b>			
Charges for Services:			
Daily Sales - Reimbursable Programs	\$ 49,871		\$ 49,871
Daily Sales - Non-reimb. Programs	951		951
Miscellaneous	5,911	\$ 1	5,912
<b>Total Operating Revenues</b>	<b>56,733</b>	<b>1</b>	<b>56,734</b>
<b>Operating Expenses:</b>			
Cost of Sales - Reimbursable Programs	28,942		28,942
Cost of Sales - Non-reimbursable Programs	8,502		8,502
Salaries and Wages	22,383		22,383
Employee Benefits	5,595		5,595
Other Purchased Professional Services	6,762		6,762
Miscellaneous	7,960	813	8,773
<b>Total Operating Expenses</b>	<b>80,144</b>	<b>813</b>	<b>80,957</b>
Operating Income (Loss)	<b>(23,411)</b>	<b>(812)</b>	<b>(24,223)</b>
<b>Nonoperating Revenues (Expenses):</b>			
State Sources:			
State School Lunch Program	891		891
Federal Sources:			
National School Lunch Program	15,468		15,468
Food Distribution Program	7,703		7,703
<b>Total Nonoperating Revenues (Expenses)</b>	<b>24,062</b>		<b>24,062</b>
Income (Loss) Before Contributions and Transfers	651	(812)	(161)
Transfers In (Out)		(8,623)	(8,623)
Change in Net Position	651	(9,435)	(8,784)
Total Net Position—Beginning	6,613	9,435	16,048
<b>Total Net Position—Ending</b>	<b>\$ 7,264</b>	<b>-</b>	<b>\$ 7,264</b>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit B-6

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

For the Year Ended June 30, 2018

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Food Service</b>	<b>AM Program</b>	<b>Total Enterprise</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers	\$ 56,733	\$ 1	\$ 56,734
Payments to Employees	(22,383)		(22,383)
Payments for Employee Benefits	(5,595)	-	(5,595)
Payments to Suppliers	(44,478)	(813)	(45,291)
<b>Net Cash Provided by (used for) Operating Activities</b>	<b>(15,723)</b>	<b>(812)</b>	<b>(16,535)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
State Sources	866		866
Federal Sources	15,178		15,178
Operating Transfers between funds	(2,084)	(5,153)	(7,237)
<b>Net Cash Provided by (used for) Non-Capital Financing Activities</b>	<b>13,960</b>	<b>(5,153)</b>	<b>8,807</b>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,763)	(5,965)	(7,728)
Balances—Beginning of Year	4,030	5,965	9,995
<b>Balances—End of Year</b>	<b>2,267</b>	<b>-</b>	<b>2,267</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:</b>			
Operating Income (Loss)	(23,411)	(812)	(24,223)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:			
Federal Commodities	7,703		7,703
(Increase) Decrease in Accounts Receivable, Net	-		-
(Increase) Decrease in Inventories	347		347
Increase (Decrease) in Accounts Payable	(362)		(362)
Total Adjustments	7,688	-	7,688
Net Cash Provided by (used for) Operating Activities	\$ (15,723)	(812)	\$ (16,535)

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit B-7

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

June 30, 2018

	<b>Unemployment Compensation Trust</b>	<b>Agency Fund</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 97,572	\$ 53,736
Accounts Receivable	<u>-</u>	<u>-</u>
<b>Total Assets</b>	<b><u>\$ 97,572</u></b>	<b><u>\$ 53,736</u></b>
<b>LIABILITIES</b>		
Payable to Student Groups	-	\$ 7,475
Interfunds Payable		6,028
Accounts Payable		(8,140)
Accrued Salaries and Wages		48,373
<b>Total Liabilities</b>	<b><u>-</u></b>	<b><u>\$ 53,736</u></b>
<b>NET POSITION</b>		
Held in Trust for Unemployment Claims & Other Purposes	<b><u>\$ 97,572</u></b>	<b><u>-</u></b>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS**

For the Year Ended June 30, 2018

	<b>Unemployment Compensation <u>Trust</u></b>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 30,000
Plan Member	<u>5,882</u>
Total Contributions	<u>35,882</u>
Investment Earnings:	
Interest	<u>172</u>
Net Investment Earnings	<u>172</u>
<b>Total Additions</b>	<u>36,054</u>
<b>DEDUCTIONS</b>	
Quarterly Contribution Reports	<u>-</u>
<b>Total Deductions</b>	<u>-</u>
Change in Net Position	36,054
Net Position—Beginning of the Year	<u>61,518</u>
<b>Net Position—End of the Year</b>	<u><u>\$ 97,572</u></u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

# **Notes to Financial Statements**

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (Statement No.34). This Statement provides for the most significant change in financial reporting in over twenty years and is scheduled for a phase-in implementation period (based on amount of revenues) starting with fiscal years ending 2002 (for larger governments). The District was not required to implement the new model until the 2003-2004 school year.

In addition, the School District has implemented GASB Statement No.37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, Statement No.38, Certain Financial Statement Note Disclosures, Statement No.40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement No.3, and Statement 44, Economic Condition Reporting: The Statistical Section (GASB 44), an amendment of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles is found in the Introduction, a revised statistical section in the Outline of the CAFR, GASB Statement No. 45, Other Post-retirement Employee Benefits, GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and GASB No. 63 and 65, Deferred Outflows and Inflows and Net Position, and Items Previously Reported as Assets and Liabilities, GASB No. 68, Accounting for Pensions, an amendment of GASB No. 27 and GASB No. 75, Accounting for OPEB. The implementation of these statements did not effect net position balances as previously reported for the fiscal year ended June 30, 2017.

**A. Reporting Entity:**

The Fredon Township School District is a Type II district located in the County of Sussex, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of five members elected to three-year terms. The purpose of the district is to educate students in grades K-6. The Fredon Township School District had an approximate enrollment at June 30, 2018, of 221 students.

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

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

Based on the aforementioned criteria, the District has no component units.

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation, Basis of Accounting:**

The School District's basic financial statements consist of District-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Basis of Presentation**

*District-wide Statements:* The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees and charged to external parties. The statement of net position presents the financial condition of the governmental and business-type activity of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the District and for each function of the District's governmental activities.

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and 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. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the School District.

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

**GOVERNMENTAL FUNDS**

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 except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the Capital Outlay subfund.



FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation, Basis of Accounting (Continued):**

**GOVERNMENTAL FUNDS (Continued)**

As required by the New Jersey State Department of Education, the District includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state 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 revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

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

**PROPRIETARY FUNDS**

The District reports the following proprietary fund:

**Enterprise (Food Service) Fund** - The Enterprise Fund accounts for all revenues and expenses pertaining to the Board's cafeteria operations. The food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges.

Additionally, the District reports the following fund type:

**Fiduciary Funds** - The Fiduciary Funds are used to account for assets held by the District on behalf of others and include the Student Activities Fund, Payroll Agency Fund and Unemployment Compensation Trust Fund.

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation, Basis of Accounting (Continued):**

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

*District-wide, Proprietary, and Fiduciary Fund Financial Statements:* The District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year.

The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements:* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. 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. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business-type activities and enterprise funds of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

**C. Budgets/Budgetary Control:**

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for approval and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue funds. 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. All budget amendments/transfers must be approved by School Board resolution. In addition, transfers are also covered by changes in N.J.A.C. 6A:23A-2.3 that can require approval through the state department. All budget 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).

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Appropriations, except remaining project appropriations, encumbrances and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures.

Formal budgetary integration into the accounting system is employed as a management control device during the fiscal 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 legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

**D. Encumbrance Accounting:**

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 reservations of 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 deferred revenues 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.

**E. Assets, Liabilities and Equity:**

**Cash and Cash Equivalents:**

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

**Interfund Transactions:**

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues.

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. 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.

**Inventories:**

Inventory purchases, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method.

**Allowance for Uncollectible Accounts:**

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

**Capital Assets:**

The District has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The School District does not possess any infrastructure. The capitalization threshold used by school districts in the State of New Jersey is \$2,000.

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School Buildings	50
Building Improvements	20
Electrical/Plumbing	30
Vehicles	8
Office and Computer Equipment	5-10
Instructional Equipment	10
Grounds Equipment	15

**E. Assets, Liabilities and Equity (Continued):**

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

**Compensated Absences:**

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No.16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The District support staff are granted sick leave in varying amounts under the District's contracted personnel policies. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after fifteen years of service and provide for payment based upon predetermined rates and allowable days and upon retirement in the state pension system.

The liability for compensated absences was accrued using the termination payment method, whereby the liability is calculated based on the amount of sick leave that is expected to become eligible for payment upon termination. The District estimates its accrued compensated absences liability based on the accumulated sick and vacation days at the balance sheet date by those employees who are currently eligible to receive termination payments. Salary related payments for the employer's share of social security and medicare taxes, as well as pension contributions, are included.

For the District-wide Statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the Fund Financial Statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and District-wide presentations.

**Deferred Revenue:**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations, have been recorded as deferred revenue. Grants and entitlement received before the eligible requirements are met are also recorded as deferred revenue.

**Accrued Liabilities and Long-Term Obligations:**

All payables, accrued liabilities and long-term obligations are reported on the District-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

**E. Assets, Liabilities and Equity (Continued):**

**Net Position:**

Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Balance Reserves:**

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

**Revenues—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, income 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 income taxes is recognized in the period in which the income is earned. 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 available as an advance, interest and tuition.

**E. Assets, Liabilities and Equity (Continued):**

**Operating Revenues and Expenses:**

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Allocation of Indirect Expenses:**

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense, that could not be attributed to a specific function, is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

**Extraordinary and Special Items:**

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

**Management Estimates:**

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

**NOTE 2: CASH AND CASH EQUIVALENTS**

**Deposits:**

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey, which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

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

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

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

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

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 2: CASH AND CASH EQUIVALENTS (Continued)**

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the district's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the municipality would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At June 30, 2018, all of the district's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The district does not have a policy for custodial credit risk.

As of June 30, 2018, cash and cash equivalents of the District consisted of the following:

	<u>Cash and Cash Equivalents (A-1)</u>	<u>Cash and Cash Equivalents (H-1)</u>	<u>Total</u>
Capital Reserve	\$2,077,827		\$2,077,827
Checking	<u>316,514</u>	<u>\$151,308</u>	<u>467,822</u>
	<u>\$2,394,341</u>	<u>\$151,308</u>	<u>\$2,545,649</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2018, was \$2,545,649 and the bank balance was \$2,743,178. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$250,000 was covered by federal depository insurances and \$2,493,178 was covered by collateral pool.

**Investments:**

Pursuant to the Enabling Act, the funds of the district may be invested in any direct obligations of, or obligations as to which the principal and interest thereof is guaranteed by, the United States of America or other obligations as the district may approve.

**At June 30, 2018, the district's investment balance was \$0**

**Custodial Credit Risk:** Pursuant to GASB 40, the NJCMF, which is a pooled investment, is exempt from custodial credit risk disclosure. The district does not have a policy for custodial credit risk.

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

**Interest Rate Risk:** The district does not have a policy to limit interest rate risk. The average maturity of the district's investments is less than one year.



FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 3: RECEIVABLES**

Receivables at June 30, 2018, consisted of intergovernmental accounts. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial Statements	Government-Wide Financial Statements
State Aid	\$10,989	\$11,066
Federal Aid	93,555	94,859
Other Local	6,198	6,198
Gross Receivable	<u>\$110,742</u>	<u>\$112,123</u>
Less: Allow. for Uncollectibles	-	-
Total Receivables, Net	<u><u>\$110,742</u></u>	<u><u>\$112,123</u></u>

**NOTE 4: INVENTORY**

Inventory in the Food Service Fund at June 30, 2018, consisted of the following:

Food	\$814
Supplies	<u>1,886</u>
	<u><u>\$2,700</u></u>

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1996, as revised) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of nonoperating revenue in the financial statements.

**NOTE 5: CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental Activities:</b>				
<i>Capital Assets Being Depreciated:</i>				
Land Improvements	\$ 119,404			\$ 119,404
Buildings and Building Improvements	6,124,138			6,124,138
Machinery and Equipment	290,394	\$ 13,542		303,936
Total at Historical Cost	<u>6,533,936</u>	<u>13,542</u>	-	<u>6,547,478</u>
Less Accumulated Depreciation for:				
Land Improvements	(116,352)	(165)		(116,517)
Building and Improvements	(1,834,991)	(146,280)		(1,981,271)
Equipment	(188,635)	(39,595)		(228,230)
Total Accumulated Depreciation	<u>(2,139,978)</u>	<u>(186,040)</u>		<u>(2,326,018)</u>
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	<u>4,393,958</u>	<u>(172,498)</u>		<u>4,221,460</u>
<b>Government Activity Capital Assets, Net</b>	<u><b>\$ 4,393,958</b></u>	<u><b>\$ (172,498)</b></u>		<u><b>\$ 4,221,460</b></u>

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 5: CAPITAL ASSETS (Continued)**

On January 11, 2001, the NJ State Department of Education announced that effective July 1, 2001, the capitalization threshold used by school districts in the State of New Jersey is increased to \$2,000. The previous threshold was \$500. Applying the higher capitalization threshold retroactively (removal of old assets from the General Fixed Assets Account Group) will be permitted by the State regulations in situations where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives. The retirement of machinery and equipment is due to the retroactive application of the higher threshold of equipment capitalization. That is, the District has removed from their records assets with a historical cost greater than \$500 but not greater than \$2,000 that were fully depreciated or had exceeded their useful lives.

Depreciation expense was charged to functions as follows:

Regular Instruction	\$ 167,436
Unallocated	<u>18,604</u>
Total	<u>\$ 186,040</u>

**NOTE 6: LONG-TERM OBLIGATIONS**

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.

**A. Long-Term Obligation Activity:**

Changes in long-term obligations for the year ended June 30, 2018, are as follows:

	Balance <u>7/1/17</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/18</u>	Amounts Due Within <u>One Year</u>
<b>Governmental Activities:</b>					
Bonds Payable:					
General Obligation Debt	\$4,465,000		\$ (210,000)	\$4,255,000	\$220,000
Other Liabilities:					
Compensated Absences Payable	\$90,036		(\$10,095)	\$79,941	
<b>Total Other Liabilities</b>	<u>\$5,001,142</u>		<u>(\$220,095)</u>	<u>\$4,334,941</u>	<u>\$220,000</u>

Compensated absences have been liquidated in the General Fund.

On June 3, 2008, the district sold general obligation bonds with a face value of \$5,000,000, of which the proceeds were used for the construction of additions, renovations, and alterations to the Fredon Township School.

On September 29, 2016, the District issued refunding bonds of \$4,165,000 with an interest rate of 1.75-3.25%. The bonds mature on January 15, 2017 through July 15, 2023. The proceeds were used to refund \$3,920,000 of series 2008 school bonds with interest rates ranging from 4.125% to 4.35%. The refunding bonds are non-callable. The net proceeds from the issuance of the refunding 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 school bonds are called on July 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.

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 6: LONG-TERM OBLIGATIONS (Continued)**

Interest paid on debt issued by the District is exempt from federal income taxes. Because of this, bond holders are willing to accept a lower interest rate than they would on taxable debt. The District temporarily reinvests the proceeds of such debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this as arbitrage.

Earnings in excess of the yield on the debt issue are rebated to the federal government based on requirements in the Internal Revenue Code. Arbitrage rebate payable represents amounts due to the Internal Revenue Service for interest earned on unspent bond proceeds that exceeds legally allowable returns.

