

FREDON TOWNSHIP SCHOOL DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Newton, New Jersey

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
of the
Fredon Township School District
Newton, New Jersey
For The Fiscal Year Ended June 30, 2019**

**Prepared by
Business Office**

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INTRODUCTORY SECTION



Fredon Township School District

www.fredon.org

p 973-383-4151 f 973-383-3644

Fredon's Mission ● Welcomes Learners ● Fosters Growth ● Uncovers Potential ● Supports Experience ● Inspires Success
● Masters Common Core and NJ Student Learning Standards

December 9, 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, 2019, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (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 2018-2019 fiscal year with an enrollment of 199 students. The following detail reflects the changes in the student enrollment of the Fredon Township School District over the past seven years.

<u>Fiscal Year</u>	<u>Average Daily Enrollment</u>	
	<u>Student Enrollment</u>	<u>Percent Change</u>
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%)
2018-19	199	(8.7%)

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.



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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 2018-2019 school year the district continued their 1:1 Technology Initiative. All students were able to utilize laptops on a 1:1 basis throughout the duration of the day. Language Arts and Math benchmark testing were initiated to better determine basic skills needs and instruction. The district also updated all of their curricula to align with the New Jersey State Learning Standards. Lastly, we implemented Ready Math and Ready Reading/Writing across all grade levels to further assess students' progress and personalize their learning.

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, 2019.

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, 2019, the District had \$4,035,000 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



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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 Lerch, Vinci & Higgins, 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.

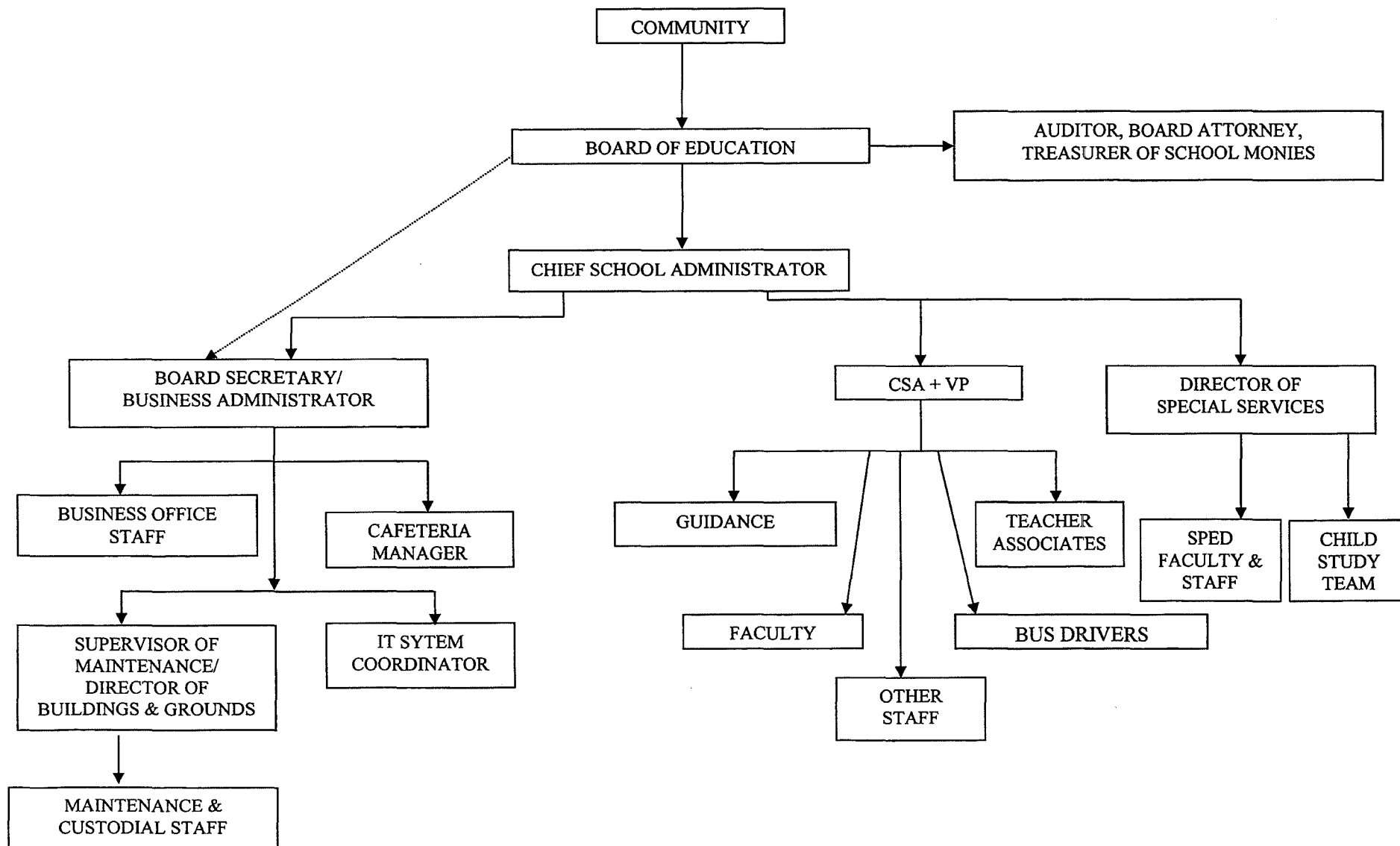
12) **ACKNOWLEDGEMENTS:** We would like to express our appreciation to the members of the Fredon Township Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our 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

FREDON TOWNSHIP BOARD OF EDUCATION
Newton, NJ 07860

ORGANIZATION CHART



AT

**FREDON TOWNSHIP SCHOOL DISTRICT
BOARD OF EDUCATION**

ROSTER OF OFFICIALS

JUNE 30, 2019

Members of the Board of Education

Term Expires

Courtney Wisinski, **President**

2020

Benjamin Kappler, **Vice-President**

2020

Arne Olsen

2019

Catherine Higgins

2019

John Niemasz

2021

Other Officials

Matthew Beck, **Chief School Administrator**

Joanne Black, **Business Administrator**

Kerry A. Keane, **Treasurer**

FREDON TOWNSHIP SCHOOL DISTRICT

CONSULTANTS & ADVISORS

JUNE 30, 2019

Audit Firm

Lerch, Vinci & Higgins, LLP
17-17 Route 280
Fair Lawn, NJ 07410

Attorney

Nathanya Simon, Esquire
Scarinici Hollenbeck
1100 Valley Brook Avenue
Lyndhurst, NJ 07071

Official Depository

Lakeland Bank
Fredon Branch
Route 94
Newton, NJ 07860

FINANCIAL SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
CHRIS SOHN, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fredon Township School District as of and for the fiscal year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Board of Education'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, the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Fredon Township School District as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension information and other postemployment benefits information 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

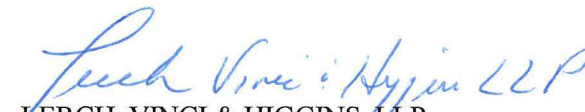
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fredon Township School District's basic financial statements. The introductory section, combining fund financial statements, financial schedules, statistical section, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Fredon Township School District.


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

The introductory section, financial schedules and statistical section 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 December 9, 2019 on our consideration of the Fredon Township School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fredon Township School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Fredon Township School District's internal control over financial reporting and compliance.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants


Dieter P. Lerch
Public School Accountant
PSA Number CS00756

Fair Lawn, New Jersey
December 9, 2019

REQUIRED SUPPLEMENTARY INFORMATION – PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fredon Board of Education

Fredon, New Jersey

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2019

This section of the Fredon Board of Education's comprehensive annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follows this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34- Basic Financial Statements- and Management's Discussion and Analysis – for State and Local Governments.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2018-2019 fiscal year are as follows:

- The assets and deferred outflows of resources of the governmental activities of the Fredon Board of Education exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$689,672 (net position).
- The District's total net position for governmental activities decreased by \$117,041.
- Overall governmental activities revenues were \$6,467,733. General revenues accounted for \$4,657,376 or 72% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,810,357 or 28% of total revenues.
- The school district had \$6,584,774 in expenses for governmental activities; only \$1,810,357 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of \$4,657,376 were adequate to provide for these programs.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$1,765,420. Of this amount, \$1,292,607 is restricted for capital reserve, \$66,293 is restricted for Capital Projects, \$61,555 has been appropriated in the 2019/2020 budget for taxpayer relief, \$299,423 is restricted for taxpayer relief in the 2020/2021 budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the Fredon Board of Education.

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the Fredon Board of Education's overall financial status.

**Fredon Board of Education
Fredon, New Jersey**

**Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2019**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

- The remaining statements are fund financial statements that focus on individual parts of the Fredon Board of Education's, reporting the Board's operation in more detail than the district-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long-term financial information about the activities the District operates like businesses.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The chart below summarizes the major features of the Board's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance, administration and community education	Activities the district operates similar to private businesses:
Required financial Statements	Statements of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances	Food Service Statement of Net Position Statement of Revenues, Expenses, and Changes in Fund Net Position Statement of Cash Flows
Accounting Basis and Measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, deferred inflows/outflows of resources and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.

Fredon Board of Education Fredon, New Jersey

Management's Discussion and Analysis (continued) Fiscal Year Ended June 30, 2019

District-Wide Statements

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

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

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

In the district-wide financial statements the district's activities are shown in two categories:

- *Governmental activities*- Most of the district's basic services are included here, such as regular and special education, transportation, administration and community education. Property taxes and state aids finance most of these activities.
- *Business-type activities*- The District charges fees to customers to help it cover the costs of certain services it provides. The District's Food Service Fund is included here.

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.
- The district uses other funds, established in accordance with the State of New Jersey Uniform Chart of Accounts, to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal funds).

Fredon Board of Education
Fredon, New Jersey

Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2019

The district has three kinds of funds:

- *Governmental funds*- Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary funds*- Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements.
- *Fiduciary funds*- The District is the trustee, or *fiduciary*, for assets that belong to others such as payroll and payroll agency funds, donations from the Wandell School Education Foundation, as well as student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE FREDON BOARD OF EDUCATION AS A WHOLE

The district's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the net pension liability, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The following provides a summary of the school district's net position for 2019.

Net Position. The district's combined net position were \$698,355.