Rebatable arbitrage liabilities related to District debt are not recorded in governmental funds. There is no recognition in the balance sheet or income statement until rebatable amounts are due and payable to the federal government. Thus, rebatable arbitrage liabilities related to governmental debt will be accrued as incurred at least annually (at fiscal year end) on the District-wide financial statements.

For the year ended June 30, 2018, it is not necessary for the Board to establish a liability for arbitrage rebate.

	Government Activities			Balance
	<u>Issue</u>	<u>Interest</u>	<u>Date of</u>	<u>June 30, 2018</u>
	<u>Dates</u>	<u>Rates</u>	<u>Maturity</u>	
Bonds Payable - Series 2008	6/03/2008	4.125 to 4.35%	7/15/2018	\$ 180,000
Refunding Bonds - Series 2016	9/29/16	1.75 to 3.25%	7/15/2033	<u>4,075,000</u>
Total Bonds				<u>\$ 4,255,000</u>

**B. Debt Service Requirements:**

Debt Service requirements on serial bonds payable at June 30, 2018, is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 220,000	\$ 106,900	\$ 326,900
2020	230,000	100,488	330,488
2021	230,000	95,887	325,887
2022	235,000	91,531	326,531
2023	240,000	87,375	327,375
Thereafter	<u>3,100,000</u>	<u>568,895</u>	<u>3,668,895</u>
	<u>\$ 4,255,000</u>	<u>\$ 1,051,076</u>	<u>\$ 5,306,076</u>

As of June 30, 2018, the District had no authorized but not issued bonds.

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 7: PENSION PLANS**

*Description of Plans* - All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, New Jersey, 08625 or on the internet at <http://www.state.nj.us/treasury/pensions/annrpts.shtml>.

*Teachers' Pension and Annuity Fund (TPAF)* - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, 100% of employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

*Summary of Significant Accounting Policies* - 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 Teachers Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

The employer contributions for the district are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the district (employer) is 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 district (employer) does 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 district. However, the state's portion of the net pension liability that was associated with the district was \$12,176,611 as measured on June 30, 2017 and \$13,508,244 measured on June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$843,534 and revenue of \$843,534 for support provided by the State. The measurement period for the pension expense and revenue reported in the district's financial statements (A-2) at June 30, 2018 is based upon changes in the collective net pension liability with a measurement period of June 30, 2016 through June 30, 2017. Accordingly, the pension expense and the related revenue associated with the support provided by the State is based upon the changes in the collective net pension liability between July 1, 2016 and June 30, 2017.

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 7: PENSION PLANS (Continued)**

Although the district does not report net pension liability or deferred outflows or inflows related to the TPAF, the following schedule illustrates the collective net pension liability and deferred items and the State's portion of the net pension liability associated with the district. The collective amounts are the total of all New Jersey local governments participating in the TPAF plan.

	<u>6/30/2016</u>	<u>6/30/2017</u>
Collective deferred outflows of resources	\$17,440,003,201	\$14,251,854,934
Collective deferred inflows of resources	\$195,027,919	\$11,807,233,433
Collective net pension liability (Nonemployer-State of New Jersey)	\$78,666,367,052	\$67,423,605,859
State's portion of the net pension liability that was associated with the district	\$13,508,244	\$12,176,611
State's portion of the net pension liability that was associated with the district as a percentage of the collective net pension liability	0.017172%	0.018060%

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

Inflation:	2.25%
Salary Increases:	
Through 2021	Varies based on experience
Therafter	Varies based on experience
Investment Rate of Return:	7.00%

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

*Long-Term Expected Rate of Return* - In accordance with State statute, the long-term expected rate of return on plan investments (7.0% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment 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 TPAF's target asset allocation as of June 30, 2017 are summarized in the following table:

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 7: PENSION PLANS (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk mitig.	5.00%	5.51%
Cash equivalents	5.00%	1.00%
US Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
US Equity	30.00%	8.19%
Non-US developed markets E	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

*Discount rate* - The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 40% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2036.

Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

*Sensitivity of the State's net pension liability to changes in the discount rate* - Since the District has no proportionate share of the net pension liability because of the special funding situation, the district would not be sensitive to any changes in the discount rate. The following presents the State's net pension liability measured as of June 30, 2017, calculated using the discount rate shown 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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>(3.25%)</u>	<u>(4.25%)</u>	<u>(5.25%)</u>
State's Collective Net Pension Liability	\$ 80,394,331,171	\$ 67,670,209,171	\$ 57,188,022,171

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 7: PENSION PLANS (Continued)**

*Pension plan fiduciary net position* - Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>. The plan fiduciary net position as of June 30, 2017 was \$23,056,161,829.

*Amortization of Deferred Outflows and Inflows of Resources* - Amount reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in the state's pension expense as follows:

	<u>Year Ended June 30:</u>
2018	\$740,341,056
2019	1,175,650,200
2020	983,008,137
2021	551,152,948
2022	624,850,883
Thereafter	<u>(1,714,363,628)</u>
Total	<u>\$2,360,639,596</u>

*Pension Expense* - The components of allocable pension expense and pension expense related to specific liabilities of individual employers, for state and local employers for the year ending June 30, 2017 are as follows:

Service cost	\$3,028,689,581
Interest on total pension liability	3,304,988,177
Member contributions	(790,788,033)
Administrative expenses	11,923,787
Expected investment return net of investment expenses	(1,606,947,478)
Pension expense related to specific liabilities of individual employers	(357,659)
Recognition (amortization) of deferred inflows/outflows:	
Recognition of economic/demographic gains/losses	53,331,240
Recognition of assumption changes or inputs	723,829,969
Recognition of investment gains/losses	<u>(36,820,154)</u>
Total pension expense	<u>\$4,687,849,430</u>

**Public Employees' Retirement System (PERS)** - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

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

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 7: PENSION PLANS (Continued)**

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

At June 30, 2018, the District reported a liability of \$1,013,814 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The total pension liability for the June 30, 2016 valuation was determined by an experience study for the period July 1, 2011 to June 30, 2014. The District's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2017 and 2016. At June 30, 2017, the District's proportion was .00548% which was a decrease of 0.00069% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$7,720. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 30,012	-
Changes of assumptions	256,781	255,840
Net difference between projected and actual earnings on pension plan investments	8,679	
Changes in proportion and differences between District contributions and proportionate share of contributions	156,380	\$ 385,800
District contributions subsequent to the measurement date	51,344	
Total	<u>\$ 503,196</u>	<u>\$ 641,640</u>

\$51,344 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2018, the plan measurement date is June 30, 2017) will be recognized as a reduction of the net pension liability measured as of June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Year Ended June 30:</u>
2018	(\$143,684)
2019	(216,823)
2020	(131,384)
2021	174,741
2022	<u>127,363</u>
Total	<u>(\$189,788)</u>



FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 7: PENSION PLANS (Continued)**

	<u>6/30/2016</u>	<u>6/30/2017</u>
Collective deferred outflows of resources	\$8,685,338,380	\$6,424,455,842
Collective deferred inflows of resources	870,133,595	5,700,625,981
Collective net pension liability (Non State - Local Group)	\$29,617,131,759	\$23,278,401,588
District's portion of net pension liability	\$1,826,630	\$1,274,567
District's proportion %	0.00616748%	0.00547532%

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

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

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2013 Based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

*Long-Term Expected Rate of Return* - In accordance with State statute, the long-term expected rate of return on plan investments 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. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk mitig.	5.00%	5.51%
Cash equivalents	5.00%	1.00%
US Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yeild	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
US Equity	30.00%	8.19%
Non-US developed markets E	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 7: PENSION PLANS (Continued)**

*Discount rate.* The discount rate used to measure the total pension liability was 5.0% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.0%, and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on contribution rate in the most recent fiscal year.

The State contributed 40% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the District's proportionate share of the net pension liability measured as of June 30, 2017, calculated using the discount rate as disclosed above, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>(4.00%)</u>	<u>(5.00%)</u>	<u>(6.00%)</u>
District's proportionate share of the net pension liability	\$ 1,581,187	\$1,274,567	\$ 1,019,115

*Pension Expense* - The components of allocable pension expense and pension expense related to specific liabilities of individual employers, for state and local employers for the year ending June 30, 2017 are as follows:

Service cost	\$4,992
Interest on total pension liability	9,059
Member contributions	(2,375)
Administrative expenses	62
Expected investment return net of investment expenses	(6,468)
Pension expense related to specific liabilities of individual employers	(70)
Recognition (amortization) of deferred inflows/outflows:	
Recognition of economic/demographic gains/losses	794
Recognition of assumption changes or inputs	1,850
Recognition of investment gains/losses	<u>(124)</u>
Total pension expense	<u>\$7,720</u>

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 7: PENSION PLANS (Continued)**

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>.

**Defined Contribution Retirement Plan (DCRP)** - The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et seq.). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N. J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by state statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus plan assets in the retirement system; however statute also requires the return to the normal rate when such surplus pension assets no longer exist.

**PERS and TPAF Vesting and Benefit Provisions** - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. 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.

**Significant Legislation** - Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 7: PENSION PLANS (Continued)**

Chapter 78's provisions impacting employee pension and health benefits include:

□ New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ of 1% for each month that the member is under age 65. □ The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members. □ The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. □ Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PES members will take place in July of each subsequent fiscal year.

□ The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law. □ New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary. □ In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

**Contribution Requirements** - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 (PERS) and N.J.S.A. 18:66 (TPAF) requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 6.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The current TPAF rate is 6.5% and the PERS rate is 6.5% of covered payroll.

Three-Year Trend Information for PERS

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2018	\$51,344	100 %	-0-
6/30/2017	\$55,079	100	-0-
6/30/2016	\$42,463	100	-0-

Three-Year Trend Information for TPAF (Paid on-behalf of the District)

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2018	\$260,366	100 %	-0-
6/30/2017	\$203,572	100	-0-
6/30/2016	\$137,483	100	-0-

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 7: PENSION PLANS (Continued)**

During the fiscal year ended June 30, 2018, the State of New Jersey did contribute \$428,290 to the TPAF for post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$125,409 during the year ended June 30, 2018, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. The PERS amounts have been included in the fund-based statements as pension expense and the TPAF on-behalf amounts have been included in fund-based statements as revenues and expenditures. The PERS and TPAF amounts have been modified and included in the District-wide financial statements in accordance with GASB Statement No. 68.

**NOTE 8: POST-RETIREMENT BENEFITS**

**Plan description and benefits provided**

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

The 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 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program (APB) who retired from a board of education or county college with 25 years of service (GASB Cod. Sec. 2300.106(g)).

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et. seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASBS No. 75.

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 8: POST-RETIREMENT BENEFITS-(Continued)**

Employees covered by benefit terms. *At June 30, 2017, the following employees were covered by the benefit terms:*

TPAF participant retirees

As of June 30, 2017, there were 112,966 retirees receiving post-retirement medical benefits, and the State contributed \$1.39 billion on their behalf

PERS participant retirees

The State paid \$238.9 million toward Chapter 126 benefits for 209,913 eligible retired members in Fiscal Year 2017.

**Total OPEB Liability**

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The LEA's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the LEA did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Accordingly, the following OPEB liability note information is reported at the State's level and is not specific to the board of education.

**Actuarial assumptions and other imputes** The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total nonemployer OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%
Salary Increases Through 2026:	1.55-4.55% TPAF 2.15-4.18% PERS Based on years of service
Salary Increases Thereafter:	2.00-5.45% TPAF 3.15-5.15% PERS Based on years of service
Discount rate (2017)	3.58%
Discount rate (2016)	2.85%
Healthcare cost trend rates (PPO Plans)	5.9% decreasing to 5.0% after nine years
Healthcare cost trend rates (Self-insured post 65 PPO Plans)	4.50%
Healthcare cost trend rates (HMO Plans)	5.9% decreasing to 5.0% after nine years
Healthcare cost trend rates (Prescription Drug Benefits)	10.5% decreasing to 5.0% after eight years
Healthcare cost trend rates (Medicare Part B reimbursement)	5.00%
Healthcare cost trend rates (Medicare Advantage)	4.50%
Retirees' share of benefit related Costs	Projected health insurance premiums for retirees based on the retiree's annual retirement benefit and level of coverage

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 8: POST-RETIREMENT BENEFITS-(Continued)**

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

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

Changes in the Total OPEB Liability reported by the State of New Jersey

	<u>Total OPEB Liability</u>
<b>The State's Total OPEB Liability Balance at 6/30/2016</b>	<b>\$57,831,784,184</b>
<u>Changes for the year:</u>	
Service Cost	2,391,878,884
Interest	1,699,441,736
Benefit Payments	(1,242,412,566)
Contributions from Members	45,748,749
Changes in assumptions or other inputs	(\$7,086,599,129)
Net changes	(\$4,191,942,326)
<b>The State's Total OPEB Liability Balance at 6/30/2017</b>	<b><u>\$53,639,841,858</u></b>
<b>The State's total OPEB liability attributable to the District:</b>	<b>\$10,251,518</b>

There were no changes of benefit terms.

Changes of assumptions and other inputs reflects a change in the discount rate from 2.85 percent in 2016 to 3.58 percent in 2017 and other changes.

**Sensitivity of the total OPEB liability to changes in the discount rate.** The following presents the total OPEB liability of the State for school board retirees, as well as what the State's total OPEB liability for school board would be if it were calculated using a discount rate that is 1-percentage -point lower or 1- percentage-point higher than the current discount rate:

	<u>June 30, 2017</u>		
	At 1% Decrease <u>2.58%</u>	At Discount Rate <u>3.58%</u>	At 1% Increase <u>4.58%</u>
Total OPEB Liability (School Retirees)	\$63,674,362,200	\$53,639,841,858	\$45,680,364,953
	<u>June 30, 2016</u>		
	At 1% Decrease <u>1.85%</u>	At Discount Rate <u>2.85%</u>	At 1% Increase <u>3.85%</u>
Total OPEB Liability (School Retirees)	\$69,283,705,084	\$57,831,784,184	\$48,817,654,566

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 8: POST-RETIREMENT BENEFITS-(Continued)**

**Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.** The following presents the total OPEB liability of the State, as well as what the State's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	June 30, 2017		
	<u>At 1% Decrease</u>	Health Care Cost <u>Trend Rate</u>	<u>At 1% Increase</u>
Total OPEB Liability (School Retirees)	\$44,113,584,560	\$53,639,841,858	\$66,290,599,457

	June 30, 2016		
	<u>At 1% Decrease</u>	Health Care Cost <u>Trend Rate</u>	<u>At 1% Increase</u>
Total OPEB Liability (School Retirees)	\$47,452,589,164	\$57,831,784,184	\$71,707,778,970

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

For the year ended June 30, 2017, the board of education recognized OPEB expense of \$660,426 determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASBS No. 75 and in which there is a special funding situation.

In accordance with GASBS No. 75, the District's proportionate share of school retirees OPEB is zero, and there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources. At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Changes in proportion	\$99,843,255	(\$99,843,255)
Changes of assumptions or other inputs		(\$6,343,769,032)
Total	<u>\$99,843,255</u>	<u>(\$6,443,612,287)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2018	(\$742,830,097)
2019	(\$742,830,097)
2020	(\$742,830,097)
2021	(\$742,830,097)
2022	(\$742,830,097)
Thereafter	<u>(\$2,629,618,547)</u>
	<u>(\$6,343,769,032)</u>



FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 9: 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). The plans, which are administered by the entities listed below, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

Equitable  
Financial Planning

**NOTE 10: COMPENSATED ABSENCES**

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No.16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

The District support staff are granted sick leave in varying amounts under the District's contracted personnel policies. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after fifteen years of service and provide for payment based upon predetermined rates and allowable days and upon retirement in the state pension system.

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

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2018, no liability existed for compensated absences in the proprietary fund types.

**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** - The District maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

**New Jersey Unemployment Compensation Insurance** - The District has elected to fund its New Jersey Unemployment Compensation Insurance under the *Benefit Reimbursement Method*. Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State. The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's expendable trust fund for the current and previous two years:

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 11: RISK MANAGEMENT-(Continued)**

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017-2018	\$30,172	\$5,882	\$0	\$97,572
2016-2017	\$30,072	\$4,948	\$4,302	\$61,518
2015-2016	\$53	\$7,816	\$9,515	\$30,800

**NOTE 12: CONTINGENT LIABILITIES**

**GRANT PROGRAMS**

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

**LITIGATION**

In the normal course of operations, the Board is involved in various civil disputes. Management is of the opinion that any outcome resulting from these actions would not have a material effect on the District's financial position.

**NOTE 13: FUND BALANCE APPROPRIATED**

General Fund (Exhibit B-1) - Of the \$2,416,701 General Fund fund balance at June 30, 2018, \$62,037 is reserved for encumbrances; \$2,077,827 has been reserved in the Capital Reserve Account; \$3,967 is reserved as excess surplus in accordance with N.J.S.A.18A:7F-7 (\$2,904 of the total reserve for excess surplus will be appropriated and included as anticipated revenue for the year ending June 30, 2019); \$71,926 has been appropriated and included as anticipated revenue for the year ending June 30, 2019; and, \$200,944 is unreserved and undesignated.

Debt Service Fund - Of the \$18,729 fund balance at June 30, 2018, \$18,729 is unreserved and undesignated and will be utilized as anticipated revenue in subsequent budgets for tax relief.

**NOTE 14: CAPITAL RESERVE ACCOUNT**

A capital reserve account was established by the Township of Fredon Board of Education by inclusion in the FY 2000-2001 budget of \$30,000 and the transfer of an additional \$60,000 of undesignated general fund balance 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.

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 14: CAPITAL RESERVE ACCOUNT (Continued)**

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 department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23-2.13(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2017 to June 30, 2018 fiscal year is as follows:

Beginning Balance, July 1, 2017	\$ 1,780,497
Approved Withdrawal	(88,112)
Interest	2,442
Deposits (PL 2007 c.62 (A1)): Board Resolution 6/12/2018	<u>383,000</u>
Ending Balance, June 30, 2018	<u><u>\$ 2,077,827</u></u>

The LRFP balance of local support costs of uncompleted capital projects at June 30, 2018 is greater than the capital reserve balance.

**NOTE 15: CALCULATION OF EXCESS SURPLUS**

The designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2018 is \$610.

**NOTE 16: INTERFUND RECEIVABLES AND PAYABLES**

The following interfund balances remained on the balance sheet at June 30, 2018:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 39,953	\$ 2,085
Special Revenue Fund		24,230
Capital Projects Fund		9,695
Payroll Agency		6,028
Enterprise Fund	<u>2,085</u>	
Total	<u><u>\$ 42,038</u></u>	<u><u>\$ 42,038</u></u>

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 16: INTERFUND RECEIVABLES AND PAYABLES-(Continued)**

The current fund owes the enterprise fund for May federal and state subsidies received not yet transferred. The special revenue fund owes the general fund for cash advances to cover federal grants not yet received. The capital project fund owes the general fund for cash advances to cover professional fees for subsequent year's capital projects. The payroll agency fund owes the general fund for employee medical benefit deductions.

**NOTE 17: TAX ABATEMENTS**

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

**REQUIRED SUPPLEMENTARY INFORMATION - PART II**

**BUDGETARY COMPARISON SCHEDULES**

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>REVENUES:</b>					
<b>Local Sources:</b>					
Local Tax Levy	\$ 4,444,811		\$ 4,444,811	\$ 4,444,811	
Tuition	30,000		30,000	50,244	\$ 20,244
Miscellaneous				25,480	25,480
<b>Total - Local Sources</b>	<b>4,474,811</b>		<b>4,474,811</b>	<b>4,520,535</b>	<b>45,724</b>
<b>State Sources:</b>					
Special Education Aid	183,763		183,763	183,763	
Equalization Aid	277,211		277,211	277,211	
Transportation Aid	39,793		39,793	39,793	
Security Aid	25,900		25,900	25,900	
PARCC Readiness Aid	2,720		2,720	2,720	
Per Pupil Growth Rate	2,720		2,720	2,720	
Prof. Learning Comm Aid	2,200		2,200	2,200	
Other State Aid				4,295	4,295
TPAF Pension (On-Behalf - Non-Budgeted)				259,993	259,993
TPAF Post Retirement Medical (On-Behalf - Non-Budgeted)				167,924	167,924
TPAF Pension LTD Insurance (On-Behalf - Non-Budgeted)				373	373
TPAF Social Security (Reimbursed - Non-Budgeted)				125,409	125,409
<b>Total State Sources</b>	<b>534,307</b>		<b>534,307</b>	<b>1,092,301</b>	<b>557,994</b>
<b>TOTAL REVENUES</b>	<b>5,009,118</b>		<b>5,009,118</b>	<b>5,612,836</b>	<b>603,718</b>

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>EXPENDITURES:</b>					
<b>Current Expense:</b>					
<b>Regular Programs - Instruction</b>					
Preschool - Salaries of Teachers		97,118	97,118	96,963	155
Kindergarten - Salaries of Teachers	170,805	24,989	195,794	195,790	4
Grades 1-5 - Salaries of Teachers	771,007	39,451	810,458	810,449	9
Grades 6-8 - Salaries of Teachers	243,585	17,400	260,985	260,944	41
<b>Regular Programs - Home Instruction</b>					
Salaries of Teachers	2,000	(1,890)	110		110
Purchased Professional-Educational Services	1,000	(835)	165	165	
<b>Regular Programs - Undistributed Instruction</b>					
Purchased Professional-Educational Services	1,000	3,703	4,703	4,528	175
Other Purchased Services (400-500 series)	46,625	2,195	48,820	46,507	2,313
General Supplies	119,821	77,341	197,162	187,135	10,027
Textbooks	38,000	(35,810)	2,190	2,190	
Other Objects	1,000	6,280	7,280	7,280	
<b>TOTAL REGULAR PROGRAMS - INSTRUCTION</b>	<b>1,394,843</b>	<b>229,942</b>	<b>1,624,785</b>	<b>1,611,951</b>	<b>12,834</b>
<b>SPECIAL EDUCATION - INSTRUCTION</b>					



FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
<b>Resource Room/Resource Center:</b>					
Salaries of Teachers	207,977	(25,383)	182,594	180,553	2,041
Other Salaries for Instruction		5,262	5,262	5,014	248
General Supplies	430	2,500	2,930	548	2,382
<b>Total Resource Room/Resource Center</b>	<b>208,407</b>	<b>(17,621)</b>	<b>190,786</b>	<b>186,115</b>	<b>4,671</b>
<b>Preschool Disabilities - Full Time:</b>					
Salaries of Teachers	84,060	(84,060)			
Other Salaries for Instruction	44,925	(44,925)			
General Supplies	6,924	(6,924)			
Other Objects	7,920	(7,920)			
<b>Total Preschool Disabilities - Full Time</b>	<b>143,829</b>	<b>(143,829)</b>			
<b>Home Instruction:</b>					
Salaries of Teachers	750		750		750
<b>Total Preschool Disabilities - Full Time</b>	<b>750</b>		<b>750</b>		<b>750</b>
<b>TOTAL SPECIAL EDUCATION - INSTRUCTION</b>	<b>352,986</b>	<b>(161,450)</b>	<b>191,536</b>	<b>186,115</b>	<b>5,421</b>
<b>Basic Skills/Remedial - Instruction:</b>					
Salaries of Teachers	72,186	25,360	97,546	97,393	153
Other Salaries for Instruction		4,884	4,884	4,683	201
General Supplies	415	4,000	4,415	378	4,037
<b>Total Basic Skills/Remedial - Instruction</b>	<b>72,601</b>	<b>34,244</b>	<b>106,845</b>	<b>102,454</b>	<b>4,391</b>
<b>Bilingual Education - Instruction:</b>					
General Supplies	100		100		100
<b>Total Bilingual Education - Instruction</b>	<b>100</b>		<b>100</b>		<b>100</b>
<b>School-Sponsored Co/Extra-Curr. Activities-Instruction:</b>					
Salaries	52,000	(12,623)	39,377	20,466	18,911
Other Purchased Services (400-500 series)	1,000		1,000	314	686
General Supplies	5,100		5,100	1,571	3,529
Other Objects	500		500	213	287
<b>Total School-Sponsored Co/Extra-Curr. Act.-Instruction</b>	<b>58,600</b>	<b>(12,623)</b>	<b>45,977</b>	<b>22,564</b>	<b>23,413</b>

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2018

	<b>Original Budget</b>	<b>Budget Transfers</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Other Instructional Programs - Instruction:</b>					
Supplies and Materials	520		520	413	107
<b>Total Other Instructional Programs - Instruction</b>	<b>520</b>		<b>520</b>	<b>413</b>	<b>107</b>
<b>TOTAL INSTRUCTION</b>	<b>1,879,650</b>	<b>90,113</b>	<b>1,969,763</b>	<b>1,923,497</b>	<b>46,266</b>
<b>UNDISTRIBUTED EXPENDITURES</b>					
<b>Instruction:</b>					
Tuition to Other LEAs Within the State-Special	148,500	(35,194)	113,306	37,510	75,796
<b>Total Instruction</b>	<b>148,500</b>	<b>(35,194)</b>	<b>113,306</b>	<b>37,510</b>	<b>75,796</b>
<b>Attendance and Social Work:</b>					
Salaries	13,054	1,690	14,744	13,966	778
Other Purchased Services (400-500 series)	9,000	(2,000)	7,000	7,000	
<b>Total Attendance and Social Work</b>	<b>22,054</b>	<b>(310)</b>	<b>21,744</b>	<b>20,966</b>	<b>778</b>
<b>Health Services:</b>					
Salaries	66,536	(1,040)	65,496	65,383	113
Other Purchased Services (400-500 series)	1,981	(1,282)	699	699	
Supplies and Materials	1,904		1,904	1,510	394
<b>Total Health Services</b>	<b>70,421</b>	<b>(2,322)</b>	<b>68,099</b>	<b>67,592</b>	<b>507</b>
<b>Other Supp. Services Students-Related Services:</b>					
Salaries	49,114		49,114	45,846	3,268
Purchased Professional - Educational Services	9,500	(1,400)	8,100	704	7,396
Supplies and Materials	554	1,400	1,954	1,675	279
Other Objects	75		75	75	
<b>Total Other Supp. Services Students-Related Services</b>	<b>59,243</b>		<b>59,243</b>	<b>48,225</b>	<b>11,018</b>

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Other Supp. Services Students-Extra Services:</b>					
Salaries	52,945		52,945	50,704	2,241
Purchased Professional - Educational Services	18,500		18,500	422	18,078
Supplies and Materials	9,000		9,000	2,081	6,919
<b>Total Other Supp. Services Students-Extra Services</b>	<b>80,445</b>		<b>80,445</b>	<b>53,207</b>	<b>27,238</b>
<b>Other Supp. Services Students-Regular:</b>					
Salaries of Other Professional Staff	34,195	61	34,256	34,256	
Salaries of Secretarial and Clerical Assistants	18,245	(2,459)	15,786	15,372	414
Purchased Professional - Educational Services		320	320	70	250
Other Purchased Services (400-500 series)	5,600	136	5,736	5,734	2
Supplies and Materials	1,430	567	1,997	1,868	129
<b>Total Other Supp. Services Students-Regular</b>	<b>59,470</b>	<b>(1,375)</b>	<b>58,095</b>	<b>57,300</b>	<b>795</b>
<b>Other Supp. Services Students-Special:</b>					
Salaries of Other Professional Staff	81,205	9,230	90,435	90,360	75
Salaries of Secretarial and Clerical Assistants	14,637	4,482	19,119	19,119	
Purchased Professional - Educational Services	92,500	177	92,677	92,118	559
Other Purchased Services (400-500 series)		10,315	10,315	9,815	500
Misc Purchased Services (400-500 series o/than Resid Costs)	8,615	(8,315)	300	276	24
Supplies and Materials	4,952	950	5,902	5,877	25
<b>Total Other Supp. Services Students-Special</b>	<b>201,909</b>	<b>16,839</b>	<b>218,748</b>	<b>217,565</b>	<b>1,183</b>
<b>Improvement of Instruction Services:</b>					
Salaries of Supervisor of Instruction	63,750	12,000	75,750	72,400	3,350
Salaries of Other Professional Staff	8,100	(8,100)			
Salaries of Secretarial and Clerical Assistants	18,853	2,562	21,415	21,415	
Other Salaries	1,500	10,378	11,878	9,879	1,999
Purchased Professional - Educational Services	2,000	5,140	7,140	6,139	1,001
Other Purchased Services (400-500 series)	2,200		2,200	515	1,685
Supplies and Materials	2,000		2,000	147	1,853
<b>Total Improvement of Instruction Services</b>	<b>98,403</b>	<b>21,980</b>	<b>120,383</b>	<b>110,495</b>	<b>9,888</b>

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Educational Media Services/School Library:</b>					
Salaries	35,047	27,117	62,164	62,164	
Salaries of Technolgy Coordinators	70,000	(12,468)	57,532	57,532	
Other Purchased Services (400-500 series)	1,350		1,350	795	555
Supplies and Materials	1,948	(65)	1,883	1,768	115
Other Objects		65	65	65	
<b>Total Educational Media Services/School Library</b>	<b>108,345</b>	<b>14,649</b>	<b>122,994</b>	<b>122,324</b>	<b>670</b>
<b>Instructional Staff Training Services:</b>					
Purchased Professional - Educational Services	100,632	(45,108)	55,524	20,232	35,292
Other Purchased Services (400-500 series)	23,250		23,250	8,960	14,290
Supplies and Materials	9,000		9,000	1,910	7,090
<b>Total Instructional Staff Training Services</b>	<b>132,882</b>	<b>(45,108)</b>	<b>87,774</b>	<b>31,102</b>	<b>56,672</b>
<b>Supp. Services - General Administration:</b>					
Salaries	82,602	10,438	93,040	93,038	2
Legal Services	10,000	3,710	13,710	13,708	2
Audit Fees	20,000	1,784	21,784	14,452	7,332
Other Purchased Professional Services	5,000	(3,470)	1,530	1,528	2
Communications/Telephone	26,700	8,958	35,658	35,657	1
Board of Ed. Other Purchased Services	2,000	(829)	1,171	1,170	1
Other Purchased Services (400-500 series)	16,700	16,951	33,651	33,636	15
General Supplies	3,000	(1,498)	1,502	1,502	
Board of Ed. In-House Training/Meeting Supplies	250	(250)			
Miscellaneous Expenditures	3,000	(743)	2,257	2,257	
Board of Ed. Dues and Fees	3,800	(697)	3,103	3,103	
<b>Total Supp. Services - General Administration</b>	<b>173,052</b>	<b>34,354</b>	<b>207,406</b>	<b>200,051</b>	<b>7,355</b>