Fredon Board of Education
Fredon, New Jersey

Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2019

Statement of Net Position
as of June 30, 2019

	<u>Governmental</u> <u>Activities</u> <u>2019</u>	<u>Business-Type</u> <u>Activities</u> <u>2019</u>	<u>Total</u> <u>2019</u>
Assets			
Current Assets	\$ 1,790,232	\$ 11,670	\$ 1,801,902
Capital Assets	<u>4,553,127</u>	<u>-</u>	<u>4,553,127</u>
Total Assets	<u>6,343,359</u>	<u>11,670</u>	<u>6,355,029</u>
Deferred Outflows of Resources			
Deferred Amount on Net Pension Liability	<u>534,482</u>	<u>-</u>	<u>534,482</u>
Total Assets and Deferred Outflows of Resources	<u>6,877,841</u>	<u>11,670</u>	<u>6,889,511</u>
Liabilities			
Noncurrent Liabilities	5,431,666		5,431,666
Other Liabilities	<u>71,923</u>	<u>1,393</u>	<u>73,316</u>
Total Liabilities	<u>5,503,589</u>	<u>1,393</u>	<u>5,504,982</u>
Deferred Inflows of Resources			
Deferred Amount on Net Pension Liability	684,580	-	684,580
Deferred Commodities	<u>-</u>	<u>1,594</u>	<u>1,594</u>
Total Liabilities and Deferred Inflows of Resources	<u>6,188,169</u>	<u>2,987</u>	<u>6,191,156</u>
Net Position			
Net Investment in Capital Assets	518,127	-	518,127
Restricted	1,358,900		1,358,900
Unrestricted	<u>(1,187,355)</u>	<u>8,683</u>	<u>(1,178,672)</u>
Total Net Position	<u>\$ 689,672</u>	<u>\$ 8,683</u>	<u>\$ 698,355</u>

**Fredon Board of Education
Fredon, New Jersey**

**Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2019**

**Change in Net Position
For The Fiscal Years Ended June 30, 2019**

	Governmental <u>Activities</u> <u>2019</u>	Business-Type <u>Activities</u> <u>2019</u>	<u>Total</u> <u>2019</u>
Revenues			
Program Revenues			
Charges for Services	\$ 87,092	\$ 49,315	\$ 136,407
Operating and Capital Grants and Contributions	1,723,265	19,703	1,742,968
General Revenues			
Property Taxes	4,311,467		4,311,467
Unrestricted State Aid	328,079		328,079
Investment Earnings	4,376	19	4,395
Miscellaneous	13,454	-	13,454
	<hr/>	<hr/>	<hr/>
Total Revenues	6,467,733	69,037	6,536,770
Expenses			
Instruction			
Regular	2,815,553		2,815,553
Special Education	474,052		474,052
Other Instruction	215,235		215,235
School Sponsored Activities and Athletics	51,539		51,539
Support Services			
Student and Instruction Related Services	1,168,672		1,168,672
General Administrative Services	264,892		264,892
School Administrative Services	129,708		129,708
Plant Operations and Maintenance	822,288		822,288
Pupil Transportation	339,541		339,541
Business Services	200,164		200,164
Interest on Long-Term Debt	103,130		103,130
Food Services	-	67,618	67,618
	<hr/>	<hr/>	<hr/>
Total Expenses	6,584,774	67,618	6,652,392
Change in Net Position	(117,041)	1,419	(115,622)
Net Position, Beginning of Year	<hr/>	<hr/>	<hr/>
	806,713	7,264	813,977
Net Position, End of Year	<hr/>	<hr/>	<hr/>
	\$ 689,672	\$ 8,683	\$ 698,355

**Fredon Board of Education
Fredon, New Jersey**

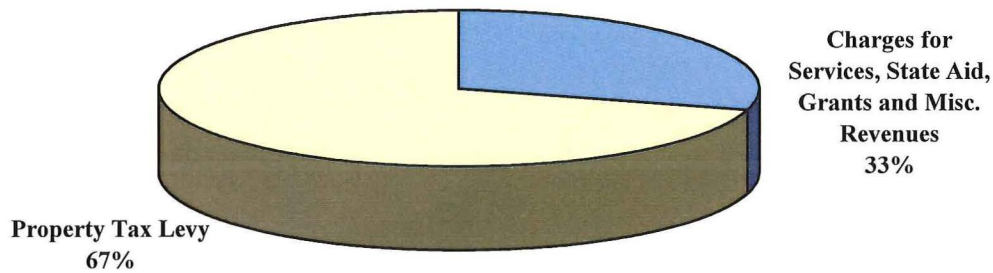
**Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2019**

Governmental Activities. The District's total revenues were \$6,467,733. The local share of the revenues for property taxes amounted to \$4,311,467 or 67% of total revenues. Funding from program charges operating and capital grants amounted to \$1,810,357 or 28%. The remaining revenues totaling \$345,909 includes investment earnings unrestricted aid and other miscellaneous revenues.

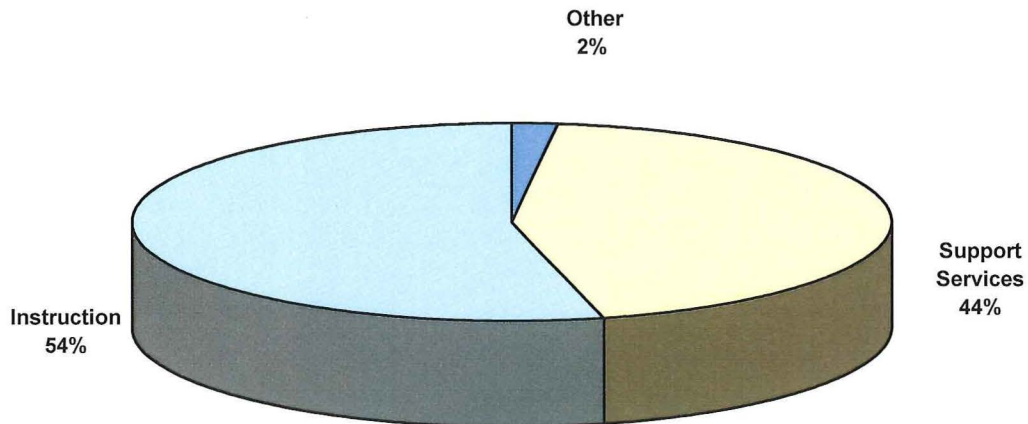
The District's total expenses of \$6,584,774 are predominantly related to instruction and support services. Instruction totaled \$3,556,379 (54%) and other support services exclusive of interest on long-term debt totaled \$2,925,265 (44%) of total expenditures.

Total governmental activities expenses surpassed revenue, decreasing net position by \$117,041 from the previous year.

Revenues by Sources – Governmental Activities
For Fiscal Year 2019



Expenses by Function – Governmental Activities
For Fiscal Year 2019



**Fredon Board of Education
Fredon, New Jersey**

**Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2019**

Total and Net Cost of Governmental Activities – The District's total cost of services was \$6,584,774 after applying program revenues, derived from: charges for services of \$87,092 and operating grants and contributions of \$1,723,265 the net cost of services of the District is \$4,774,417.

**Total and Net Cost of Governmental Activities
For the Fiscal Years Ended June 30, 2019**

<u>Functions/Programs</u>	<u>Total Cost of Services 2019</u>	<u>Net Cost of Services 2019</u>
Governmental Activities		
Instruction		
Regular	\$ 2,815,553	\$ 1,880,241
Special Education	474,052	132,935
Other Instruction	215,235	156,968
School Sponsored Activities and Athletics	51,539	46,554
Support Services		
Student and Instruction Related Services	1,168,672	902,147
General Administrative Services	264,892	250,966
School Administrative Services	129,708	91,269
Plant Operations and Maintenance	822,288	762,693
Pupil Transportation	339,541	297,336
Business Services	200,164	185,525
Interest	103,130	78,783
	<hr/>	<hr/>
Total	<u>\$ 6,584,774</u>	<u>\$ 4,785,417</u>

Business-Type Activities

The cost of Business-Type Activities for the fiscal year ended June 30, 2019 was \$67,618. These costs were funded by charges for services and operating grants of \$69,018. The net revenue of services for business-type activities was \$1,400.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

**Fredon Board of Education
Fredon, New Jersey**

**Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2019**

Governmental Funds (Continued)

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a *combined* fund balance of \$1,765,420. At June 30, 2018, the fund balance was \$2,435,430.

Revenues for the District's governmental funds were \$5,796,442 while total expenditures were \$6,466,452 thereby decreasing fund balance by \$670,010.

General Fund - The General Fund is the chief operating fund of the District and includes the primary operations in providing educational services to students for grades K through 5 including pupil transportation activities and capital outlay projects.

The following schedule presents a summary of General Fund revenues.

General Fund Revenues

	Fiscal Year Ended June 30, 2019
Local Sources:	
Property Taxes	\$ 4,311,467
Tuition	87,092
Investment Earnings	4,376
Miscellaneous	13,454
Intergovernmental	
State Sources	<u>1,124,032</u>
 Total Revenues	 <u>\$ 5,540,421</u>

Local property taxes decreased by \$385,496 over the previous year, or 8.2%.

General Fund Expenditures

	Fiscal Year Ended June 30, 2019
Instruction	\$ 2,852,701
Student & Instruction Related	961,269
School, General & Business Administration	531,767
Plant Operations & Transportation	<u>1,094,539</u>
 Total Expenditures	 <u>\$ 5,440,276</u>

Fredon Board of Education
Fredon, New Jersey

Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2019

Special Revenue Fund - The Special Revenue Fund includes all restricted Federal and State sources utilized in the operations of the district in providing educational services to students with special needs.

Revenues of the Special Revenue Fund were \$181,569 for the year ended June 30, 2019. Federal sources represented 100% of the total revenue for the year.

Capital Projects Fund – Expenditures in the Capital Projects Fund totaled \$517,707 during the 2018/19 school year. There was a transfer from the General Fund – Capital Reserve in the amount of \$584,000. Fund balance of \$66,293 remains as of June 30, 2019.

Proprietary Funds

The District maintains an Enterprise Fund to account for activities which are supported through user fees.

Enterprise Fund - The District uses an Enterprise Fund to report activities related to the Food Service program. The District's Enterprise Fund provides the same type of information found in the district-wide financial statements, business-type activities, but in more detail. Factors concerning the finances of this Fund have already been addressed in the discussion of the District's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Over the course of the year, the District revised the annual operating budget several times. These budget amendments occur from implementing budgets for specially funded projects, which include both federal and state grants, reinstating prior year purchase orders being carried over, and appropriating capital reserve funds to implement an approved facilities project.