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Support Services - School Administration:</b>					
Salaries of Principals/Assistant Principals	44,435	(1,581)	42,854	42,854	
Salaries of Secretarial and Clerical Assistants	49,965	(2,108)	47,857	47,857	
Other Purchased Services (400-500 series)	2,750	708	3,458	3,453	5
Supplies and Materials	5,500	(3,605)	1,895	1,830	65
Other Objects	1,000	(1,000)			
<b>Total Support Services - School Administration</b>	<b>103,650</b>	<b>(7,586)</b>	<b>96,064</b>	<b>95,994</b>	<b>70</b>
<b>Central Services:</b>					
Salaries	114,505	(502)	114,003	113,983	20
Miscellaneous Purchased Services (400-500 series)	18,700	(2,495)	16,205	16,201	4
Supplies and Materials	2,250	(500)	1,750	1,335	415
Other Objects	2,500	(1,035)	1,465	1,465	
<b>Total Central Services</b>	<b>137,955</b>	<b>(4,532)</b>	<b>133,423</b>	<b>132,984</b>	<b>439</b>
<b>Administrative Information Technology:</b>					
Other Purchased Services (400-500 series)	10,000	(3,990)	6,010	6,010	
Supplies and Materials	4,000	(3,200)	800	787	13
Other Objects	1,500	(1,500)			
<b>Total Administrative Information Technology</b>	<b>15,500</b>	<b>(8,690)</b>	<b>6,810</b>	<b>6,797</b>	<b>13</b>

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Required Maintenance for School Facilities:</b>					
Salaries	115,932	11,128	127,060	127,060	
Cleaning, Repair and Maintenance Services	129,750	69,776	199,526	173,196	26,330
Lead Testing of Drinking Water	3,000	4,400	7,400	7,400	
General Supplies	32,000	(11,753)	20,247	286	19,961
Other Objects	5,500	9,022	14,522	14,522	
<b>Total Required Maintenance for School Facilities</b>	<b>286,182</b>	<b>82,573</b>	<b>368,755</b>	<b>322,464</b>	<b>46,291</b>
<b>Other Operations and Maintenance of Plant:</b>					
Salaries	102,282	385	102,667	93,441	9,226
Cleaning, Repair and Maintenance Services	79,000	(44,080)	34,920	14,145	20,775
Insurance	47,600	1,549	49,149	49,149	
Miscellaneous Purchased Services	5,750	1,562	7,312	6,822	490
General Supplies	25,197	(2,156)	23,041	15,379	7,662
Energy (Electricity)	65,000	(7,218)	57,782	40,574	17,208
Energy (Oil)	60,250	(20,782)	39,468	39,467	1
Gasoline	1,500		1,500	952	548
Other Objects	400	(235)	165		165
<b>Total Other Operations and Maintenance of Plant</b>	<b>386,979</b>	<b>(70,975)</b>	<b>316,004</b>	<b>259,929</b>	<b>56,075</b>
<b>Care and Upkeep of Grounds:</b>					
Salaries	21,446		21,446	20,145	1,301
Cleaning, Repair and Maintenance Services	4,000	8,670	12,670		12,670
General Supplies	3,000	1,130	4,130	3,690	440
<b>Total Care and Upkeep of Grounds</b>	<b>28,446</b>	<b>9,800</b>	<b>38,246</b>	<b>23,835</b>	<b>14,411</b>
<b>Undist. Expend. -Security</b>					
Salaries	10,000	(390)	9,610	9,025	585
Purchased Professional and Technical Services	3,400	2,790	6,190	6,186	4
Cleaning, Repair and Maintenance Services	6,000	1,000	7,000	6,130	870
Supplies and Materials	12,000	(3,400)	8,600	8,499	101
<b>Total Undist. Expend. -Security</b>	<b>31,400</b>		<b>31,400</b>	<b>29,840</b>	<b>1,560</b>

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Student Transportation Services</b>					
Salaries for Pupil Transportation(Between Home & School)-Regular	17,500	(1,203)	16,297	16,292	5
Salaries for Pupil Transportation(Between Home & School)-Spec. Ed	17,500	208	17,708	17,708	
Management Fee - ESC & CTSA Trans. Program	5,000	2,520	7,520	7,512	8
Contracted Services (Other than Between Home and School)-Vendors	5,000	9,373	14,373	14,370	3
Contracted Services (Between Home and School)-Joint Agrmts	18,000	3,000	21,000	20,715	285
Contr Serv (Regular Students) - ESCs & CTSA	170,000	(3,400)	166,600	166,597	3
Contr Serv (Spl. Ed. Students) - ESCs & CTSA	64,000	6,997	70,997	70,997	
<b>Total Student Transportation Services</b>	<b>297,000</b>	<b>17,495</b>	<b>314,495</b>	<b>314,191</b>	<b>304</b>
<b>UNALLOCATED BENEFITS</b>					
Social Security Contributions	75,000	17,345	92,345	91,366	979
Other Retirement Contributions - Regular	59,000	(7,656)	51,344	51,344	
Unemployment Compensation	30,000		30,000	30,000	
Workmen's Compensation	36,848	(1,978)	34,870	34,870	
Health Benefits	643,698	10,099	653,797	648,502	5,295
Tuition Reimbursement	17,000	(17,000)			
Other Employee Benefits	22,150	(1,745)	20,405	19,650	755
<b>TOTAL UNALLOCATED BENEFITS</b>	<b>883,696</b>	<b>(935)</b>	<b>882,761</b>	<b>875,732</b>	<b>7,029</b>
On-behalf TPAF pension Contrib. (non-budgeted)				259,993	(259,993)
On-behalf TPAF PRM Contrib. (non-budgeted)				167,924	(167,924)
On-behalf TPAF pension LTD Ins. (non-budgeted)				373	(373)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				125,409	(125,409)
<b>TOTAL ON-BEHALF CONTRIBUTIONS</b>				<b>553,699</b>	<b>(553,699)</b>
<b>TOTAL PERSONAL SERVICES-EMPLOYEE BENEFITS</b>	<b>883,696</b>	<b>(935)</b>	<b>882,761</b>	<b>1,429,431</b>	<b>(546,670)</b>
<b>TOTAL UNDISTRIBUTED EXPENDITURES</b>	<b>3,325,532</b>	<b>20,663</b>	<b>3,346,195</b>	<b>3,581,802</b>	<b>(235,607)</b>

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<b>5,205,182</b>	<b>110,776</b>	<b>5,315,958</b>	<b>5,505,299</b>	<b>(189,341)</b>
<b>CAPITAL OUTLAY</b>					
<b>Equipment:</b>					
Grades 1-5		4,990	4,990	4,990	
Undist.Expend.-Support Serv. - General Admin.		8,552	8,552	8,552	
<b>Total Equipment</b>		<b>13,542</b>	<b>13,542</b>	<b>13,542</b>	
<b>Facilities Acquisition and Construction Serv.:</b>					
Legal Services		8,265	8,265	8,264	1
Purchased Professional Services		85,165	85,165	70,015	15,150
Construction Services	90,000	(5,318)	84,682		84,682
Assessment for Debt Service on SDA Funding	770		770	770	
<b>Total Facilities Acquisition and Construction Serv.</b>	<b>90,770</b>	<b>88,112</b>	<b>178,882</b>	<b>79,049</b>	<b>99,833</b>
<b>TOTAL CAPITAL OUTLAY</b>	<b>90,770</b>	<b>101,654</b>	<b>192,424</b>	<b>92,591</b>	<b>99,833</b>
Transfer of Funds to Charter Schools	44,121		44,121	44,121	
<b>TOTAL EXPENDITURES</b>	<b>5,340,073</b>	<b>212,430</b>	<b>5,552,503</b>	<b>5,642,011</b>	<b>(89,508)</b>



FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(330,955)	(212,430)	(543,385)	(29,175)	514,210
<b>Other Financing Sources:</b>					
<b>Operating Transfer In/(Out):</b>					
Transfer from Capital Projects Fund				5	(5)
Transfer from Enterprise Fund - AM Program				8,623	(8,623)
<b>Total Other Financing Sources:</b>				8,628	(8,628)
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)</b>	(330,955)	(212,430)	(543,385)	(20,547)	505,582
<b>Fund Balance, July 1</b>	2,490,599		2,490,599	2,490,599	
<b>Fund Balance, June 30</b>	<u>\$ 2,159,644</u>	<u>\$ (212,430)</u>	<u>\$ 1,947,214</u>	<u>\$ 2,470,052</u>	<u>\$ 505,582</u>
<b>Recapitulation:</b>					
<b>Restricted for:</b>					
Capital Reserve				\$ 2,077,827	
Excess Surplus - Designated for Subsequent Year's Expenditures				2,904	
Excess Surplus				1,063	
<b>Assigned to:</b>					
Year-End Encumbrances				62,037	
Designated for Subsequent Year's Expenditures				71,926	
<b>Unassigned:</b>					
Unrestricted Fund Balance				254,295	
<b>Fund Balance per Governmental Funds(Budgetary Basis)</b>				2,470,052	
<b>Reconciliation to Governmental Funds Statement(GAAP Basis):</b>					
Last State Aid Payment not recognized on GAAP basis				(53,351)	
<b>Fund Balance per Governmental Funds(GAAP Basis)</b>				<u>\$ 2,416,701</u>	

FREDON TOWNSHIP SCHOOL DISTRICT  
**BUDGETARY COMPARISON SCHEDULE**  
**SPECIAL REVENUE FUND**

**Exhibit C-2**

For the Fiscal Year Ended June 30, 2018

	<b>Original Budget</b>	<b>Budget Transfers</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>REVENUES:</b>					
Federal Sources	\$ 72,973	\$ 183,735	\$ 256,708	\$ 187,383	\$ (69,325)
<b>Total Revenues</b>	<b>72,973</b>	<b>183,735</b>	<b>256,708</b>	<b>187,383</b>	<b>(69,325)</b>
<b>EXPENDITURES:</b>					
<b>Instruction</b>					
Purchased Prof. & Tech Services		33,076	33,076	23,276	9,800
Tuition	43,589	30,567	74,156	74,156	
General Supplies	2,014	147,462	149,476	89,951	59,525
<b>Total Instruction</b>	<b>45,603</b>	<b>211,105</b>	<b>256,708</b>	<b>187,383</b>	<b>69,325</b>
<b>Support Services</b>					
Other Purchased Services	27,370	(27,370)			
<b>Total Support Services</b>	<b>27,370</b>	<b>(27,370)</b>			
Total Expenditures	<b>72,973</b>	<b>183,735</b>	<b>256,708</b>	<b>187,383</b>	<b>69,325</b>
<b>Total Outflows</b>	<b>\$ 72,973</b>	<b>\$ 183,735</b>	<b>\$ 256,708</b>	<b>\$ 187,383</b>	<b>\$ 69,325</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)</b>					
<b>Fund Balance per Governmental Funds(Budgetary Basis)</b>				None	
<b>Reconciliation to Governmental Funds Statement(GAAP Basis):</b>					
Last State Aid Payment not recognized on GAAP basis					None
<b>Fund Balance per Governmental Funds(GAAP Basis)</b>				None	

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE**

For the Fiscal Year Ended June 30, 2018

**Explanation of Differences between Budgetary Inflows and Outflows and  
GAAP Revenues and Expenditures**

	General Fund	Special Revenue Fund
<b>Sources/Inflows of Resources</b>		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$ 5,612,836	\$ 187,383
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year Encumbrances	N/A	
Current Year Encumbrances	N/A	
Adjustment for: Prior year Final State Aid Payment excluded in State Source Revenues that is considered a revenue for GAAP reporting purposes	53,351	
Adjustment for: Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	<u>(53,351)</u>	<u>N/A</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	<u>\$ 5,612,836</u>	<u>\$ 187,383</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$ 5,642,011	\$ 187,383
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
Prior Year Encumbrances	N/A	
Current Year Encumbrances	N/A	
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	N/A	N/A
Net transfers (outflows) to general fund	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<u>\$ 5,642,011</u>	<u>\$ 187,383</u>



**Fredon School District  
Required Supplementary Information - Part III  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Last Ten Fiscal Years \***

**Exhibit L-3**

**Teachers' Pension and Annuity Fund (TPAF)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
District's proportion of the net pension liability (asset) **	N/A	N/A	N/A	N/A	N/A					
District's proportionate share of the net pension liability (asset) **	N/A	N/A	N/A	N/A	N/A					
State's proportionate share of the net pension liability (asset) associated with the District	\$ 12,176,611	\$ 13,508,244	\$ 12,436,112	\$ 10,026,439	\$ 10,770,506					
<b>Total</b>	<b>\$ 12,176,611</b>	<b>\$ 13,508,244</b>	<b>\$ 12,436,112</b>	<b>\$ 10,026,439</b>	<b>\$ 10,770,506</b>					
District's covered employee payroll	\$ 1,742,905	\$ 1,696,395	\$ 1,675,073	\$ 1,950,081	\$ 1,942,764					
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A	N/A					
Plan fiduciary net position as a percentage of the total pension liability	25.41%	22.33%	28.71%	33.64%	33.76%					

\*\* Note: TPAF is a special funding situation as defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible for contributions to the plan. Since the district (employer) does not contribute directly to the plan there is no net pension liability to report in the financial statements of the district.

**Public Employees' Retirement System (PERS)**

**Exhibit L-1**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
District's proportion of the net pension liability (asset)	0.005475321%	0.006167479%	0.004939098%	0.006771467%	0.008079317%					
District's proportionate share of the net pension liability (asset)	\$ 1,274,567	\$ 1,826,630	\$ 1,108,729	\$ 1,267,804	\$ 1,544,118					
District's covered employee payroll	\$ 415,976	\$ 391,178	\$ 638,676	\$ 692,770	\$ 902,207					
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	306.40%	466.96%	173.60%	183.01%	171.15%					
Plan fiduciary net position as a percentage of the total pension liability (Local)	58.18%	40.14%	52.08%	52.08%	48.72%					

\* - Until a full ten year trend is compiled, information will be presented for those years for which information is available.

**Fredon School District  
 Required Supplementary Information - Part III  
 Schedule of District Contributions  
 Last Ten Fiscal Years \***

**Exhibit L-2**

**Teachers' Pension and Annuity Fund (TPAF)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution **	N/A	N/A	N/A	N/A	N/A					
Contributions in relation to the contractually required contribution **	N/A	N/A	N/A	N/A	N/A					
Contribution deficiency (excess)	N/A	N/A	N/A	N/A	N/A					
District's covered employee payroll	\$ 1,742,905	\$ 1,696,395	\$ 1,675,073	\$ 1,950,081	\$ 1,942,764					
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A					

\*\* Note: TPAF is a special funding situation as defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible for contributions to the plan. The district (employer) does not contribute to the plan.

**Public Employees' Retirement System (PERS)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 51,344	\$ 55,079	\$ 42,463	\$ 55,823	\$ 60,876					
Contributions in relation to the contractually required contribution	(51,344)	(55,079)	(42,463)	(55,823)	(60,876)					
Contribution deficiency (excess)	-	-	-	-	-					
District's covered employee payroll	\$ 415,976	\$ 638,676	\$ 638,676	\$ 692,770	\$ 902,207					
Contributions as a percentage of covered-employee payroll	12.34%	8.62%	6.65%	8.06%	6.75%					

\* - Until a full ten year trend is compiled, information will be presented for those years for which information is available.

Fredon Township School District  
 Required Supplementary Information - Part III  
 Schedule of Changes in the State's Total OPEB Liability and Related Ratios  
 Last Ten Fiscal Years \*

Exhibit M-1

State Health Benefit Local Education Retired Employees Plan (TPAF and PERS)

<b>The State of New Jersey's Total OPEB Liability</b>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Service Cost	\$ 2,391,878,884	\$ 1,723,999,319								
Interest	1,699,441,736	1,823,643,792								
Benefit Payments	(1,242,412,566)	(1,223,298,019)								
Contributions from Members	45,748,749	46,273,747								
Changes of Assumptions or other inputs	<u>\$ (7,086,599,129)</u>	<u>8,611,513,521</u>								
<b>Net change in total OPEB liability</b>	<b>(4,191,942,326)</b>	<b>10,982,132,360</b>								
<b>Total OPEB Liability - Beginning</b>	<b><u>\$ 57,831,784,184</u></b>	<b><u>\$46,849,651,824</u></b>								
<b>Total OPEB Liability - Ending</b>	<b><u>\$ 53,639,841,858</u></b>	<b><u>\$57,831,784,184</u></b>								
<b>The State of New Jersey's total OPEB liability **</b>	<b>\$ 53,639,841,858</b>	<b>\$57,831,784,184</b>								
<b>The State of New Jersey's OPEB liability attributable to the District **</b>	<b>\$ 10,251,518</b>	<b>\$ 11,070,927</b>								
<b>The District's proportionate share of the total OPEB liability</b>	<b>Zero</b>	<b>Zero</b>								
<b>District's covered employee payroll</b>	<b>\$ 2,158,881</b>	<b>\$ 2,335,071</b>								
<b>Total District's OPEB liability as a percentage of its covered-employee payroll</b>	<b>0.00%</b>	<b>0.00%</b>								
<b>District's contribution</b>	<b>None</b>	<b>None</b>								
<b>State's covered employee payroll ***</b>	<b>\$ 13,493,400,208</b>	<b>\$13,493,400,208</b>								
<b>Total State's OPEB liability as a percentage of its covered-employee payroll</b>	<b>397.53%</b>	<b>428.59%</b>								

\*\* Note: Other Post Employment Benefits (OPEB) for employees of the Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS) is considered a special funding situation as defined by GASB Statement No. 75 in which the State of New Jersey is 100% responsible for contributions to the health insurance plan. The district (employer) does not contribute to the plan and the district's OPEB liability is zero.

\*\*\* Based on payroll on the June 30, 2016 census data

\* - Until a full ten year trend is compiled, information will be presented for those years for which information is available.

FREDON SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PART III  
Pension and OPEB Schedules

For the Fiscal Year Ended June 30, 2018

Teachers' Pension and Annuity Fund (TPAF)

**Pension Schedules**

*Changes of benefit terms.* The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

*Changes of assumptions.* Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

**OPEB Schedules**

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASBS No. 75.

*Changes of benefit terms.* There were no changes of benefit terms.

*Changes of assumptions.* Changes of assumptions and other inputs reflects a change in the discount rate from 2.85 percent in 2016 to 3.58 percent in 2017.

Public Employees' Retirement System (PERS)

**Pension Schedules**

*Changes of benefit terms.* The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

*Changes of assumptions.* Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 Based on Projection Scale AA.

**OPEB Schedules**

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASBS No. 75.

*Changes of benefit terms.* There were no changes of benefit terms.

*Changes of assumptions.* Changes of assumptions and other inputs reflects a change in the discount rate from 2.85 percent in 2016 to 3.58 percent in 2017.



**OTHER SUPPLEMENTARY INFORMATION**

**SPECIAL REVENUE FUND  
DETAIL STATEMENTS**

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit E-1

**SPECIAL REVENUE FUND**  
**COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS**

For the Fiscal Year Ended June 30, 2018

	<b>Title I</b>	<b>Title Iia</b>	<b>IDEA Basic</b>	<b>IDEA Pre-Sch</b>	<b>REAP</b>	<b>Totals</b>
<b>REVENUES</b>						
Federal Sources	\$ 44,271	\$ 22,681	\$ 74,156	\$ 5,764	\$ 40,511	\$ 187,383
<b>TOTAL REVENUES</b>	<b>44,271</b>	<b>22,681</b>	<b>74,156</b>	<b>5,764</b>	<b>40,511</b>	<b>187,383</b>
<b>EXPENDITURES:</b>						
<b>Instruction:</b>						
Purchased Prof. & Tech Services	595	22,681				23,276
Tuition			74,156			74,156
General Supplies	43,676			5,764	40,511	89,951
<b>Total Instruction</b>	<b>44,271</b>	<b>22,681</b>	<b>74,156</b>	<b>5,764</b>	<b>40,511</b>	<b>187,383</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 44,271</b>	<b>\$ 22,681</b>	<b>\$ 74,156</b>	<b>\$ 5,764</b>	<b>\$ 40,511</b>	<b>\$ 187,383</b>
<b>Total Outflows</b>	<b>\$ 44,271</b>	<b>\$ 22,681</b>	<b>\$ 74,156</b>	<b>\$ 5,764</b>	<b>\$ 40,511</b>	<b>\$ 187,383</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)</b>						

**CAPITAL PROJECTS FUND  
DETAIL STATEMENTS**

The Capital Projects Fund is used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by proprietary funds.

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit F-2

**CAPITAL PROJECTS FUND**  
**SUMMARY SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE-BUDGETARY BASIS**

For the Fiscal Year Ended June 30, 2018

**Revenues and Other Financing**

**Sources**

Transfer to General Fund	\$ (5)
Total Revenues	<u>(5)</u>
Excess(deficiency) of revenues over(under) expenditures	(5)
Fund Balance - Beginning	<u>\$ 5</u>
Fund Balance - Ending	<u><u>-</u></u>

**PROPRIETARY FUND  
DETAIL STATEMENTS**

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the district's board is that the costs of providing goods or services be financed through user charges.

**Food Services Fund** - This fund provides for the operation of food services in all schools within the school district.

**THIS SECTION HAS ALREADY BEEN INCLUDED IN STATEMENTS B-4, B-5 AND B-6.**

<p style="text-align: center;"><b>FIDUCIARY FUND DETAIL STATEMENTS</b></p>
--

Fiduciary Funds are used to account for funds received by the school district for a specific purpose.

Agency Funds are used to account for assets held by the school district as an agent for individuals, private organizations, other governments and/or other funds.

**Student Activity Fund** - This agency fund is used to account for student funds held at the schools.

**Payroll Fund** - This agency fund is used to account for the payroll transactions of the school

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit H-1

COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 June 30, 2018

	UNEMPLOYMENT COMPENSATION INSURANCE <u>TRUST</u>	<u>AGENCY FUNDS</u> STUDENT ACTIVITY	PAYROLL <u>AGENCY</u>	<u>TOTALS</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 97,572	\$ 7,475	\$ 46,261	\$ 151,308
Accounts Receivable	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 97,572</u>	<u>\$ 7,475</u>	<u>\$ 46,261</u>	<u>\$ 151,308</u>
<b>LIABILITIES:</b>				
Liabilities:				
Payable to Student Groups		\$ 7,475		\$ 7,475
Summer Pay			\$ 48,373	48,373
Accounts Payable			(8,140)	(8,140)
Intefunds Payable		-	<u>6,028</u>	<u>6,028</u>
<b>Total Liabilities</b>		<u>7,475</u>	<u>46,261</u>	<u>53,736</u>
<b>NET POSITION</b>				
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 97,572</u>			<u>97,572</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 97,572</u>	<u>\$ 7,475</u>	<u>\$ 46,261</u>	<u>\$ 151,308</u>



**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2018**

	<b>UNEMPLOYMENT COMPENSATION INSURANCE <u>TRUST</u></b>	<b><u>TOTALS</u></b>
<b>ADDITIONS</b>		
Contributions:		
Plan Member	\$ 5,882	\$ 5,882
Employer	<u>30,000</u>	<u>30,000</u>
Total Contributions	<u>35,882</u>	<u>35,882</u>
Investment Earnings:		
Interest	<u>172</u>	<u>172</u>
Net Investment Earnings	<u>172</u>	<u>172</u>
<b>Total Additions</b>	<b><u>36,054</u></b>	<b><u>36,054</u></b>
<b>DEDUCTIONS</b>		
Claims/Quarterly Contribution Reports	<u>-</u>	<u>-</u>
<b>Total Deductions</b>	<b><u>-</u></b>	<b><u>-</u></b>
Change in Net Position	36,054	36,054
Net Position—Beginning of the Year	<u>61,518</u>	<u>61,518</u>
<b>Net Position—End of the Year</b>	<b><u>\$ 97,572</u></b>	<b><u>\$ 97,572</u></b>

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit H-3

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
STUDENT ACTIVITY AGENCY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>ACTIVITY</u>	<u>BALANCE</u> <u>July 1, 2017</u>	<u>TRANSFERS</u>	<u>CASH</u> <u>RECEIPTS</u>	<u>CASH</u> <u>DISBURSEMENTS</u>	<u>BALANCE</u> <u>June 30, 2018</u>
Administrative Account	\$ (1,288)	\$ 6,896	\$ 40	\$ 7,796	\$ (2,148)
Beautification	(423)				(423)
Drama	117		756		873
Field Day	33				33
Materials Recess	2				2
Graduation	73				73
Preschool	34				34
Kindergarten Trips	1,537		578	1,200	915
First Grade Trips	1,126		564	518	1,172
Second Grade Trips	620		974	1,067	527
Third Grade Trips	1,381		975	813	1,543
Fourth Grade Trips	1,682		276	278	1,680
Fifth Grade Trips	1,666		564	540	1,690
Sixth Grade Trips	1,544		627	3,678	(1,507)
Music Band	281				281
ELP Account	309				309
Symphony Trip	(260)		433		173
Wash. DC Trip	1,109				1,109
Nutcracker Account	6,863	(6,863)			
Student Council	1,139				1,139
Interest		(33)	33		
<b>Total</b>	<b>\$ 17,545</b>	<b>-</b>	<b>\$ 5,820</b>	<b>\$ 15,890</b>	<b>\$ 7,475</b>

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit H-4

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
PAYROLL AGENCY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>BALANCE</u> <u>July 1, 2017</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>June 30, 2018</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 50,949	\$ 5,198,306	\$ 5,202,994	\$ 46,261
Accounts Receivable				-
<b>Total Assets</b>	<u>\$ 50,949</u>	<u>\$ 5,198,306</u>	<u>\$ 5,202,994</u>	<u>\$ 46,261</u>
<b>LIABILITIES:</b>				
Payroll Deductions and Withholdings		\$ 1,915,352	\$ 1,915,352	-
Accrued Salaries and Wages-Summer Pay Plan	\$ 50,675	3,276,926	3,279,228	\$ 48,373
Interfund Payable		6,028		6,028
Accounts Payable	274		8,414	(8,140)
<b>Total Liabilities</b>	<u>\$ 50,949</u>	<u>\$ 5,198,306</u>	<u>\$ 5,202,994</u>	<u>\$ 46,261</u>

## **LONG-TERM DEBT SCHEDULES**

The Long-Term Schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the school district. This includes serial bonds outstanding and obligations under capital leases.

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit I-1

**SCHEDULE OF SERIAL BONDS  
AS OF ENDED JUNE 30, 2018**

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>ANNUAL MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE July 1, 2017</u>	<u>RETIRED</u>	<u>BALANCE June 30, 2018</u>
			<u>DATE</u>	<u>AMOUNT</u>				
2008 Series School Bonds - Construction of Additions, Renovations, and Alterations for Fredon Township School	6/3/08	\$ 5,000,000	7/15/18	\$ 180,000	4.125%	\$ 350,000	\$ 170,000	\$ 180,000
2017 Series School Bonds- Refunding 2008 School Bonds	9/29/16	4,165,000	7/15/18	40,000	2.000%	4,115,000	40,000	4,075,000
			7/15/19	230,000	2.000%			
			7/15/20	230,000	2.000%			
			7/15/21	235,000	1.750%			
			7/15/22	240,000	1.750%			
			7/15/23	245,000	2.000%			
			7/15/24	250,000	2.000%			
			7/15/25	255,000	2.000%			
			7/15/26	260,000	2.000%			
			7/15/27	270,000	3.000%			
			7/15/28	280,000	3.000%			
			7/15/29	290,000	3.000%			
			7/15/30	295,000	3.125%			
			7/15/31	305,000	3.125%			
			7/15/32	320,000	3.250%			
			7/15/33	330,000	3.250%			
<b>Total</b>						<b>4,465,000</b>	<b>\$ 210,000</b>	<b>\$ 4,255,000</b>

FREDON TOWNSHIP SCHOOL DISTRICT  
**BUDGETARY COMPARISON SCHEDULE**  
**DEBT SERVICE FUND**

Exhibit I-3

For the Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Positive/ (Negative) Final to Actual</b>
<b>REVENUES:</b>					
Local Sources:					
Tax Levy	\$ 252,152		\$ 252,152	\$ 252,152	
Total - Local Sources	<u>252,152</u>	-	<u>252,152</u>	<u>252,152</u>	-
State Sources:					
Debt Service Aid Type II	72,766		72,766	72,766	
Total - State Sources	<u>72,766</u>		<u>72,766</u>	<u>72,766</u>	
<b>TOTAL REVENUES</b>	<b><u>324,918</u></b>	-	<b><u>324,918</u></b>	<b><u>324,918</u></b>	-
<b>EXPENDITURES:</b>					
Regular Debt Service:					
Interest	114,919		114,919	114,919	
Redemption of Principal	210,000		210,000	210,000	
Total Regular Debt Service	<u>324,919</u>		<u>324,919</u>	<u>324,919</u>	
<b>TOTAL EXPENDITURES</b>	<b><u>324,919</u></b>		<b><u>324,919</u></b>	<b><u>324,919</u></b>	
Excess (Deficiency) of Revenues Over Expenditures	(1)	-	(1)	(1)	
Fund Balance, July 1	\$ 18,730		\$ 18,730	\$ 18,730	
Fund Balance, June 30	<u>\$ 18,729</u>	-	<u>\$ 18,729</u>	<u>\$ 18,729</u>	-
<b>Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures</b>					
Budgeted Fund Balance					-

Fredon Township School District  
**Statistical Section**

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends (J-1 thru J-5)</b> These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	97-102
<b>Revenue Capacity (J-6 thru J-9)</b> These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	103-106
<b>Debt Capacity (J-10 thru J-13)</b> 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.	107-110
<b>Demographic and Economic Information (J-14 and J-15)</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	111-112
<b>Operating Information (J-16 thru J-20)</b> These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	113-117

**Sources:**

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The district implemented GASB Statement 34 in the fiscal year ending June 30, 2004; schedules presenting district-wide information include information beginning in that year.