Fredon Board of Education
Fredon, New Jersey

Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2019

Capital Assets. At the end of the fiscal year 2019, the school district's investment in land, land improvements, buildings, furniture, machinery and equipment for governmental activities amounts to \$4,553,127 (net of depreciation).

	<u>Governmental Activities 2019</u>
Building and Building Improvements	\$ 4,514,294
Machinery and Equipment and Other Improvements	<u>38,833</u>
Total Capital Assets, Net	<u>\$ 4,553,127</u>

Additional information about the district's capital assets can be found in the "Notes to the Financial Statements" of this report.

Debt Administration. As of June 30, 2019 the school district had outstanding long-term liabilities in the amount of \$5,431,666.

Long-Term Debt
Outstanding Long-Term Liabilities

	<u>2019</u>
Bonds Payable	\$ 4,035,000
Compensated Absences Payable	119,917
Net Pension Liability	<u>1,276,749</u>
Total	<u>\$ 5,431,666</u>

Additional information about the district's long-term liabilities can be found in the "Notes to the Financial Statements" of this report.

**Fredon Board of Education
Fredon, New Jersey**

**Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2019**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Currently, the District is in good financial condition. Everyone associated with Fredon School District is grateful for the community support.

Many factors were considered by the District's administration during the process of developing the fiscal year 2018-2019 budget. The primary factors were the District's projected student population, anticipated state and federal aid as well as increasing salary and related benefit costs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Administrator, Fredon Board of Education, Fredon, New Jersey.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

**FREDON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2019**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,700,076	\$ 7,356	\$ 1,707,432
Receivables, net			
Receivables from Other Governments	65,307	930	66,237
Internal Balances	83	(83)	
Other Receivables	24,766	312	25,078
Inventory		3,155	3,155
Capital Assets, Not Being Depreciated			-
Capital Assets, Being Depreciated	<u>4,553,127</u>	<u>-</u>	<u>4,553,127</u>
Total Assets	<u>6,343,359</u>	<u>11,670</u>	<u>6,355,029</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount on Net Pension Liability	534,482		534,482
Deferred Amount on Refunding	<u>-</u>	<u>-</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>534,482</u>	<u>-</u>	<u>534,482</u>
Total Assets and Deferred Outflows of Resources	<u>6,877,841</u>	<u>11,670</u>	<u>6,889,511</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	24,812		24,812
Payable to Other Governments			-
Unearned Revenue		1,393	1,393
Accrued Interest Payable	47,111		47,111
Noncurrent Liabilities			
Due Within One Year	230,000		230,000
Due Beyond One Year	<u>5,201,666</u>	<u>-</u>	<u>5,201,666</u>
Total Liabilities	<u>5,503,589</u>	<u>1,393</u>	<u>5,504,982</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Amount on Net Pension Liability	684,580		684,580
Deferred Commodities Revenue	<u>-</u>	<u>1,594</u>	<u>1,594</u>
Total Deferred Inflows of Resources	<u>684,580</u>	<u>1,594</u>	<u>686,174</u>
Total Liabilities and Deferred Inflows of Resources	<u>6,188,169</u>	<u>2,987</u>	<u>6,191,156</u>
NET POSITION			
Net Investment in Capital Assets	518,127		518,127
Restricted for			
Capital Projects	1,358,900		1,358,900
Unrestricted	<u>(1,187,355)</u>	<u>8,683</u>	<u>(1,178,672)</u>
Total Net Position	<u>\$ 689,672</u>	<u>\$ 8,683</u>	<u>\$ 698,355</u>

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

**FREDON TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction							
Regular	\$ 2,815,553	\$ 87,092	\$ 848,220		\$ (1,880,241)		\$ (1,880,241)
Special Education	474,052		341,117		(132,935)		(132,935)
Other Instruction	215,235		69,267		(145,968)		(145,968)
School Sponsored Activities & Athletics	51,539		4,985		(46,554)		(46,554)
Support Services							
Student and Instruction Related Services	1,168,672		266,525		(902,147)		(902,147)
General Administrative Services	264,892		13,926		(250,966)		(250,966)
School Administrative Services	129,708		38,439		(91,269)		(91,269)
Central Services	200,164		14,639		(185,525)		(185,525)
Plant Operations and Maintenance	822,288		59,595		(762,693)		(762,693)
Pupil Transportation	339,541		42,205		(297,336)		(297,336)
Interest on Debt	103,130	-	24,347	-	(78,783)	-	(78,783)
Total Governmental Activities	<u>6,584,774</u>	<u>87,092</u>	<u>1,723,265</u>	<u>-</u>	<u>(4,774,417)</u>	<u>-</u>	<u>(4,774,417)</u>
Business-Type Activities							
Food Service	<u>67,618</u>	<u>49,315</u>	<u>19,703</u>	<u>-</u>	<u>-</u>	<u>\$ 1,400</u>	<u>1,400</u>
Total Business-Type Activities	<u>67,618</u>	<u>49,315</u>	<u>19,703</u>	<u>-</u>	<u>-</u>	<u>1,400</u>	<u>1,400</u>
Total Primary Government	<u>\$ 6,652,392</u>	<u>\$ 136,407</u>	<u>\$ 1,742,968</u>	<u>\$ -</u>	<u>(4,774,417)</u>	<u>1,400</u>	<u>(4,773,017)</u>
General Revenues							
Property Taxes, Levied for General Purposes					4,311,467		4,311,467
State Aid - Unrestricted					277,974		277,974
State Aid - Restricted for Debt Service Principal					50,105		50,105
Investment Earnings					4,376	19	4,395
Miscellaneous Income					13,454	-	13,454
Total General Revenues					<u>4,657,376</u>	<u>19</u>	<u>4,657,395</u>
Change in Net Position					(117,041)	1,419	(115,622)
Net Position, Beginning of Year (Restated)					<u>806,713</u>	<u>7,264</u>	<u>813,977</u>
Net Position, End of Year					<u>\$ 689,672</u>	<u>\$ 8,683</u>	<u>\$ 698,355</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

FUND FINANCIAL STATEMENTS

**FREDON TOWNSHIP SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2019**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 1,633,783		\$ 66,293		\$ 1,700,076
Receivables, Net					
Due from Other Funds	49,232				49,232
Receivables from Other Governments	11,068	\$ 54,239			65,307
Other Accounts Receivable	23,134	-	-	-	23,134
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 1,717,217</u>	<u>\$ 54,239</u>	<u>\$ 66,293</u>	<u>\$ -</u>	<u>\$ 1,837,749</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 18,090	\$ 6,722			\$ 24,812
Due to Other Funds		47,517			47,517
Payable to State Government					-
Unearned Revenue	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>18,090</u>	<u>54,239</u>	<u>-</u>	<u>-</u>	<u>72,329</u>
Fund Balances					
Restricted					
Capital Reserve	739,207				739,207
Capital Reserve - Designated for Subsequent Year's Budget	553,400				553,400
Excess Surplus	99,423				99,423
Excess Surplus - Designated for Subsequent Year's Budget	1,063				1,063
Capital Projects			\$ 66,293		66,293
Assigned					
Year End Encumbrances	43,471				43,471
Designated in Subsequent Year's Budget	60,492				60,492
Unassigned	202,071	-	-	-	202,071
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>1,699,127</u>	<u>-</u>	<u>66,293</u>	<u>-</u>	<u>1,765,420</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 1,717,217</u>	<u>\$ 54,239</u>	<u>\$ 66,293</u>	<u>\$ -</u>	<u>\$ 1,837,749</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

FREDON TOWNSHIP SCHOOL DISTRICT
 GOVERNMENTAL FUNDS
 BALANCE SHEET
 AS OF JUNE 30, 2019

Total Fund Balances - Governmental Funds (Exhibit B-1) \$ 1,765,420

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 \$7,065,185 and the accumulated depreciation is \$2,512,058. 4,553,127

Amounts resulting from net pension liabilities are reported as deferred inflows and outflows of resources on the statement of net position and amortized over the life of the debt.

Deferred Inflows of Resources	\$ (684,580)	
Deferred Outflows of Resources	<u>534,482</u>	
		(150,098)

The District has financed capital assets through the issuance of serial bonds. The interest accrual at year end is: (47,111)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds

Serial Bonds Payable, Net	(4,035,000)	
Net Pension Liability	(1,276,749)	
Compensated Absences	<u>(119,917)</u>	
		<u>(5,431,666)</u>

Net Position of Governmental Activities (Exhibit A-1) \$ 689,672

FREDON TOWNSHIP SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
REVENUES					
Local Sources					
Local Tax Levy	\$ 4,311,467				\$ 4,311,467
Tuition	87,092				87,092
Investment Earnings	4,376				4,376
Miscellaneous	13,454	-	-	-	13,454
Total - Local Sources	<u>4,416,389</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,416,389</u>
State Sources	1,124,032			\$ 74,452	1,198,484
Federal Sources	-	\$ 181,569	-	-	181,569
Total Revenues	<u>5,540,421</u>	<u>181,569</u>	<u>-</u>	<u>74,452</u>	<u>5,796,442</u>
EXPENDITURES					
Current					
Regular Instruction	2,271,673	\$ 59,411			2,331,084
Special Education Instruction	358,491	46,787			405,278
Other Instruction	176,154				176,154
School-Sponsored Activities and Athletics	46,383				46,383
Support Services and Undistributed Costs					
Student and Instruction Related Services	961,269	75,371			1,036,640
General Administrative Services	242,541				242,541
School Administrative Services	104,323				104,323
Central Services	184,903				184,903
Plant Operations and Maintenance	769,011				769,011
Pupil Transportation	325,528				325,528
Debt Service					
Principal				220,000	220,000
Interest and Other Charges				106,900	106,900
Capital Outlay	-	-	517,707	-	517,707
Total Expenditures	<u>5,440,276</u>	<u>181,569</u>	<u>517,707</u>	<u>326,900</u>	<u>6,466,452</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>100,145</u>	<u>-</u>	<u>(517,707)</u>	<u>(252,448)</u>	<u>(670,010)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In			584,000	233,719	817,719
Transfers Out	(817,719)	-	-	-	(817,719)
Total Other Financing Sources and Uses	<u>(817,719)</u>	<u>-</u>	<u>584,000</u>	<u>233,719</u>	<u>-</u>
Net Change in Fund Balances	(717,574)	-	66,293	(18,729)	(670,010)
Fund Balance, Beginning of Year	<u>2,416,701</u>	<u>-</u>	<u>-</u>	<u>18,729</u>	<u>2,435,430</u>
Fund Balance, End of Year	<u>\$ 1,699,127</u>	<u>\$ -</u>	<u>\$ 66,293</u>	<u>\$ -</u>	<u>\$ 1,765,420</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

**FREDON TOWNSHIP SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE DISTRICT-WIDE STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ (670,010)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expense.