**Fredon Township School District**  
**Net Position by Component,**  
**Last Ten Fiscal Years**  
*(accrual basis of accounting)*

**Exhibit J-1**

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ (2,813,812)	\$ 98,632	\$ 134,750	\$ 405,174	\$ 335,985	\$ 302,505	\$ 281,790	\$ 258,541	\$ (71,042)	\$ (33,540)
Restricted	3,665,458	406,199	155,842	121,103	166,255	226,402	568,709	1,355,826	2,127,459	2,100,523
Unrestricted	34,268	172,221	157,782	66,362	64,872	78,626	(1,488,985)	(1,380,467)	(1,268,188)	(1,208,926)
<b>Total governmental activities net position</b>	<u>\$ 885,914</u>	<u>\$ 677,052</u>	<u>\$ 448,374</u>	<u>\$ 592,639</u>	<u>\$ 567,112</u>	<u>\$ 607,533</u>	<u>\$ (638,486)</u>	<u>\$ 233,900</u>	<u>\$ 788,229</u>	<u>\$ 858,057</u>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt										
Restricted										
Unrestricted	28,292	28,726	26,840	23,137	24,462	18,593	12,766	11,629	16,048	7,264
<b>Total business-type activities net position</b>	<u>\$ 28,292</u>	<u>\$ 28,726</u>	<u>\$ 26,840</u>	<u>\$ 23,137</u>	<u>\$ 24,462</u>	<u>\$ 18,593</u>	<u>\$ 12,766</u>	<u>\$ 11,629</u>	<u>\$ 16,048</u>	<u>\$ 7,264</u>
<b>District-wide</b>										
Invested in capital assets, net of related debt	\$ 98,632	\$ 134,750	\$ 405,174	\$ 335,985	\$ 302,505	\$ 302,505	\$ 281,790	\$ 258,541	\$ (71,042)	\$ (33,540)
Restricted	406,199	155,842	121,103	166,255	226,402	226,402	568,709	1,355,826	2,127,459	2,100,523
Unrestricted	200,947	184,622	89,499	89,334	97,219	97,219	(1,476,219)	(1,368,838)	(1,252,140)	(1,201,662)
<b>Total district net position</b>	<u>\$ 705,778</u>	<u>\$ 475,214</u>	<u>\$ 615,776</u>	<u>\$ 591,574</u>	<u>\$ 626,126</u>	<u>\$ 626,126</u>	<u>\$ (625,720)</u>	<u>\$ 245,529</u>	<u>\$ 804,277</u>	<u>\$ 865,321</u>

Source: CAFR Schedule A-1



**Fredon Township School District**  
**Changes in Net Position, Last Ten Fiscal Years**  
*(accrual basis of accounting)*

**Exhibit J-2**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
Governmental activities										
Instruction										
Regular	\$ 2,182,779	\$ 2,309,187	\$ 2,377,617	\$ 2,216,047	\$ 2,520,020	\$ 2,226,475	\$ 2,571,376	\$ 2,296,540	\$ 2,491,320	\$ 3,149,465
Special education	136,930	191,555	276,557	291,839	290,364	306,357	308,956	318,778	332,725	298,033
Other special education	162,036	169,226	205,841	216,631	209,149	273,836	222,644	246,445	249,524	200,857
Support Services:										
Tuition	254,072	171,328	212,696	169,583	85,075	140,134	114,849	89,706	31,907	37,510
Student & instruction related services	749,214	819,984	747,397	729,172	718,968	921,016	774,901	842,836	924,371	1,167,017
General administrative services	553,370	601,515	523,531	528,195	519,108	488,227	604,271	525,889	619,013	669,537
School administrative services	91,205	91,592	107,352	111,860	113,411	160,925	153,915	113,042	173,521	153,719
Business administrative services	-	-	-	-	-	-	-	-	-	-
Plant operations and maintenance	406,975	464,351	505,543	479,796	555,516	534,314	724,372	668,616	701,000	1,018,560
Pupil transportation	447,814	399,667	334,287	333,310	270,514	324,490	285,884	293,174	307,023	314,191
Interest Expense	208,846	209,861	207,884	205,427	203,129	199,047	193,934	187,591	342,448	112,109
Unallocated depreciation	12,408	15,761	18,503	19,152	20,118	21,167	22,167	22,278	18,333	18,604
Total governmental activities expenses	<u>5,205,649</u>	<u>5,444,027</u>	<u>5,517,208</u>	<u>5,301,012</u>	<u>5,505,372</u>	<u>5,595,988</u>	<u>5,977,269</u>	<u>5,604,895</u>	<u>6,191,185</u>	<u>7,139,602</u>
Business-type activities:										
Food service	94,513	95,382	87,995	87,663	82,485	79,306	75,385	80,015	73,297	80,144
AM Program	3,624	3,129	3,306	4,320	1,810	1,800	2,000	2,850	29,216	813
Total business-type activities expense	<u>98,137</u>	<u>98,511</u>	<u>91,301</u>	<u>91,983</u>	<u>84,295</u>	<u>81,106</u>	<u>77,385</u>	<u>82,865</u>	<u>102,513</u>	<u>80,957</u>
Total district expenses	<u>\$ 5,303,786</u>	<u>\$ 5,542,538</u>	<u>\$ 5,608,509</u>	<u>\$ 5,392,995</u>	<u>\$ 5,589,667</u>	<u>\$ 5,677,094</u>	<u>\$ 6,054,654</u>	<u>\$ 5,687,760</u>	<u>\$ 6,293,698</u>	<u>\$ 7,220,559</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Tuition									\$ 25,437	\$ 50,244
Operating grants and contributions	\$ 1,085,254	\$ 1,125,012	\$ 963,792	\$ 1,055,785	\$ 1,020,757	\$ 1,079,723	\$ 1,556,894	\$ 1,706,727	1,991,903	2,428,120
Capital grants and contributions										
Total governmental activities program revenues	<u>1,085,254</u>	<u>1,125,012</u>	<u>963,792</u>	<u>1,055,785</u>	<u>1,020,757</u>	<u>1,079,723</u>	<u>1,079,723</u>	<u>1,706,727</u>	<u>2,017,340</u>	<u>2,478,364</u>
Business-type activities:										
Charges for services										
Food service	68,269	64,475	58,151	51,393	47,678	42,569	47,993	51,767	48,331	50,822
AM Program	3,178	3,129	3,306	4,422	2,249	1,361	2,000	8,734	32,767	1
Operating grants and contributions	21,326	26,720	24,159	23,242	30,029	27,705	20,559	21,206	20,978	24,062
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business type activities program revenues	<u>92,773</u>	<u>94,324</u>	<u>85,616</u>	<u>79,057</u>	<u>79,956</u>	<u>71,635</u>	<u>70,552</u>	<u>81,707</u>	<u>102,076</u>	<u>74,885</u>
Total district program revenues	<u>\$ 1,178,027</u>	<u>\$ 1,219,336</u>	<u>\$ 1,049,408</u>	<u>\$ 1,134,842</u>	<u>\$ 1,100,713</u>	<u># \$ 1,151,358</u>	<u>\$ 1,150,275</u>	<u>\$ 1,788,434</u>	<u>\$ 2,119,416</u>	<u>\$ 2,553,249</u>

(cont'd)

**Fredon Township School District**  
**Changes in Net Position, Last Ten Fiscal Years**  
*(accrual basis of accounting)*

**Exhibit J-2**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (4,319,015)	\$ (4,553,416)	\$ (4,245,227)	\$ (4,484,615)	\$ (4,484,615)	\$ (4,516,265)	\$ (4,420,375)	\$ (3,898,168)	\$ (4,173,845)	\$ (4,661,238)
Business-type activities	(4,187)	(5,685)	(12,926)	(4,339)	(4,339)	(9,471)	(6,833)	(1,158)	(437)	(6,072)
Total district-wide net expense	<u>\$ (4,323,202)</u>	<u>\$ (4,559,101)</u>	<u>\$ (4,258,153)</u>	<u>\$ (4,488,954)</u>	<u>\$ (4,488,954)</u>	# <u>\$ (4,525,736)</u>	<u>\$ (4,427,208)</u>	<u>\$ (3,899,326)</u>	<u>\$ (4,174,282)</u>	<u>\$ (4,667,310)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 4,061,965	\$ 4,183,762	\$ 4,098,800	\$ 4,180,776	\$ 4,238,465	\$ 4,323,165	\$ 4,409,628	\$ 4,497,000	\$ 4,582,279	\$ 4,444,811
Property taxes levied for debt service, net		55,000	199,881	205,851	215,285	231,804	247,526	266,234	268,860	252,152
Federal and State Aid for Capital Assets Projects	-	-	-	-	-	-	-	-	-	-
Investment earnings	37,828	12,771	1,059	1,761	1,451	1,506	1,996	2,656	4,382	4,099
Miscellaneous income	41,144	32,202	24,998	1,104	3,785	211	3,472	4,664	25,905	21,381
Transfers	-	-	-	-	-	-	-	-	-	-
Total governmental activities	<u>4,140,937</u>	<u>4,283,735</u>	<u>4,324,738</u>	<u>4,389,492</u>	<u>4,458,986</u>	<u>4,556,686</u>	<u>4,662,622</u>	<u>4,770,554</u>	<u>4,881,426</u>	<u>4,722,443</u>
Business-type activities:										
Investment earnings	661	4,164	3,342	8,766	5,309	3,602	1,006	21	10	10
Miscellaneous income	457	457	457	457	457	-	-	-	4,846	5,901
Transfers	-	-	-	-	-	-	-	-	-	-
Total business-type activities	<u>1,118</u>	<u>4,621</u>	<u>3,799</u>	<u>9,223</u>	<u>5,766</u>	<u>3,602</u>	<u>1,006</u>	<u>21</u>	<u>4,856</u>	<u>5,911</u>
Total district-wide	<u>\$ 4,142,055</u>	<u>\$ 4,288,356</u>	<u>\$ 4,328,537</u>	<u>\$ 4,398,715</u>	<u>\$ 4,464,752</u>	# <u>\$ 4,560,288</u>	<u>\$ 4,663,628</u>	<u>\$ 4,770,575</u>	<u>\$ 4,886,282</u>	<u>\$ 4,728,354</u>
<b>Change in Net Position</b>										
Governmental activities	\$ (269,681)	\$ 79,511	\$ (95,123)	\$ (25,629)	\$ 40,421	\$ 40,421	\$ 242,247	\$ 872,386	\$ 707,581	\$ 61,205
Business-type activities	(1,064)	(9,127)	4,884	1,427	(5,869)	(5,869)	(5,827)	(1,137)	4,419	(161)
Total district	<u>\$ (270,745)</u>	<u>\$ 70,384</u>	<u>\$ (90,239)</u>	<u>\$ (24,202)</u>	<u>\$ 34,552</u>	# <u>\$ 34,552</u>	<u>\$ 236,420</u>	<u>\$ 871,249</u>	<u>\$ 712,000</u>	<u>\$ 61,044</u>

Source: CAFR Schedule A-2

**Fredon Township School District  
Fund Balances, Governmental Funds,  
Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

**Exhibit J-3**

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 284,600	\$ 347,467	\$ 159,392	\$ 131,948	\$ 226,560	\$ 306,289	\$ 572,715	\$ 1,360,569	\$ 2,238,673	\$ 2,215,757
Unreserved	179,617	183,043	258,857	247,029	222,934	211,105	182,659	202,501	198,575	200,944
Total general fund	<u>\$ 464,217</u>	<u>\$ 530,510</u>	<u>\$ 418,249</u>	<u>\$ 378,977</u>	<u>\$ 449,494</u>	<u>\$ 517,394</u>	<u>\$ 755,374</u>	<u>\$ 1,563,070</u>	<u>\$ 2,437,248</u>	<u>\$ 2,416,701</u>
All Other Governmental Funds										
Reserved	\$ 3,000,784	\$ 4,260	\$ 82,250	\$ 50,000	\$ 50,000	-	-	-	-	-
Unreserved, reported in:										
Capital projects fund	448,367	272,527	48,304	(12,019)	(11,941)	\$ 38,135	\$ 38,211	\$ 5	\$ 5	
Debt service fund		1	1	1	1	1	1	1	18,730	\$ 18,729
Total all other governmental funds	<u>\$ 3,449,151</u>	<u>\$ 276,788</u>	<u>\$ 130,555</u>	<u>\$ 37,982</u>	<u>\$ 38,060</u>	<u>\$ 38,136</u>	<u>\$ 38,212</u>	<u>\$ 6</u>	<u>\$ 18,735</u>	<u>\$ 18,729</u>

Source: CAFR Schedule B-1

**Fredon Township School District  
Changes in Fund Balances, Governmental Funds,  
Last Ten Fiscal Years**

**Exhibit J-4**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Revenues</b>										
Tax levy	\$ 4,061,965	\$ 4,238,762	\$ 4,298,681	\$ 4,386,627	\$ 4,453,750	\$ 4,554,969	\$ 4,657,154	\$ 4,763,234	\$ 4,851,139	\$ 4,696,963
Tuition charges	-	-	-	-	-	-	-	-	25,437	50,244
Interest earnings	38	287	1,059	1,761	1,451	1,506	1,996	2,656	4,382	4,099
Miscellaneous	78,934	44,686	24,998	1,104	3,785	211	3,472	4,664	25,905	21,381
State sources	954,123	909,805	806,873	913,866	1,045,594	964,013	1,010,828	1,040,008	1,111,890	1,165,067
Federal sources	131,131	215,207	156,919	141,919	114,550	115,710	112,925	44,865	68,628	187,383
<b>Total revenue</b>	<b>5,226,191</b>	<b>5,408,747</b>	<b>5,288,530</b>	<b>5,445,277</b>	<b>5,619,130</b>	<b>5,636,409</b>	<b>5,786,375</b>	<b>5,855,427</b>	<b>6,087,381</b>	<b>6,125,137</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular Instruction	1,640,602	1,648,832	1,538,433	1,514,204	1,743,027	1,537,398	1,570,885	1,305,306	1,353,919	1,799,334
Special education instruction	109,924	152,435	216,898	222,111	226,093	237,754	212,716	209,019	202,857	186,115
Other special instruction	130,078	134,666	161,437	164,872	162,855	212,516	153,290	161,591	152,131	125,431
<b>Support Services:</b>										
Tuition	254,072	171,328	212,696	169,583	85,075	140,134	114,849	89,706	31,907	37,510
Student & instruction related services	601,449	652,524	586,168	554,953	559,828	714,772	533,518	552,637	563,574	728,776
General administrative services										
School Administrative services	73,217	72,887	84,194	85,134	88,308	124,889	105,970	74,120	105,793	95,994
Business administrative services	444,231	478,672	410,595	401,995	404,206	378,898	416,040	344,819	377,402	339,832
Plant operations and maintenance	326,709	369,520	396,487	365,160	398,792	412,575	498,729	390,023	426,797	636,068
Pupil transportation	447,814	399,667	334,287	333,310	270,514	324,490	285,884	293,174	307,023	314,191
Unallocated employee benefits	826,169	886,701	972,258	1,060,617	1,162,265	1,051,549	1,177,782	1,176,204	1,277,282	1,429,431
<b>Special Revenue</b>										
Charter Schools	8,928	47,172	43,836	36,675	39,239	52,242	81,403	50,901	14,707	44,121
Capital outlay	1,777,645	3,290,552	330,905	401,945	129,660	81,048	76,726	93,685	38,361	92,591
Debt service	121,253	209,861	258,830	266,561	278,777	300,168	320,527	344,752	342,721	324,919
<b>Total expenditures</b>	<b>6,762,091</b>	<b>8,514,817</b>	<b>5,547,024</b>	<b>5,577,120</b>	<b>5,548,639</b>	<b>5,568,433</b>	<b>5,548,319</b>	<b>5,085,937</b>	<b>5,194,474</b>	<b>6,154,313</b>
Excess (Deficiency) of revenues over (under) expenditures	(3,106,070)	(258,494)	(131,843)	70,491	70,491	67,976	238,056	769,490	892,907	(29,176)
<b>Other Financing Sources (uses)</b>										
Transfers in	63,714	98,626	-	-	-	-	-	-	-	8,623
Transfers out	(63,714)	(98,626)	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,623</b>
<b>Net change in fund balances</b>	<b>\$ (3,106,070)</b>	<b>\$ (258,494)</b>	<b>\$ (131,843)</b>	<b>\$ 70,491</b>	<b>\$ 70,491</b>	<b>\$ 67,976</b>	<b>\$ 238,056</b>	<b>\$ 769,490</b>	<b>\$ 892,907</b>	<b>\$ (20,553)</b>
Debt service as a percentage of noncapital expenditures	2.4%	4.0%	5.0%	5.2%	5.1%	5.5%	5.9%	6.9%	6.6%	5.4%

Source: CAFR Schedule B-2

FREDON TOWNSHIP SCHOOL DISTRICT  
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE  
LAST TEN FISCAL YEARS  
UNAUDITED

Exhibit J-5

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Refund</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Interest on</u> <u>Cap.Reserve</u> <u>Funds</u>	<u>Tuition</u>	<u>Miscellaneous</u>	<u>Total</u>
2009	\$ 1,391	\$ 8,113	\$ 38	\$ 12,888	\$ 20,193	\$ 42,623
2010	1,398	23,205	287	6,412	2,584	33,886
2011	1,059	-	-	24,702	10	25,771
2012	1,563			-	1,104	2,667
2013	1,375	3,709	76	-	102	5,262
2014	1,430	211				1,641
2015	1,861	68	59		3,404	5,392
2016	2,612	4,010		6,100	-	12,722
2017	4,352	12,008	30	25,437	599	42,426
2018	4,099	12,803	2,442	50,244	6,136	75,724

SOURCE: District Records

**Fredon Township School District  
Assessed Value and Actual Value of Taxable Property,  
Last Ten Fiscal Years**

**Exhibit J-6**

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax-Exempt Property	Public Utilities <b>a</b>	Net Valuation Taxable	Total Direct School Tax Rate <b>b</b>	Estimated Actual (County Equalized Value)
2009	\$9,779,500	\$458,629,100	\$59,564,800	\$1,945,400	\$22,934,800	\$7,028,300	-	\$587,307,097	\$26,459,000	\$966,197	\$560,848,097	\$0.742	\$558,965,857
2010	9,719,800	455,995,100	61,120,500	2,291,500	22,934,800	7,002,600	-	586,290,717	26,479,500	746,917	559,811,217	0.765	556,324,174
2011	9,559,600	454,453,300	61,934,100	1,982,200	23,068,200	7,002,600	-	584,731,465	26,487,100	244,365	558,244,365	0.781	531,329,855
2012	9,533,400	452,433,840	61,856,300	1,989,000	22,996,700	6,477,600	-	581,460,781	25,899,300	274,641	555,561,481	0.990	495,256,704
2013	6,625,800	361,504,600	49,443,000	1,951,900	20,661,700	6,092,300	-	471,060,673	24,485,600	295,773	446,575,073	1.020	468,903,446
2014	6,625,800	361,504,600	49,443,000	1,951,900	20,661,700	6,092,300	-	471,060,673	24,485,600	295,773	446,575,073	1.044	468,903,446
2015	6,664,400	356,619,800	52,873,500	1,947,100	16,768,600	5,900,500	-	465,758,262	24,660,500	323,862	441,097,762	1.074	450,932,164
2016	6,312,700	354,237,400	53,697,600	1,942,600	16,093,500	5,900,500	-	466,466,973	27,891,200	391,473	438,575,773	1.101	440,346,934
2017	6,312,700	354,237,400	53,697,600	1,942,600	16,093,500	5,900,500	-	466,466,973	27,891,200	391,473	438,575,773	1.101	440,346,934
2018	6,009,500	351,706,200	54,666,700	1,700,200	15,671,800	5,336,300	-	464,271,897	28,714,100	467,097	435,557,797	1.096	427,779,556

Source: District records Tax list summary & Municipal Tax Assessor

**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

**Fredon Township School District  
Direct and Overlapping Property Tax Rates  
Last Ten Fiscal Years**

**Exhibit J-7**

*(rate per \$100 of assessed value)*

Fiscal Year Ended June 30,	Fredon Township Board of Education			Overlapping Rat			Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct	Regional High School District	Fredon Township	Sussex County	
2009	\$0.712	\$0.000	\$0.712	\$0.483	\$0.253	\$0.385	\$1.833
2010	\$0.732	\$0.010	\$0.742	\$0.504	\$0.265	\$0.379	\$1.890
2011	\$0.729	\$0.036	\$0.765	\$0.524	\$0.272	\$0.384	\$1.945
2012	\$0.744	\$0.037	\$0.781	\$0.543	\$0.284	\$0.387	\$1.995
2013	\$0.942	\$0.048	\$0.990	\$0.705	\$0.365	\$0.486	\$2.546
2014	\$0.968	\$0.052	\$1.020	\$0.749	\$0.379	\$0.555	\$2.703
2015	\$0.988	\$0.056	\$1.044	\$0.774	\$0.383	\$0.534	\$2.735
2016	\$1.013	\$0.061	\$1.074	\$0.802	\$0.390	\$0.517	\$2.783
2017	\$1.036	\$0.065	\$1.101	\$0.832	\$0.400	\$0.541	\$2.874
2018	\$1.038	\$0.058	\$1.096	\$0.833	\$0.409	\$0.561	\$2.899

Source: District Records and Municipal Tax Collector

**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 calculated as follows: the prebudget year net budget increased by the cost of living or 2.5 percent, whichever is greater, plus any spending growth adjustments.

**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.

**Fredon Township School District  
Principal Property Tax Payers,  
Current Year and Nine Years Ago**

**Exhibit J-8**

Taxpayer	2017			2002		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Individual Taxpayer #1	\$ 4,748,800	1	1.09%	\$ 744,500	5	0.39%
Mira Plastics	1,784,600	2	0.41%	1,485,500	1	0.77%
Individual Taxpayer #2	1,410,200	3	0.32%	740,100	6	0.38%
Amlo Enterprises	1,098,800	4	0.25%	1,098,000	3	0.57%
Individual Taxpayer #3	1,062,800	5	0.24%	633,200	8	0.33%
Individual Taxpayer #4	953,100	6	0.22%	580,400	9	0.30%
Individual Taxpayer #5	910,000	7	0.21%	572,900	10	0.30%
Individual Taxpayer #6	774,000	8	0.18%			
Individual Taxpayer #7	726,200	9	0.17%			
RPM Homes, LLC	711,400	10	0.16%			
United Telephone of New Jersey				1,186,649	2	0.61%
Schneider and Marguard				773,100	4	0.40%
Model Craftsman				666,700	7	0.34%
<b>Total</b>	<b>\$ 14,179,900</b>		<b>3.26%</b>	<b>\$ 8,481,049</b>		<b>4.39%</b>

Source: District CAFR & Municipal Tax Assessor



**Fredon Township School District  
Property Tax Levies and Collections,  
Last Ten Fiscal Years**

**Exhibit J-9**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2009	\$4,061,965	\$4,061,965	100.00%	-
2010	\$4,238,762	\$4,238,762	100.00%	-
2011	\$4,298,681	\$4,298,681	100.00%	-
2012	\$4,386,627	\$4,386,627	100.00%	-
2013	\$4,453,750	\$4,453,750	100.00%	-
2014	\$4,554,969	\$4,554,969	100.00%	-
2015	\$4,657,154	\$4,657,154	100.00%	-
2016	\$4,763,234	\$4,763,234	100.00%	-
2017	\$4,851,139	\$4,851,139	100.00%	-
2018	\$4,696,963	\$4,696,963	100.00%	-

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

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

**Fredon Township School District  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years**

**Exhibit J-10**

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds <sup>b</sup>	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2009	\$ 5,000,000	-0-	-0-	-0-	-0-	\$ 5,000,000	3.25%	\$ 1,497
2010	\$ 5,000,000	-0-	-0-	-0-	-0-	\$ 5,000,000	3.22%	\$ 1,502
2011	\$ 4,950,000	-0-	-0-	-0-	-0-	\$ 4,950,000	3.01%	\$ 1,458
2012	\$ 4,890,000	-0-	-0-	-0-	-0-	\$ 4,890,000	2.89%	\$ 1,449
2013	\$ 4,815,000	-0-	-0-	-0-	-0-	\$ 4,815,000	2.85%	\$ 1,439
2014	\$ 4,715,000	-0-	-0-	-0-	-0-	\$ 4,715,000	2.69%	\$ 1,422
2015	\$ 4,590,000	-0-	-0-	-0-	-0-	\$ 4,590,000	2.63%	\$ 1,395
2016	\$ 4,435,000	-0-	-0-	-0-	-0-	\$ 4,435,000	2.58%	\$ 1,363
2017	\$ 4,465,000	-0-	-0-	-0-	-0-	\$ 4,465,000	2.47%	\$ 1,390
2018	\$ 4,255,000	-0-	-0-	-0-	-0-	\$ 4,255,000	2.36%	\$ 1,324

Source: District CAFR Schedules I-1, I-2

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

- a** See Exhibit NJ J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.
- b** Includes Early Retirement Incentive Plan (ERIP) refunding

**Fredon Township School District  
Ratios of Net General Bonded Debt Outstanding  
Last Ten Fiscal Years**

**Exhibit J-11**

<u>General Bonded Debt Outstanding</u>					
Fiscal Year Ended June 30,	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
2009	\$ 5,000,000	-0-	\$ 5,000,000	0.9%	\$ 1,497
2010	\$ 5,000,000	-0-	\$ 5,000,000	0.9%	\$ 1,502
2011	\$ 4,950,000	-0-	\$ 4,950,000	0.9%	\$ 1,458
2012	\$ 4,890,000	-0-	\$ 4,890,000	0.9%	\$ 1,449
2013	\$ 4,815,000	-0-	\$ 4,815,000	1.1%	\$ 1,439
2014	\$ 4,715,000	-0-	\$ 4,715,000	1.1%	\$ 1,422
2015	\$ 4,590,000	-0-	\$ 4,590,000	1.0%	\$ 1,395
2016	\$ 4,435,000	-0-	\$ 4,435,000	1.0%	\$ 1,363
2017	\$ 4,465,000	-0-	\$ 4,465,000	1.0%	\$ 1,390
2018	\$ 4,255,000	-0-	\$ 4,255,000	1.0%	\$ 1,324

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

**a** See Exhibit NJ J-6 for property tax data.

**b** Population data can be found in Exhibit NJ J-14.

R Revised

\* Current data unavailable

**Fredon Township School District  
Ratios of Overlapping Governmental Activities Debt  
As of June 30, 2018**

**Exhibit J-12**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
Fredon Township	\$ 600,000	100.000%	\$ 600,000
<b>Other debt</b>			
Sussex County	108,606,061	2.152%	<u>2,337,290</u>
Subtotal, overlapping debt			2,937,290
<b>Fredon Township School District Direct Debt</b>			<u>4,255,000</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 7,192,290</u></u>

**Sources:** Fredon Township Finance Officer, Sussex County Finance Office and Utility Authorities

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

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

**Fredon Township School District  
Legal Debt Margin Information,  
Last Ten Fiscal Years**

**Exhibit J-13**

**Legal Debt Margin Calculation for Fiscal Year 2018**

	Equalized valuation basis
	2015 427,830,795
	2016 428,157,476
	2017 432,710,791
	[A] \$ <u>1,288,699,062</u>
Average equalized valuation of taxable property	[A/3] \$ 429,566,354
Debt limit (2.5 % of average equalization value)	[B] 10,739,159
Net bonded school debt	[C] 4,255,000
Legal debt margin	[B-C] \$ <u>6,484,159</u>

	Fiscal Year									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Debt limit	\$13,401,252	\$13,634,207	\$13,169,301	\$12,639,229	\$12,204,651	\$11,823,583	\$11,410,046	\$10,991,378	\$10,810,028	\$10,739,159
Total net debt applicable to limit	<u>5,000,000</u>	<u>5,000,000</u>	<u>4,950,000</u>	<u>4,890,000</u>	<u>4,815,000</u>	<u>4,715,000</u>	<u>4,590,000</u>	<u>4,435,000</u>	<u>4,465,000</u>	<u>4,255,000</u>
Legal debt margin	<u>\$8,401,252</u>	<u>\$8,634,207</u>	<u>\$8,219,301</u>	<u>\$7,749,229</u>	<u>\$7,389,651</u>	<u>\$7,108,583</u>	<u>\$6,820,046</u>	<u>\$6,556,378</u>	<u>\$6,345,028</u>	<u>\$6,484,159</u>
Total net debt applicable to the limit as a percentage of debt limit	37.31%	36.67%	37.59%	38.69%	39.45%	39.88%	40.23%	40.35%	41.30%	39.62%

Source: Abstract of Ratables and District Records CAFR Schedule J-7

a Limit set by NJSA 18A:24-19 for a K through 6 district; other % limits would be applicable for other districts

**Fredon Township School District  
Demographic and Economic Statistics  
Last Ten Fiscal Years**

**Exhibit J-14**

<u>Year</u>	<u>Population <sup>a</sup></u>	<u>Personal Income (thousands of dollars) <sup>b</sup></u>	<u>Per Capita Personal Income <sup>c</sup></u>	<u>Unemployment Rate <sup>d</sup></u>
2009	3,330	\$153,756,161	\$46,651 R	3.4%
2010	3,380	\$155,374,470	\$47,230 R	3.6%
2011	3,360	\$164,607,516	\$48,958 R	3.5%
2012	3,330	\$169,320,375	\$50,597 R	3.5%
2013	3,297	\$169,086,764	\$51,132 R	4.1%
2014	3,271	\$175,201,065	\$53,138 R	4.9%
2015	3,230	\$182,640,627	\$54,998 R	4.1%
2016	3,208	\$180,587,238	\$56,183 *	4.5%
2017	3,196	\$178,311,861	\$56,183 *	4.3%
2018	3,213	\$180,515,979	\$56,183 *	*

**Source:**

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development

<sup>b</sup> Per Capita information provided by U.S. Dept of Commerce.

<sup>c</sup> Per Capita information provided by U.S. Dept of Commerce.