Capital Outlay	\$ 517,707	
Depreciation Expense	<u>(186,040)</u>	
		331,667

Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. for these items are measured by the amount of financial resources used (paid):

Net Pension Liability	37,508	
Compensated Absences	<u>(39,976)</u>	
		(2,468)

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.

Bond Principal		220,000
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

Decrease in Accrued Interest		<u>3,770</u>
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Change in Net Position of Governmental Activities (Exhibit A-2)		<u>\$ (117,041)</u>
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FREDON TOWNSHIP SCHOOL DISTRICT
 PROPRIETARY FUND
 FOOD SERVICE ENTERPRISE FUND
 STATEMENT OF NET POSITION
 AS OF JUNE 30, 2019

	<u>Enterprise Fund - Food Service</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 7,356
Intergovernmental Receivable	
State	53
Federal	877
Other Accounts Receivable	312
Inventory	<u>3,155</u>
Total Current Assets	<u>11,753</u>
LIABILITIES	
Due To Other Funds	83
Unearned Revenues	<u>1,393</u>
Total Liabilities	<u>1,476</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Commodities Revenue	<u>1,594</u>
Total Deferred Inflows of Resources	<u>1,594</u>
Total Liabilities and Deferred Inflows of Resources	<u>3,070</u>
NET POSITION	
Unrestricted	<u>8,683</u>
Total Net Position	<u>\$ 8,683</u>

**FREDON TOWNSHIP SCHOOL DISTRICT
 PROPRIETARY FUND
 FOOD SERVICE ENTERPRISE FUND
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Enterprise Fund - Food Service</u>
OPERATING REVENUES	
Charges for Services	
Daily Sales - Reimbursable	\$ 29,944
Daily Sales - Non-Reimbursable	19,371
Other Sales	-
	-
 Total Operating Revenues	 49,315
OPERATING EXPENSES	
Cost of Sales - Reimbursable	24,791
Cost of Sales - Non-Reimbursable	3,649
Salaries & Wages	26,908
Insurance	2,843
Supplies	361
Professional Service	175
Management Fee	6,962
Miscellaneous	1,929
	1,929
 Total Operating Expenses	 67,618
 Operating Loss	 (18,303)
NONOPERATING REVENUES	
Federal Sources	
National School Lunch Program	13,756
Food Distribution Program	5,098
State Sources	
State School Lunch Program	849
Interest and Investment Revenue	19
	19
 Total Nonoperating Revenues	 19,722
 Change in Net Position	 1,419
 Net Position, Beginning of Year	 7,264
 Net Position, End of Year	 \$ 8,683

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

**FREDON TOWNSHIP SCHOOL DISTRICT
 PROPRIETARY FUND
 FOOD SERVICE ENTERPRISE FUND
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Enterprise Fund - Food Service
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 50,396
Cash Payments to Employees for Salaries and Wages	(26,908)
Cash Payments to Suppliers for Goods and Services	<u>(33,474)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(9,986)</u>
Cash Flows from Noncapital Financing Activities	
Cash Received from State and Federal Subsidy Reimbursements	<u>15,056</u>
Net Cash Provided by Noncapital Financing Activities	<u>15,056</u>
Cash Flows from Investing Activities	
Interest on Investments	<u>19</u>
Net Cash Provided by Investing Activities	<u>19</u>
Net Increase in Cash and Cash Equivalents	5,089
Cash and Cash Equivalents, Beginning of Year	<u>2,267</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 7,356</u></u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	\$ <u>(18,303)</u>
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Food Distribution Program	5,098
Change in Assets and Liabilities	
(Increase)/Decrease in Inventory	(455)
(Increase)/Decrease in Other Accounts Receivable	(312)
(Increase)/Decrease in Due From Other Funds	2,085
Increase/(Decrease) in Deferred Inflows of Resources	425
Increase/(Decrease) in Due to Other Funds	83
Increase (Decrease) in Unearned Revenue	1,393
Increase/(Decrease) in Accounts Payable	<u>-</u>
Total Adjustments	<u>8,317</u>
Net Cash Used for Operating Activities	<u><u>\$ (9,986)</u></u>
Non-cash Investing, Capital and Financing Activities:	
Value Received- Food Distribution Program	<u><u>\$ 5,523</u></u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

**FREDON TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2019**

	<u>Unemployment Compensation Trust</u>	<u>Agency Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ <u>101,058</u>	\$ <u>52,106</u>
Total Assets	<u>101,058</u>	<u>\$ 52,106</u>
LIABILITIES		
Accrued Salaries and Wages		\$ 40,502
Due to Student Groups		6,615
Payroll Deductions and Withholdings		3,357
Due to Other Funds		1,632
Due to State Government	<u>67</u>	<u>-</u>
Total Liabilities	<u>67</u>	<u>\$ 52,106</u>
NET POSITION		
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 100,991</u>	

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

**FREDON TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Unemployment Compensation Trust</u>
ADDITIONS	
Contributions	
Employees	\$ 5,213
Investment Earnings	
Interest	<u>196</u>
Total Additions	<u>5,409</u>
DEDUCTIONS	
Unemployment Claims and Contributions	<u>1,990</u>
Total Deductions	<u>1,990</u>
Change in Net Position	3,419
Net Position, Beginning of Year	<u>97,572</u>
Net Position, End of Year	<u>\$ 100,991</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

NOTES TO THE FINANCIAL STATEMENTS

**FREDON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Fredon Township School District (the “Board” or the “District”) is an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of five elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District. Under existing statutes, the Board's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the Fredon Township School District this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the District has no component units. Furthermore, the District is not includable in any other reporting entity as a component unit.

B. New Accounting Standards

During fiscal year 2019, the District adopted the following GASB statements as required:

- GASB No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistency provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms association with debt will be disclosed.

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

- GASB No. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.

**FREDON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

- GASB No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.
- GASB No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*, will be effective beginning with the fiscal year ending June 30, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

C. Basis of Presentation - Financial Statements

The financial statements include both district-wide financial statements (based on the District as a whole) and fund financial statements (based on specific District activities or objectives). Both the district-wide and fund financial statements categorize activities as either governmental activities or business-type activities. While separate district-wide and fund financial statements are presented, they are interrelated. In the district-wide financial statements, the governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the District's enterprise funds. Fiduciary funds are excluded from the district-wide financial statements.

District-Wide Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Board of Education. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) reflect on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

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

As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements. Exceptions to this general rule are charges between the Board's proprietary and fiduciary funds since elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**FREDON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements

Separate fund financial statements are provided for governmental, proprietary, and fiduciary activities, even though the latter are excluded from the district-wide financial statements. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. The District considers all of its governmental and enterprise funds to be major funds.

The District reports the following major governmental funds:

The *general fund* is the School District's primary operating fund. It accounts for all financial resources of the District, except those to be accounted for in another fund.

The *special revenue fund* accounts for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes. This fund accounts for federal, state and local financial programs, with the exception of grants for major capital projects and the child nutrition programs.

The *capital projects fund* accounts for the proceeds from the sale of bonds, lease purchases and other revenues used for the acquisition or construction of capital facilities and other capital assets, other than those financed by the proprietary funds.

The *debt service fund* accounts for the accumulation of resources that are restricted, committed or assigned for the payment of principal and interest on long-term general obligation debt of governmental funds.

The District reports the following major proprietary fund which is organized to be self-supporting through user charges:

The *food service fund* accounts for the activities of the school cafeteria, which provides food service to students as well as a la carte and catering services for teachers and special events.

Additionally, the government reports the following fund types:

The *fiduciary trust funds* are used to account for resources legally held in trust for state unemployment insurance claims. All resources of the funds, including any earnings on invested resources, may be used to support the intended purpose. There is no requirement that any portion of these resources be preserved as capital.

The *fiduciary agency funds* account for assets held by the District as an agent for student activities and for payroll deductions and withholdings. The funds for the student activities fund are solely for noninstructional student activities that are supported and controlled by student organizations and clubs for which school administration does not have management involvement. The payroll funds are held to remit employee withholdings to respective state, federal and other agencies.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the district-wide financial statements as "internal balances".

Reclassifications

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

**FREDON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements with the exception of the agency fund which does not have a measurement focus. All assets, all liabilities and all deferred outflows/inflows of resources associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days after year-end. Expenditures are recorded when a liability is incurred, as under accrual basis of accounting, with the exception of debt service expenditures as well as expenditures related to compensated absences and claims and judgments which are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, tuition, transportation fees, unrestricted state aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements (formula-type grants and aid) are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source. Expenditure-driven grants and similar awards (reimbursement-type grants and awards) are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements imposed by the grantor or provider have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when cash is received by the District.

When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash, Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value and are limited by N.J.S.A. 18A:20-37.

2. Receivables

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

**FREDON TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

3. Inventories

The cost of inventories of the governmental fund types are recorded as expenditures at the time individual inventory items are purchased.

Food Service Fund inventories, exclusive of the federal commodities, are valued at cost, using the first-in first-out (FIFO) method and consist of food and expendable supplies. The cost of such inventories is recorded as expenses when consumed rather than when purchased. The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by the USDA. It is valued at estimated market prices by the USDA. The amount of unused commodities inventory at year-end is reported as deferred inflows of resources.

4. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. The District was able to estimate the historical cost for the initial reporting of these capital assets through back trending. As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	20
Buildings	20-50
Building Improvements	20
Heavy Equipment	10-20
Office Equipment and Furniture	7-10
Computer Equipment	5

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board has one item which arises only under the accrual basis of accounting that qualifies for reporting in this category. The item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

**FREDON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

5. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Board has two types of items which arise only under the accrual basis of accounting that qualify for reporting in this category. One item that qualifies for reporting in this category are the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years. The other type of item that qualifies for reporting in this category is the deferred commodities revenue, reported in both the district-wide and the proprietary funds statements of net position. The deferred commodities revenue represents the estimated market value of the donated and unused Federal commodities inventory at year end. This amount is deferred and recognized as an inflow of resources in the period the commodities are consumed.

6. Compensated Absences

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused vacation and sick leave benefits. A long-term liability of accumulated vacation and sick leave and salary related payments has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. A liability is reported in the governmental funds only to the amount actually due at year end as a result of employee resignations and retirements.

7. Pensions

In the district-wide financial statements and proprietary fund types in the fund financial statements, 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 retirement systems sponsored and administered by the State of New Jersey and additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they are reported by the retirement systems. 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.

In the governmental fund financial statements, net pension liabilities represent amounts normally expected to be liquidated with expendable available financial resources for required pension contributions that are due and payable at year end. Pension expenditures are recognized based on contractual pension contributions that are required to be made to the pension plan during the fiscal year.

8. Long-Term Obligations

In the district-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

FREDON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

9. *Net Position/Fund Balance*

District-Wide Statements

In the district-wide statements, there are three classes of net position:

- **Net Investment in Capital Assets** – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt also should be included.
- **Restricted Net Position** – reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – any portion of net position not already classified as either net investment in capital assets or net position – restricted is classified as net position – unrestricted.

Governmental Fund Statements

Fund balance categories are designed to make the nature and extent of the constraints placed on the District's fund balance more transparent. These categories are comprised of a hierarchy based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Capital Reserve – This restriction was created by the District in accordance with NJAC 6A:23A-14.1 to fund future capital expenditures (See Note 2).

Capital Reserve - Designated for Subsequent Year's Expenditures – This designation was created to dedicate the portion of capital reserve fund balance appropriated in the adopted 2019/2020 District budget certified for taxes.

Excess Surplus – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2019 audited excess surplus that is required to be appropriated in the 2020/2021 original budget certified for taxes.

Excess Surplus – Designated for Subsequent Year's Expenditures - This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2018 audited excess surplus that was appropriated in the 2019/2020 original budget certified for taxes.

Capital Projects – Represents fund balance restricted specifically for capital acquisitions and improvements in the Capital Projects Fund.

**FREDON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

9. Net Position/Fund Balance (Continued)

Governmental Fund Statements (Continued)

Assigned Fund Balance – Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Year-End Encumbrances – Represent outstanding purchase orders for goods or services approved by management for specific purposes from available resources of the current year for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

Designated for Subsequent Year's Expenditures – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2019/2020 District budget certified for taxes.

Unassigned Fund Balance – Represents fund balance that has not been restricted, committed or assigned to specific purposes within the governmental funds.

In the general operating fund and other governmental funds (capital projects and debt service fund types), it is the District's policy to consider restricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted (i.e., committed, assigned or unassigned) fund balances are available, followed by committed and then assigned fund balances. Unassigned amounts are used only after the other resources have been used.

10. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Trustees is the highest level of decision-making authority for the government that can, by adoption of a resolution or formal Board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District has no committed fund balances at year end. (Delete last sentence if balances exist).

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Board has authorized the School Business Administrator/Board Secretary to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**FREDON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues in the district-wide statement of activities include 1) charges to customers or applicants for goods or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, unrestricted state aid, investment earnings and miscellaneous revenues.

2. Property Taxes

Property taxes are levied pursuant to law and are collected by the municipality and are transferred to the District as requested. Property tax revenues are recognized in the year they are levied and become available. Property taxes collected in advance of the year-end for which they are levied and transferred to the District are reported as deferred inflows of resources. The tax bills are mailed annually in June by the municipal tax collector and are levied and due in four quarterly installments on August 1, November 1, February 1 and May 1 of the fiscal year. When unpaid, taxes or any other municipal lien, or part thereof, on real property, remains in arrears on April 1st in the year following the calendar year levy when the same became in arrears, the tax collector of the municipality shall, subject to the provisions of New Jersey Statute, enforce the lien by placing the property on a tax sale. The municipality may institute annual “in rem” tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property.

3. Tuition Revenues and Expenditures

Tuition Revenues - Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs are determined and certified by the State Department of Education.

Tuition Expenditures - Tuition charges for the fiscal years 2017-2018 and 2018-2019 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

4. Proprietary Funds, Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Federal and State subsidies for the food service operation are considered nonoperating revenues.

**FREDON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the requirements of the New Jersey Department of Education (“the Department”), the District annually prepares its operating budget for the forthcoming year. The budget, except for the general fund and special revenue fund, which is more fully explained below and in the notes to the required supplementary information, is prepared in accordance with accounting principles generally accepted in the United States of America and serves as a formal plan for expenditures and the proposed means for financing them. Capital lease transactions are accounted for on the GAAP basis.

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption. Prior to the 2012/2013 budget year, the annual budget was required to be voted upon at the annual school election held on the third Tuesday in April. On January 17, 2012, Chapter 202 of the Laws of P.L. 2011 was approved which established procedures for moving the date of a school district’s annual school election from April to the general election in November. Under the new law, districts that have their school board members elected in November no longer have to submit their budgets that meet levy cap requirements for voter approval beginning with the 2012/2013 budget year. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot. The Board has adopted a resolution to move its annual election to the date of the general elections in accordance with the law; therefore voter approval of the annual budget is not required.

Budget adoptions and amendments are recorded in the District’s board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account 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. The Board approved several budget transfers during 2018/2019. Also, during 2018/2019 the Board increased the original budget by \$243,750. The increase was funded by capital reserve, grant awards and the reappropriation of prior year general fund encumbrances.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described in the Notes to Required Supplementary Information (RSI). Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

Encumbrance accounting is employed in the governmental funds. 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 committed and/or assigned fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services which are reappropriated and honored during the subsequent fiscal year.

**FREDON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Excess Expenditures Over Appropriations

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriations resulted in unfavorable variances.

	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund			
Unallocated Benefits			
Health Benefits	\$668,127	\$691,253	\$23,126

The above variance was the result of an audit adjustment and were offset with other available resources.

C. Capital Reserve

A capital reserve account was established by the District. The accumulation of funds will be used for capital outlay expenditures in subsequent fiscal years. The capital reserve is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve 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. 6:23A-14.1(g), the balance in the reserve 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 fiscal year ended June 30, 2019 is as follows:

Balance, July 1, 2018	\$ 2,077,827
Increased by	
Interest Earnings	\$ 2,499
Deposit by Board Resolution	130,000
Total Increases	<u>132,499</u>
	2,210,326
Decreased by:	
Withdrawals Approved in District Budget	817,719
Withdrawals Approved by Board Resolution	100,000
Total Decreases	<u>917,719</u>
Balance, June 30, 2019	<u>\$ 1,292,607</u>

The June 30, 2019 LRFP balance of local support costs of uncompleted capital projects is \$2,188,245. The withdrawals from the capital reserve were for use in a department approved facilities project, consistent with the district's Long Range Facilities Plan. \$553,400 of the capital reserve balance at June 30, 2019 was designated and appropriated for use in the 2019/2020 original budget certified for taxes.

**FREDON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2019 is \$100,486. Of this amount, \$1,063 was designated and appropriated in the 2019/2020 original budget certified for taxes and the remaining amount of \$99,423 will be appropriated in the 2020/2021 original budget certified for taxes.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

The Board's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Board is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC and NCUSIF.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2019, the book value of the Board's deposits were \$1,860,596 and bank and brokerage firm balances of the Board's deposits amounted to \$2,132,654. The Board's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

Depository Account

Insured	\$ 2,132,654
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Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2019 none of the Board's bank balances were exposed to custodial credit risk.

**FREDON TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash Deposits and Investments (Continued)

Investments

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America; Government Money Market Mutual Funds; any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor; bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located; Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law," (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by school districts; Local Government investment pools; deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); and agreements for the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2019, the Board had no outstanding investments.

B. Receivables

Receivables as of June 30, 2019 for the district's individual major funds including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Total</u>
Receivables:				
Accounts	\$ 23,134		\$ 312	\$ 23,446
Intergovernmental-				-
Federal		\$ 54,239	877	55,116
State	11,068	-	53	11,121
Gross Receivables	34,202	54,239	1,242	89,683
Less: Allowance for Uncollectibles	-	-	-	-
Net Total Receivables	<u>\$ 34,202</u>	<u>\$ 54,239</u>	<u>\$ 1,242</u>	<u>\$ 89,683</u>

**FREDON TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	<u>Balance, July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2019</u>
Governmental Activities:				
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	6,124,138	517,707		6,641,845
Improvements Other Than Buildings	119,404			119,404
Machinery and Equipment	<u>303,936</u>	<u>-</u>	<u>-</u>	<u>303,936</u>
 Total Capital Assets Being Depreciated	 <u>6,547,478</u>	 <u>517,707</u>	 <u>-</u>	 <u>7,065,185</u>
 Less Accumulated Depreciation for:				
Buildings and Building Improvements	(1,981,271)	(146,280)		(2,127,551)
Improvements Other Than Buildings	(116,517)	(165)		(116,682)
Machinery and Equipment	<u>(228,230)</u>	<u>(39,595)</u>	<u>-</u>	<u>(267,825)</u>
 Total Accumulated Depreciation	 <u>(2,326,018)</u>	 <u>(186,040)</u>	 <u>-</u>	 <u>(2,512,058)</u>
 Total Capital Assets, Being Depreciated, Net	 <u>4,221,460</u>	 <u>331,667</u>	 <u>-</u>	 <u>4,553,127</u>
 Governmental Activities Capital Assets, Net	 <u>\$ 4,221,460</u>	 <u>\$ 331,667</u>	 <u>\$ -</u>	 <u>\$ 4,553,127</u>

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

Governmental Activities:	
Instruction	
Regular	<u>\$ 167,436</u>
 Total Instruction	 <u>167,436</u>
 Support Services	
Plant Operations and Maintenance	<u>18,604</u>
 Total Support Services	 <u>18,604</u>
 Total Governmental Funds	 <u>186,040</u>
 Total Depreciation Expense - Governmental Activities	 <u>\$ 186,040</u>

**FREDON TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2019, is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 47,517
General Fund	Food Service Enterprise Fund	83
General Fund	Payroll Agency Fund	<u>1,632</u>
 Total		 <u>\$ 49,232</u>

The above balances are the result of revenues earned or other financing sources received in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund and/or to cover cash balances which were in an overdraft position.

The District expects all interfund balances to be liquidated within one year.

Interfund transfers

	<u>Transfer In:</u>		
	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
Transfer Out:			
General Fund	<u>\$ 584,000</u>	<u>\$ 233,719</u>	<u>\$ 817,719</u>
 Total Transfers	 <u>\$ 584,000</u>	 <u>\$ 233,719</u>	 <u>\$ 817,719</u>

The above transfers are the result of revenues earned and/or other financing sources received in one fund to finance expenditures in another fund.

E. Long-Term Debt

General Obligation Bonds

The Board issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities and other capital assets and other purposes permitted by statute. The full faith and credit of the Board are irrevocably pledged for the payment of the principal of the bonds and the interest thereon.