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

R Revised

P Projected

\* Current data unavailable

**Fredon Township School District  
Principal Employers,  
Current Year and Nine Years Ago**

**Exhibit J-15**

<b>Employer</b>	<b>2018</b>			<b>2009</b>		
	<b>Employees</b>	<b>Rank (Optional)</b>	<b>Percentage of Total Employment</b>	<b>Employees</b>	<b>Rank (Optional)</b>	<b>Percentage of Total Employment</b>
	N/A		N/A	N/A	N/A	N/A
AMLO Enterprises, Inc.		1	0.00%			0.00%
Amerigas		2	0.00%			0.00%
Bear Brook Golf Club		3	0.00%			0.00%
Fountain House		4	0.00%			0.00%
Fredon Animal Hospital		5	0.00%			0.00%
Fredon Deli & Restaurant		6	0.00%			0.00%
Fredon Greenhouses		7	0.00%			0.00%
Fredon house		8	0.00%			0.00%
Lakeland Bank		9	0.00%			0.00%
Mira Plastics		10	0.00%			0.00%
						0.00%
	<b>-</b>		<b>0.00%</b>	<b>-</b>		<b>0.00%</b>

**Source:** No reliable data available

**Fredon Township School District  
 Full-time Equivalent District Employees by Function/Program,  
 Last Ten Fiscal Years**

**Exhibit J-16**

<b><u>Function/Program</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
Instruction										
Regular	25	25	25	25	25	24	24	22	24	24
Special education	6	7	8	8	8	7	7	4	4	4
Other special education	2	2	2	2	2	2	2	2	2	1
Support Services:										
General administrative services	2	2	2	2	2	2	2	2	2	2
School administrative services	3	3	3	3	3	3	3	3	3	3
Central services	2	2	2	2	2	2	2	2	2	3
Total	<u>40</u>	<u>41</u>	<u>42</u>	<u>42</u>	<u>42</u>	<u>40</u>	<u>40</u>	<u>35</u>	<u>37</u>	<u>37</u>

**Source:** District Personnel Records



**Fredon Township School District  
Operating Statistics  
Last Ten Fiscal Years**

**Exhibit J-17**

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures<sup>a</sup></u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff<sup>b</sup></u>	<u>Pupil/Teacher Ratio</u>	<u>Average Daily Enrollment (ADE)<sup>c</sup></u>	<u>Average Daily Attendance (ADA)<sup>c</sup></u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
						<u>Elementary</u>				
2009	347	\$ 4,863,193	\$ 14,015	4.33%	40	1:8.7	335.5	329.2	-3.43%	98.1%
2010	345	5,014,404	14,535	3.71%	41	1:8.4	339.7	334.2	1.25%	98.4%
2011	334	4,957,289	14,842	2.12%	42	1:8.0	332.6	326.4	-2.09%	98.1%
2012	324	4,908,614	15,150	2.07%	42	1:7.7	323.1	311.4	-2.86%	96.4%
2013	326	5,140,202	15,767	4.08%	42	1:7.8	326.0	317.4	0.90%	97.4%
2014	280	5,187,217	18,526	17.49%	40	1:7.0	276.5	267.5	-15.18%	96.7%
2015	280	5,187,217	18,526	0.00%	40	1:7.0	276.5	267.5	0.00%	96.7%
2016	238	4,647,500	19,527	5.41%	34	1:7.0	237.3	231.1	-14.18%	97.4%
2017	242	4,813,392	19,890	1.86%	30	1:8.1	240.0	231.1	1.14%	96.3%
2018	221	5,736,803	25,958	30.51%	30	1:7.4	218.0	210.2	-9.17%	96.4%

**Sources:** District records, ASSA and Schedule J-4

**Note:** Enrollment based on annual June 30 district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-1
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

**Fredon Township School District  
School Building Information  
Last Ten Fiscal Years**

**Exhibit J-18**

<u>District Building</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b><u>Fredon Township Elementary School - K-6</u></b>										
Square Feet - 1929 Building	4,062	4,062	4,062	4,062	4,062	4,062	4,062	4,062	4,062	4,062
Square Feet - 1951 Building	2,403	2,403	2,403	2,403	2,403	2,403	2,403	2,403	2,403	2,403
Square Feet - 1957 Building	4,969	4,969	4,969	4,969	4,969	4,969	4,969	4,969	4,969	4,969
Square Feet - 1969 Building	22,625	22,625	22,625	22,625	22,625	22,625	22,625	22,625	22,625	22,625
Square Feet - 2009 Addition		5,332	5,332	5,332	5,332	5,332	5,332	5,332	5,332	5,332
Square Feet - Total	34,059	39,391	39,391	39,391	39,391	39,391	39,391	39,391	39,391	39,391
Capacity (students) FES	263	330	330	330	330	330	330	330	330	330
Pre-School		17	17	18	14	-	-	-	16	17
Kindergarten	40	43	43	39	34	21	26	25	24	21
Grades 1 - 5	259	233	233	230	229	202	180	172	156	133
Grades 6 - 8	48	52	52	37	49	57	44	39	44	50
Enrollment - Total	347	345	345	324	326	280	280	236	240	221

Number of Schools at June 30, 2018  
Elementary = 1

**Source:** District records, ASSA

Note: Increases in square footage and capacity are the result of renovations and/or additions. Enrollment is based on the annual October district count.

FES = Functional Educational Space

FREDON TOWNSHIP SCHOOL DISTRICT  
GENERAL FUND  
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
Last Ten Fiscal Years Ending June 30, 2018

Exhibit J-19

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

<u>School Facilities</u>	<u>Project #</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Total</u>
Elementary School	N/A	\$ 102,641	\$ 116,315	\$ 127,661	\$ 107,380	\$ 135,607	\$ 139,675	\$ 149,195	\$ 141,604	\$ 141,668	\$ 322,464	\$ 1,484,210
Total School Facilities		102,641	116,315	127,661	107,380	135,607	139,675	149,195	141,604	141,668	322,464	453,997
Other Facilities												
<b>Grand Total</b>		<b>\$ 102,641</b>	<b>\$ 116,315</b>	<b>\$ 127,661</b>	<b>\$ 107,380</b>	<b>\$ 135,607</b>	<b>\$ 139,675</b>	<b>\$ 149,195</b>	<b>\$ 141,604</b>	<b>\$ 141,668</b>	<b>\$ 322,464</b>	<b>\$ 453,997</b>

FREDON TOWNSHIP SCHOOL DISTRICT

INSURANCE SCHEDULE  
JUNE 30, 2018  
UNAUDITED

Exhibit J-20

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
<b>COMPREHENSIVE PACKAGE POLICY - School Alliance Insurance Fund</b>		
Property-Blanket Building and Contents Sussex Insurance Pool Limit	\$ 500,000,000	\$ 2,500
Comprehensive Crime Coverage:		
Theft Disappearance	50,000	1,000
Employee Dishonesty	500,000	1,000
Extra Expense	100,000	
Comprehensive Casualty Coverage:		
Includes General Liability, Auto, Employee Benefits	5,000,000	
School Board Legal Liability	5,000,000	
Excess Liability	5,000,000	
<b>PUBLIC EMPLOYEES' FAITHFUL PERFORMANCE</b>		
<b>BLANKET POSITION BOND - Selective Insurance Company</b>		
Treasurer	200,000	
Board Secretary	200,000	
Public Employee Dishonesty	500,000	1,000

SOURCE: District Records

# **Single Audit Section**





## **ARDITO & Co., LLP**

1110 Harrison Street, Suite C  
 Frenchtown, New Jersey 08825-1192  
 908-996-4711 Fax: 908-996-4688  
 e-mail: anthony@arditoandcompany.com

Anthony Ardito, CPA, RMA, CMFO, PSA  
 Douglas R. Williams, CPA, RMA, PSA

### **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 Auditor's Report

Honorable President and  
 Members of the Board of Education  
 Fredon Township School District  
 County of Sussex  
 Newton, New Jersey 07860

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fredon Township School District Board of Education in the County of Sussex, State of New Jersey, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Fredon Township School District Board of Education's basic financial statements, and have issued our report thereon dated January 16, 2019.

#### **Internal Control Over Financial Reporting**

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

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

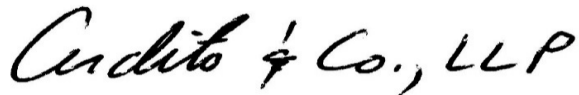
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

**Compliance and Other Matters**

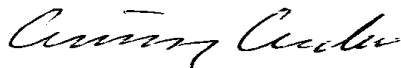
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and for New Jersey Department of Education use, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



ARDITO & CO., LLP  
January 16, 2019



Licensed Public School Accountant No.2369





## **ARDITO & Co., LLP**

1110 Harrison Street, Suite C  
 Frenchtown, New Jersey 08825-1192  
 908-996-4711 Fax: 908-996-4688  
 e-mail: anthony@arditoandcompany.com

Anthony Ardito, CPA, RMA, CMFO, PSA  
 Douglas R. Williams, CPA, RMA, PSA

### **Report on Compliance For Each Major Program and Report on Internal Control Over Compliance Required by New Jersey OMB circular 15-08**

#### Independent Auditor's Report

Honorable President and  
 Members of the Board of Education  
 Fredon Township School District  
 County of Sussex  
 Newton, New Jersey 07860

#### **Report on Compliance for Each Major State Program**

We have audited the Fredon Township School District Board of Education's compliance with the types of compliance requirements described in the New Jersey OMB circulars 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2018. The Fredon Township School District Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and New Jersey OMB's Circulars 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB Circulars 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred.

An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

-Continued-

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

**Opinion on Each Major State Program**

In our opinion, the Fredon Township School District Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2018.

**Report on Internal Control Over Compliance**

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of New Jersey OMB circulars 15-08, and for New Jersey Department of Education use. Accordingly, this report is not suitable for any other purpose.

*ARDITO & Co., LLP*

ARDITO & CO., LLP  
January 16, 2019

*Anthony Ardito*

Licensed Public School Accountant No.2369

FREDON TOWNSHIP SCHOOL DISTRICT

K-4

Schedule of Expenditures of State Financial Assistance  
for the Fiscal Year ended June 30, 2018

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE 6/30/2017	CARRY- OVER AMOUNT	CASH RECEIVED	BUDGET. EXPEND.	ADJUST.	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2018			MEMO			
										(ACCTS. RECEIV.)	DEFER. REVENUE/ INTERFUND PAYABLE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPEND.		
<b>State Department of Education</b>																
<b>General Fund:</b>																
Special Education Aid	18-495-034-5120-089	7/1/17-6/30/18	\$ 183,763			\$ 183,763	\$ (183,763)							\$	18,349	\$ 183,763
Equalization Aid	18-495-034-5120-078	7/1/17-6/30/18	277,211			277,211	(277,211)							*	27,680	277,211
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	25,900			25,900	(25,900)							*	2,586	25,900
Transportion Aid	18-495-034-5120-014	7/1/17-6/30/18	39,793			39,793	(39,793)							*	3,974	39,793
PARCC Readiness Aid	18-495-034-5120-014	7/1/17-6/30/18	2,720			2,720	(2,720)							*	271	2,720
Per Pupil Growth Aid	18-495-034-5120-014	7/1/17-6/30/18	2,720			2,720	(2,720)							*	271	2,720
Prof. Learning Comm. Aid	18-495-034-5120-101	7/1/17-6/30/18	2,200			2,200	(2,200)							*	220	2,200
Extraordinary Aid	18-495-034-5120-044	7/1/17-6/30/18	1,527				(1,527)			\$ (1,527)				*		1,527
Extraordinary Aid	17-495-034-5120-044	7/1/17-6/30/17	1,419	\$ (1,419)		1,419								*		1,419
Non-Public Transportation Aid	18-100-034-5120-068	7/1/17-6/30/18	2,768				(2,768)				(2,768)			*		2,768
Non-Public Transportation Aid	17-100-034-5120-068	7/1/17-6/30/17	507	(507)		507								*		507
On Behalf TPAF Pension	18-495-034-5094-002	7/1/17-6/30/18	259,993			259,993	(259,993)							*		259,993
On Behalf TPAF Pension PRM	18-495-034-5094-001	7/1/17-6/30/18	167,924			167,924	(167,924)							*		167,924
On Behalf TPAF Pension Non-Contrib Ins	18-495-034-5094-004	7/1/17-6/30/18	373			373	(373)							*		373
Reimbursed TPAF Soc.Secur.Contrib.	18-495-034-5094-003	7/1/17-6/30/18	125,409	(6,036)		124,751	(125,409)				(6,694)			*		125,409
<b>Total General Fund</b>				<b>(7,962)</b>		<b>1,089,274</b>	<b>(1,092,301)</b>				<b>(10,989)</b>			*	<b>53,351</b>	<b>1,094,227</b>
<b>Debt Service Fund</b>																
Debt Service Aid Type 2	18-100-034-5120-124	7/1/17-6/30/18	72,766			72,766	(72,766)				-			*		72,766
<b>Total Debt Service</b>				<b>-</b>		<b>72,766</b>	<b>(72,766)</b>	<b>-</b>			<b>-</b>			*		<b>72,766</b>
<b>State Department of Agriculture:</b>																
<b>Enterprise Fund:</b>																
Nat.School Lunch Prog.(State Share)	17-100-010-3350-023	7/1/17-6/30/17		(52)		52								*		
Nat.School Lunch Prog.(State Share)	18-100-010-3350-023	7/1/17-6/30/18	891			814	(891)				(77)			*		891
<b>Total Enterprise Fund</b>				<b>(52)</b>		<b>866</b>	<b>(891)</b>				<b>(77)</b>			*		<b>891</b>
<b>Total State Financial Assistance</b>				<b>\$ (8,014)</b>	<b>-</b>	<b>\$1,162,906</b>	<b>\$ (1,165,958)</b>	<b>-</b>	<b>-</b>	<b>\$ (11,066)</b>	<b>-</b>	<b>-</b>	<b>-</b>	*	<b>\$ 53,351</b>	<b>\$ 1,167,884</b>
							Less: On-behalf TPAF Pension Amounts	428,290								
							Total State Expenditures Subject to Major Program Determination	\$ (737,668)								

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE  
JUNE 30, 2018

**NOTE 1. GENERAL**

The accompanying schedule of expenditures of state financial assistance includes state award activity of the Board of Education, Fredon Township School District. The Board of Education is defined in Note 1 to the Board's basic financial statements. All state awards received directly from state agencies, as well as state financial assistance passed through other government agencies is included on the schedule of expenditure of state financial assistance.

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 3. RELATIONSHIP TO GENERAL PURPOSE 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 agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes, that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$-0- for the general fund and \$-0- for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE  
 JUNE 30, 2018

**NOTE 3. (Continued)**

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	-	\$ 1,092,301	\$ 1,092,301
Special Revenue Fund	\$ 187,383	-	187,383
Debt Service Fund		72,766	72,766
Food Service Fund	<u>23,171</u>	<u>891</u>	<u>24,062</u>
Total Financial Assistance	<u>\$ 210,554</u>	<u>\$ 1,165,958</u>	<u>\$ 1,376,512</u>

**NOTE 4. RELATIONSHIP TO STATE FINANCIAL REPORTS**

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

**NOTE 5. OTHER**

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2018. TPAF Social Security Contributions represents the amount reimbursed by the state for employer's share of social security contributions for TPAF members for the year ended June 30, 2018.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Section I - Summary of Auditor's Results

**Financial Statement Section**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified? \_\_\_ Yes \_\_x\_\_ No

2) Were significant deficiencies identified that were not considered to be material weaknesses? \_\_\_ Yes \_\_x\_\_ None Reported

Noncompliance material to financial statements noted? \_\_\_ Yes \_\_x\_\_ No

**Federal Awards**

N/A

Internal control over major programs:

1) Material weakness(es) identified? \_\_\_ Yes \_\_\_ No

2) Were significant deficiencies identified that were not considered to be material weaknesses? \_\_\_ Yes \_\_\_ None

Type of auditor's report issued on compliance for major programs: N/A

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a) of? \_\_\_ Yes \_\_\_ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>FEIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
N/A		

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

Auditee qualified as low-risk auditee? \_\_\_ yes \_\_\_ no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**State Financial Assistance Section**

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? x yes    no

Internal Control over major programs:  
1) Material weakness(es) identified?    yes x no

2) Were significant deficiencies identified that were not considered to be material weaknesses?    yes x none

Type of auditor's report on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular letter 15-08 as applicable?    yes x no

Identification of major programs:

**State Grant/Project Number(s)**

**Name of State Program**

18-495-034-5120-078

Equalization Aid (State Aid Cluster)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**Section II-Financial Statement Findings**

This section identifies matters of noncompliance or reportable conditions noted, that are required to be reported in accordance with *Government Auditing Standards*.

N/A

**Section III - State Financial Assistance Findings and Questioned Costs**

This section identifies audit findings required to be reported by NJOMB Circular Letter 15-08, as applicable. There were no state financial assistance findings or questioned costs that are required to be reported in accordance with NJOMB Circular 15-08.



SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**STATUS OF PRIOR YEAR FINDINGS**

N/A

In accordance with *government auditing standards*, our procedures included a review of all prior year recommendations. All prior year recommendations have been corrected.