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

\$4,165,000, 2017 Refunding Bonds, due in annual installments of \$230,000 to \$330,000 through July 15, 2033, interest at 1.75% to 3.25%	<u>\$4,035,000</u>
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**FREDON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-Term Debt (Continued)

The Board's schedule of principal and interest for long-term debt issued and outstanding is as follows:

Governmental Activities:

Fiscal Year Ending June 30,	<u>Serial Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2020	230,000	100,488	330,488
2021	230,000	95,888	325,888
2022	235,000	91,532	326,532
2023	240,000	87,376	327,376
2024	245,000	82,826	327,826
2025-2029	1,315,000	332,180	1,647,180
2030-2034	<u>1,540,000</u>	<u>126,672</u>	<u>1,666,672</u>
Total	<u>\$ 4,035,000</u>	<u>\$ 916,962</u>	<u>\$ 4,951,962</u>

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2019 was as follows:

2.5% of Equalized Valuation Basis (Municipal)	\$ 10,756,029
Less: Net Debt	<u>4,035,000</u>
Remaining Borrowing Power	<u>\$ 6,721,029</u>

**FREDON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. Other Long-Term Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2019, was as follows:

	Balance, <u>July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance, <u>June 30, 2019</u>	Due Within <u>One Year</u>
Governmental Activities:					
Bonds Payable	\$ 4,255,000		\$ 220,000	\$ 4,035,000	\$ 230,000
Compensated Absences	79,941	\$ 39,976		119,917	
Net Pension Liability	<u>1,274,567</u>	<u>66,681</u>	<u>64,499</u>	<u>1,276,749</u>	-
Governmental Activity Long-Term Liabilities	<u>\$ 5,609,508</u>	<u>\$ 106,657</u>	<u>\$ 284,499</u>	<u>\$ 5,431,666</u>	<u>\$ 230,000</u>

For the governmental activities, the liabilities for compensated absences and net pension liability are generally liquidated by the general fund.

NOTE 4 OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to property, general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; student accident; termination of employees and natural disasters. The Board has obtained commercial insurance coverage to guard against these events to minimize the exposure to the District should they occur. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

The District is a member of the School Alliance Insurance Fund (SAIF or Group). The Group is a risk sharing public entity pool, established for the purpose of insuring against worker's compensation claims.

The relationship between the Board and the insurance fund is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Board is contractually obligated to make all annual and supplementary contributions to the fund, to report claims on a timely basis, cooperate with the management of the fund, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the fund. Members have a contractual obligation to fund any deficit of the fund attributable to a membership year during which they were a member.

**FREDON TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

SAIF provides its members with risk management services, including the defense of and settlement of claims and to establish reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the insurance fund are on file with the School's Business Administrator.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage's in any of the prior three years.

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 fiduciary trust fund for the current and previous two years:

<u>Fiscal Year Ended June 30,</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2019	None	\$ 5,213	\$ 1,990	\$ 100,991
2018	30,172	5,882	None	97,572
2017	30,072	4,948	4,302	61,518

B. Contingent Liabilities

The District is a party defendant in some lawsuits, none of a kind unusual for a school district of its size and scope of operation. In the opinion of the Board's Attorney the potential claims against the District not covered by insurance policies would not materially affect the financial condition of the District.

Federal and State Awards – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2019, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

C. Federal Arbitrage Regulations

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2019, the District has not estimated its arbitrage earnings due to the IRS, if any.

**FREDON TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans

Plan Descriptions and Benefits Provided

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all Board employees who are eligible for pension coverage:

Public Employees’ Retirement System (PERS) – Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage to substantially all full time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees. PERS is a cost sharing multiple employer defined benefit pension plan. For additional information about PERS, please refer to the State Division of Pension and Benefits (Division’s) Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions.

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

The following represents the membership tiers for PERS:

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

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

Teachers’ Pension and Annuity Fund (TPAF) – Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees. TPAF is a cost sharing multiple- employer defined benefit pension plan with a special funding situation, which the State is responsible to fund 100% of local employer contributions, excluding any local employer early retirement incentive (ERI) contributions. For additional information about TPAF, please refer to the State Division of Pension and Benefits (Division’s) Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions.

**FREDON TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

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

The following represent the membership tiers for TPAF:

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

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

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Board employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007 and employees enrolled in PERS on or after July 1, 2007 who earn in excess of established annual maximum compensation limits (equivalent to annual maximum wage for social security deductions). This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PFRS and new employees who would otherwise be eligible to participate in PERS and do not earn the minimum salary required or do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

**FREDON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Other Pension Funds

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local government employers do not appropriate funds to SACT.

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems but are currently suspended as a result of reform legislation.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits (“Division”), issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Plan Amendments

The authority to amend the provisions of the above plans rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for TPAF and PERS, once a Target Funded Ratio (TFR) is met. The Pension Plan Design Committees will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation of final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committees will also have the authority to reactivate the cost of living adjustment (COLA) on pensions. However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a 30-year projection period.

Measurement Focus and Basis of Accounting

The financial statements of the retirement systems are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust funds. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

**FREDON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Investment Valuation

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Prudential retirement is the third-party administrator for the DCRP and provides record keeping, administrative services and investment options. Investment transactions are accounted for on a trade or investment date basis. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date. The net increase or decrease in the fair value of investments includes the net realized and unrealized gains or losses on investments.

The State of New Jersey, Department of the Treasury, Division of Investment issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290 or at www.state.nj.us/treasury/doinvest.

Collective Net Pension Liability

The collective net pension liability of the participating employers for local PERS at June 30, 2018 is \$19.7 billion and the plan fiduciary net position as a percentage of the total pension liability is 53.60%. The collective net pension liability of the State funded TPAF at June 30, 2018 is \$63.81 billion and the plan fiduciary net position as a percentage of total pension liability is 26.49%.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2017 which were rolled forward to June 30, 2018.

Actuarial Methods and Assumptions

In the July 1, 2017 PERS and TPAF actuarial valuation, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 7.50% for PERS, 7.50% for TPAF and 5.50% for DCRP of the employee's annual compensation for fiscal year 2019.

**FREDON TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Employer and Employee Pension Contributions (Continued)

PERS employers' and TPAF State's nonemployer contributions are based on actuarially determined amounts, which include the normal cost and unfunded accrued liability. For the fiscal year ended June 30, 2019 for TPAF, which is a cost sharing multiple employer defined benefit pension plan with a special funding situation, the State's annual pension contribution was less than this actuarial determined amount. For PERS, which is a cost sharing multiple employer defined benefit pension plan, the annual pension contributions were equal to the actuarial determined amounts. TPAF nonemployer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All PERS and DCRP contributions made by the Board for fiscal years 2019, 2018 and 2017 were equal to the required contributions.

During the fiscal years ended June 30, 2019, 2018 and 2017 the Board was required to contribute for PERS and DCRP and the State of New Jersey, as a nonemployer contributing entity, contributed for TPAF, respectively for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Fiscal Year Ended <u>June 30,</u>	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2019	\$ 64,499	\$ 323,645	None
2018	50,723	259,993	None
2017	54,791	203,138	None

In addition for fiscal years 2019, 2018 and 2017 the District contributed \$323, \$621 and \$351, respectively for PERS and the State contributed \$299, \$373 and \$434, respectively for TPAF for Long Term Disability Insurance Premium (LTDI).

The PERS contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB Statement No. 85, *Omnibus 2017* (GASB No. 85). The DCRP contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure, as well as, the district-wide financial statements (accrual basis) as an expense.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$127,752 during the fiscal year ended June 30, 2019 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the district-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 85.

**FREDON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS)

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB No. 68) requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the measurement period July 1, 2017 through June 30, 2018. Employer allocation percentages have been rounded for presentation purposes.

Although the NJ Division of Pensions and Benefits (“Division”) administers one cost-sharing multiple employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages are presented for each group. The allocation percentages for each group as of June 30, 2018 are based on the ratio of each employer’s contribution to total employer contributions of the group for the fiscal year ended June 30, 2018.

At June 30, 2019, the District reported in the statement of net position (accrual basis) a liability of \$1,276,749 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportionate share of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating governmental entities, actuarially determined. At June 30, 2018, the District’s proportionate share was .00648 percent, which was an increase of .00101 percent from its proportionate share measured as of June 30, 2017 of .00548 percent.

FREDON TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

For the fiscal year ended June 30, 2019, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$78,335 for PERS. The pension contribution made by the District during the current 2018/2019 fiscal year is the contribution that is applied to the net pension liability reported at the end of the current fiscal year of June 30, 2019 with a measurement date of the prior fiscal year end of June 30, 2018. Since the State of New Jersey applies the current year pension contribution towards the calculation of the net pension liability reported at the end of the current fiscal year, which has a measurement date of the preceding fiscal year end, there is no deferred outflows of resources reported as of June 30, 2019 for contributions made subsequent to the measurement date. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 24,348	\$ 6,583
Changes of Assumptions	210,387	408,237
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		11,976
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>299,747</u>	<u>257,784</u>
Total	<u>\$ 534,482</u>	<u>\$ 684,580</u>

At June 30, 2019, the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	<u>Total</u>
2020	\$ (32,826)
2021	(32,826)
2022	(32,826)
2023	(32,826)
2024	(18,794)
Thereafter	<u>-</u>
	<u>\$ (150,098)</u>

**FREDON TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

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

	<u>PERS</u>
Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65-4.15% Based on Age
Thereafter	2.65-5.15% Based on Age
Investment Rate of Return	7.00%
Mortality Rate Table	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

**FREDON TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2018) 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 actuaries. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans 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 the pension plans' target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
US Equities	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%
Emerging Market Equities	6.50%	11.64%
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 Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2018	5.66%
2018	June 30, 2017	5.00%

**FREDON TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

The following table represents the crossover period, if applicable, for the PERS defined benefit plan:

Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2046
Municipal Bond Rate *	From July 1, 2046 and Thereafter

* The municipal bond return rate used is 3.87% as of the measurement date of June 30, 2018. 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.

Sensitivity of Net Pension Liability

The following presents the District’s proportionate share of the PERS net pension liability calculated using the discount rate of 5.66%, as well as what the District’s proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.66 percent) or 1-percentage-point higher (6.66 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>4.66%</u>	<u>5.66%</u>	<u>6.66%</u>
District's Proportionate Share of the PERS Net Pension Liability	<u>\$ 1,605,365</u>	<u>\$ 1,276,749</u>	<u>\$ 1,001,061</u>

The sensitivity analysis was based on the proportionate share of the District’s net pension liability at June 30, 2018. A sensitivity analysis specific to the District’s net pension liability at June 30, 2018 was not provided by the pension system.

Pension Plan Fiduciary Net Position

Detailed information about the PERS pension plan’s fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**FREDON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF)

GASB No. 68, requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The non-employer allocation percentages presented are based on the ratio of the State's contributions made as an employee and non-employer adjusted for unpaid early retirement incentives to total contributions to TPAF during the fiscal year ended June 30, 2018. Non-employer allocation percentages have been rounded for presentation purposes.

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and non-employer contributions by the State. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. For the fiscal year ended June 30, 2018, the State's pension contribution was less than the actuarial determined amount.

In accordance with GASB No. 68, the District is not required to recognize a net pension liability for TPAF. The State of New Jersey, as a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to TPAF on behalf of the District. Accordingly, the District's proportionate share percentage determined under Statement No. 68 is zero percent and the State's proportionate share is 100% of the net pension liability attributable to the District for TPAF. Therefore, in addition, the District does not recognize any portion of the TPAF collective deferred outflows of resources and deferred inflows of resources.

For the fiscal year ended June 30, 2019, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$639,250 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as both a revenue and expense in accordance with GASB No. 85.

At June 30, 2019 the State's proportionate share of the net pension liability attributable to the District is \$10,965,503. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer adjusted for unpaid early retirement incentives to total contributions to TPAF during the year ended June 30, 2018. At June 30, 2018, the State's share of the net pension liability attributable to the District was .01723 percent, which was a decrease of .00082 percent from its proportionate share measured as of June 30, 2017 of .01805 percent.

**FREDON TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions

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

	<u>TPAF</u>
Inflation Rate	2.25%
Salary Increases:	
2011-2026	1.55-4.55%
Thereafter	2.00-5.45%
Investment Rate of Return	7.00%
Mortality Rate Table	RP-2006

Assumptions for mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational bases based on a 60-year average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

FREDON TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2018) 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 actuaries. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans 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 the pension plans' target asset allocation as of June 30, 2018 are summarized in the following table:

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

**FREDON TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Discount Rate

The discount rate used to measure the total pension liabilities of the TPAF plan was as follows:

Fiscal Year	Measurement Date	Discount Rate
2019	June 30, 2018	4.86%
2018	June 30, 2017	4.25%

The following table represents the crossover period, if applicable, for the TPAF defined benefit plan:

Period of Projected Benefit

Payments for which the Following Rates were Applied:

Long-Term Expected Rate of Return	Through June 30, 2040
Municipal Bond Rate *	From July 1, 2040 and Thereafter

* The municipal bond return rate used is 3.87% as of the measurement date of June 30, 2018. 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.

Sensitivity of Net Pension Liability

The following presents the State's proportionate share of the TPAF net pension liability attributable to the District calculated using the discount rate of 4.86%, as well as what the State's proportionate share of the TPAF net pension liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (3.86 percent) or 1-percentage-point higher (5.86 percent) than the current rate:

	1% Decrease (3.86%)	Current Discount Rate (4.86%)	1% Increase (5.86%)
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	<u>\$ 12,961,016</u>	<u>\$ 10,965,503</u>	<u>\$ 9,311,271</u>

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District at June 30, 2018. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2018 was not provided by the pension system.

**FREDON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the TPAF pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

E. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plan for school districts.

As a result of implementing GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, the post-retirement health benefit program plan is reported in an Agency Fund in the New Jersey Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. Therefore, the plan has no assets accumulated in a trust. In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension* (GASB No. 75), the plan is classified as a single employer defined benefit OPEB plan with a special funding situation that is not administered through a trust that meets the criteria in paragraph 4 of GASB No. 75.

Plan Description and Benefits Provided

The State of New Jersey sponsors and administers the following post-retirement health benefit program plan covering certain local school district employees, including those Board employees and retirees eligible for coverage.

State Health Benefit Program Fund – Local Education Retired Employees Plan (including Prescription Drug Program Fund) – N.J.S.A. 52:14-17.32f provides medical coverage, prescription drug benefits and Medicare Part B reimbursement to qualified retired education employees and their covered dependents. The State of New Jersey provides employer-paid coverage to members of the TPAF who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of Chapter 126, P.L. 1992, the State also provides employer-paid coverage to members of the PERS and Alternate Benefits Program (ABP) who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare Parts A and B by paying the cost of the insurance for themselves and their covered dependents.

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.

**FREDON TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Plan Membership

Membership of the defined benefit OPEB plan consisted of the following at June 30, 2017:

Active Plan Members	217,131
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	145,050
Inactive Plan Members Entitled to but not yet Receiving Benefits	<u> -</u>
Total	<u>362,181</u>

Measurement Focus and Basis of Accounting

The financial statements of the post-employment health benefit plans are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the post-employment health benefit plans. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Collective Net OPEB Liability

The collective net OPEB liability of the State, as the non-employer contributing entity, of the plan at June 30, 2018 is \$46.1 billion, and the plan fiduciary net position as a percentage of the total OPEB liability is zero percent.

The total OPEB liabilities were determined based on actuarial valuations as of June 30, 2017 which were rolled forward to June 30, 2018.

**FREDON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Actuarial Methods and Assumptions

In the June 30, 2017 OPEB actuarial valuation, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Post-Retirement Medical Benefits Contributions

The funding policy of the OPEB plan is pay as you go basis; therefore, there is no prefunding of the liability. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are made by the State, as a non-employer contributing entity, under a special funding situation in accordance with State statutes as previously disclosed. The State as a non-employer contributing entity made contributions of \$1.23 billion to the OPEB plan in fiscal year 2018.

The State sets the contribution rate based on a pay as you go basis rather than the actuarial determined contribution amount actuarially determined in accordance with the parameters of GASB Statement 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan. The State's contributions, as a nonemployer contributing entity, to the State Health Benefits Program Fund – Local Education Retired Employees Plan for retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2019, 2018 and 2017 were \$146,805, \$167,924 and \$169,260, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund – Local Education Retired Employees Plan for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey. The on-behalf OPEB contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 85.

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

GASB Statement No. 75 requires participating employers in the State Health Benefit Program Fund – Local Education Retired Employees Plan to recognize their proportionate share of the collective OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense. The nonemployer allocation percentages presented are based on the ratio of the State's contributions made as a nonemployer toward the actuarially determined contribution amount to total contributions to the plan during the measurement period July 1, 2017 through June 30, 2018. Nonemployer allocation percentages have been rounded for presentation purposes.

In accordance with GASB No. 75, the District is not required to recognize an OPEB liability for the post-employment health benefit plan. The State of New Jersey, as a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to the plan on behalf of the District. Accordingly, the District's proportionate share percentage determined under Statement No. 75 is zero percent and the State's proportionate share is 100% of the OPEB liability attributable to the District. Therefore, in addition, the District does not recognize any portion of the collective deferred outflows of resources and deferred inflows of resources related to the plan.

**FREDON TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

For the fiscal year ended June 30, 2019, the District recognized in the district-wide statement of activities (accrual basis) OPEB expense of \$502,491. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 85.

At June 30, 2019 the State’s proportionate share of the OPEB liability attributable to the District is \$9,391,217. The nonemployer allocation percentages are based on the ratio of the State’s proportionate share of the OPEB liability attributable to the District at June 30, 2018 to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2018. At both June 30, 2018 and 2017, the state’s share of the OPEB liability attributable to the District was .02 percent.

Actuarial Assumptions

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

Inflation Rate	2.50%
Salary Increases *	
Initial Fiscal Year Applied Through	2026
Rate	1.55% to 4.55%
Rate Thereafter	2.00% to 5.45%

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

Long-Term Rate of Return 1.00%

*Salary increases are based on the defined benefit plan that the individual is enrolled in and his or her year of service for TPAF or his or her age for PERS.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the TPAF and PERS actuarial experience studies for the period July 1, 2012 to June 30, 2015 and July 1, 2011 to June 30, 2014, respectively.

Healthcare cost trend rates for pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.8 percent and decreases to a 5.0 percent long-term trend rate after eight years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5 percent. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8 percent and decreases to a 5.0 percent long-term trend rate after eight years. For prescription drug benefits, the initial trend rate is 8.0 percent and decreases to a 5.0 percent long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0 percent. This reflects the known underlying cost of the Part B premium. The Medicare Advantage trend rate is 4.5 percent and will continue in all future years.

FREDON TOWNSHIP SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Long-Term Expected Rate of Return

As the OPEB plan only invests in the State of New Jersey Cash Management Fund, the long-term expected rate of return on OPEB investments was based off the best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) for cash equivalents, which is 1.00% as of June 30, 2018.

Discount Rate

The discount rate used to measure the total OPEB liabilities of the plan was as follows:

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2019	June 30, 2018	3.87%
2018	June 30, 2017	3.58%

The discount rate 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Changes in the Total OPEB Liability

The change in the State's proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2019 (measurement date June 30, 2018) is as follows:

	Total OPEB Liability (State Share 100%)
Balance, June 30, 2017 Measurement Date	\$ 10,251,518
Changes Recognized for the Fiscal Year:	
Service Cost	395,496
Interest on the Total OPEB Liability	376,862
Differences Between Expected and Actual Experience	(312,531)
Changes of Assumptions	(1,077,689)
Gross Benefit Payments	(251,118)
Contributions from the Member	8,679
Net Changes	\$ (860,301)
Balance, June 30, 2018 Measurement Date	\$ 9,391,217

Changes of assumptions and other inputs reflect a change in the discount rate from 3.58 percent in 2017 to 3.87 percent in 2018.

The change in the total OPEB liability was based on the State's proportionate share of the OPEB liability attributable to the District at June 30, 2018. A change in the total OPEB liability specific to the State's proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2018 was not provided by the pension system.

**FREDON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Sensitivity of OPEB Liability

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the State's proportionate share of the OPEB liability attributable to the District calculated using the discount rate of 3.87%, as well as what the State's proportionate share of the OPEB liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current rate:

	1% Decrease <u>(2.87%)</u>	Current Discount Rate <u>(3.87%)</u>	1% Increase <u>(4.87%)</u>
State's Proportionate Share of the OPEB Liability Attributable to the District	\$ 11,102,330	\$ 9,391,217	\$ 8,031,059

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the State's proportionate share of the OPEB liability attributable to the District calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability (School Retirees)	\$ 7,762,388	\$ 9,391,217	\$ 11,545,406

The sensitivity analyses were based on the State's proportionate share of the OPEB liability attributable to the District at June 30, 2018. Sensitivity analyses specific to the State's proportionate share of the OPEB liability attributable to the District at June 30, 2018 were not provided by the pension system.

F. 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 school tax revenue 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.

G. Restatement

The net position, beginning of year, in the governmental activities was restated for deferred outflows of resources with respect to net pension liability. The effect of this restatement was a decrease in net position of \$51,344.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

**FREDON TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
REVENUES					
Local Sources					
Local Tax Levy	\$ 4,311,467		\$ 4,311,467	\$ 4,311,467	
Tuition	60,000		60,000	87,092	\$ 27,092
Interest	-		-	1,877	1,877
Interest Earned - Capital Reserve	500		500	2,499	1,999
Miscellaneous	-	-	-	13,454	13,454
Total Local Sources	<u>4,371,967</u>	<u>-</u>	<u>4,371,967</u>	<u>4,416,389</u>	<u>44,422</u>
State Sources					
Special Education Aid	183,763		183,763	183,763	
Transportation Aid	72,129	\$ (38,894)	33,235	33,235	
Equalization Aid	277,211		277,211	277,211	
Security Aid	25,900		25,900	25,900	
Extraordinary Aid				2,591	2,591
Non Public Transportation Reimbursements				4,004	4,004
On-behalf TPAF Pension Payments (Non-Budget) - Pension				317,009	317,009
On-behalf TPAF Pension Payments (Non-Budget) - NCGI Premium				6,636	6,636
On-behalf TPAF Pension Payments (Non-Budget) - Post Retirement Medical Contr.				146,805	146,805
On-behalf TPAF Pension Payments (Non-Budget) - Long-Term Disability Ins.				299	299
On-behalf TPAF Social Security Payments (Non-Budget)	-	-	-	127,752	127,752
Total State Sources	<u>559,003</u>	<u>(38,894)</u>	<u>520,109</u>	<u>1,125,205</u>	<u>605,096</u>
Total Revenues	<u>4,930,970</u>	<u>(38,894)</u>	<u>4,892,076</u>	<u>5,541,594</u>	<u>649,518</u>
Instruction - Regular Programs					
Salaries of Teachers					
Preschool	80,517	80	80,597	80,487	110
Kindergarten	195,158	(61,000)	134,158	134,155	3
Grades 1-5	823,561	(52,526)	771,035	771,035	
Grades 6-8	262,585	(25,315)	237,270	236,520	750
Regular Programs - Undistributed Instruction					
Salaries of Teachers	500		500	74	426
Other Salaries for Instruction	43,608	(2,247)	41,361	31,290	10,071
Purchased Professional - Educational Services	3,250	(80)	3,170	1,850	1,320
Other Purchased Services	58,000	2,313	60,313	58,153	2,160
General Supplies	71,722	11,271	82,993	64,811	18,182
Textbooks	20,000	(19,659)	341		341
Other Objects	96	9,659	9,755	9,755	-
Total Regular Programs - Instruction	<u>1,558,997</u>	<u>(137,504)</u>	<u>1,421,493</u>	<u>1,388,130</u>	<u>33,363</u>
Special Education Instruction					

**FREDON TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Special Education (Continued)					
Resource Room/Resource Center					
Salaries of Teachers	\$ 153,900	\$ 22,700	\$ 176,600	\$ 172,253	\$ 4,347
Other Salaries for Instruction	5,322	(544)	4,778	-	4,778
General Supplies	500	645	1,145	1,145	-
Total Resource Room/Resource Center	<u>159,722</u>	<u>22,801</u>	<u>182,523</u>	<u>173,398</u>	<u>9,125</u>
Home Instruction					
Salaries of Teachers	250	-	250	-	250
Total Home Instruction	<u>250</u>	<u>-</u>	<u>250</u>	<u>-</u>	<u>250</u>
Total Special Education Instruction	<u>159,972</u>	<u>22,801</u>	<u>182,773</u>	<u>173,398</u>	<u>9,375</u>
Basic Skills/Remedial - Instruction					
Salaries of Teachers	26,146	106,000	132,146	107,911	24,235
Other Salaries for Instruction	5,120	(916)	4,204	352	3,852
General Supplies	1,000	916	1,916	1,680	236
Total Basic Skills/Remedial - Instruction	<u>32,266</u>	<u>106,000</u>	<u>138,266</u>	<u>109,943</u>	<u>28,323</u>
School Sponsored Co/Extra Curricular Activities					
Salaries	42,266		42,266	36,743	5,523
Purchased Services	1,000		1,000		1,000
Supplies and Materials	10,000		10,000	394	9,606
Other Objects	765	-	765	(7,437)	8,202
Total School Sponsored Co/Extra Curricular Activities	<u>54,031</u>	<u>-</u>	<u>54,031</u>	<u>29,700</u>	<u>24,331</u>
Total Instruction	<u>1,805,266</u>	<u>(8,703)</u>	<u>1,796,563</u>	<u>1,701,171</u>	<u>95,392</u>
Undistributed Expenditures - Instruction					
Tuition to Other LEAs Within the State - Special	105,150	(8,300)	96,850	79,404	17,446
Total Undistributed Expenditures - Instruction	<u>105,150</u>	<u>(8,300)</u>	<u>96,850</u>	<u>79,404</u>	<u>17,446</u>
Attendance and Social Work					
Salaries	28,459	4,020	32,479	31,497	982
Other Purchased Services	9,070	(1,500)	7,570	3,000	4,570
Total Attendance and Social Work	<u>37,529</u>	<u>2,520</u>	<u>40,049</u>	<u>34,497</u>	<u>5,552</u>

**FREDON TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Health Services					
Salaries	\$ 65,087	\$ 1,655	\$ 66,742	\$ 66,447	\$ 295
Purchased Professional and Technical Svcs.	1,131	(592)	539	141	398
Supplies and Materials	2,450	(1,063)	1,387	1,045	342
Total Health Services	68,668	-	68,668	67,633	1,035
Speech, OT, PT and Related Services					
Salaries	46,602	(8,049)	38,553	28,876	9,677
Purchased Professional Educational Services	2,000	52,077	54,077	47,806	6,271
Supplies and Materials	500	1,443	1,943	1,943	-
Total Speech, OT, PT and Related Services	49,102	45,471	94,573	78,625	15,948
Other Support Service-Students- Extraordinary Services					
Salaries	53,496		53,496	39,557	13,939
Purchased Professional - Educational Services		32,300	32,300	16,524	15,776
Supplies and Materials	2,000	(500)	1,500	65	1,435
Total Other Support Service-Students- Extraordinary Services	55,496	31,800	87,296	56,146	31,150
Guidance					
Salaries of Other Professional Staff	35,672	(2,520)	33,152	30,499	2,653
Salaries of Secretarial and Clerical Assistants	32,450		32,450	32,440	10
Purchased Professional - Educational Services	750		750	348	402
Other Purchased Services	5,100	660	5,760	5,754	6
Supplies and Materials	2,000	(660)	1,340	398	942
Total Guidance	75,972	(2,520)	73,452	69,439	4,013
Child Study Teams					
Salaries of Other Professional Staff	103,318	(78,556)	24,762	19,686	5,076
Salaries of Secretarial and Clerical Assistants	18,561		18,561	18,043	518
Purchased Professional- Educational Services	85,000	9,330	94,330	85,349	8,981
Other Purchased Professional and Tech. Services		3,770	3,770	3,770	
Other Purchased Services	11,600	(11,600)			
Miscellaneous Purchased Services		236	236	236	
Supplies and Materials	3,500	(200)	3,300	1,782	1,518
Other Objects	250	-	250	-	250
Total Child Study Teams	222,229	(77,020)	145,209	128,866	16,343
Improvement of Instructional Services					
Salaries of Supervisor of Instruction	73,897		73,897	72,600	1,297
Salaries of Secretarial & Clerical Assistants	43,901		43,901	41,340	2,561
Other Salaries	3,000	256	3,256	589	2,667
Purchased Professional- Educational Services	12,000	(256)	11,744	1,686	10,058
Other Purchased Services	600		600	500	100
Supplies and Materials	2,000	-	2,000	1,433	567
Total Improvement of Instructional Services	135,398	-	135,398	118,148	17,250
Educational Media Services/School Library					
Salaries	49,859		49,859	49,859	
Salaries of Technology Coordinators	64,065		64,065	63,211	854
Other Purchased Services	850		850	795	55
Supplies and Materials	2,000	-	2,000	1,573	427
Total Educational Media Serv./School Library	116,774	-	116,774	115,438	1,336

**FREDON TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Instructional Staff Training Services					
Purchased Professional - Educational Services	\$ 30,000	\$ (2,144)	\$ 27,856	\$ 16,098	\$ 11,758
Other Purchased Services		5,954	5,954	4,604	1,350
Travel - All Other	4,000	(4,000)			
Supplies and Materials	14,000	(7,000)	7,000	7,000	
Other Objects	3,500	-	3,500	-	3,500
	<u>51,500</u>	<u>(7,190)</u>	<u>44,310</u>	<u>27,702</u>	<u>16,608</u>
Total Instructional Staff Training Services					
	<u>51,500</u>	<u>(7,190)</u>	<u>44,310</u>	<u>27,702</u>	<u>16,608</u>
Support Services General Administration					
Salaries	73,897	29,031	102,928	102,656	272
Legal Services	12,000	(397)	11,603	11,603	
Audit Fees	14,665	2,417	17,082	7,332	9,750
Other Purchased Professional Services	2,800	1,946	4,746	4,746	
Communications/Telephone	32,000	4,700	36,700	34,776	1,924
Travel Admin/Board	1,500	(396)	1,104	570	534
BOE Other Purchased Services	1,000	1,043	2,043	2,043	
Miscellaneous Purchased Services	21,475	1,247	22,722	21,424	1,298
BOE In-House Training/Meeting Supplies	250	(250)			
General Supplies	1,250	2,406	3,656	3,656	
Miscellaneous Expenditures	2,500	753	3,253	3,253	
BOE Membership Dues and Fees	3,200	(51)	3,149	3,103	46
	<u>166,537</u>	<u>42,449</u>	<u>208,986</u>	<u>195,162</u>	<u>13,824</u>
Total Support Services General Administration					
	<u>166,537</u>	<u>42,449</u>	<u>208,986</u>	<u>195,162</u>	<u>13,824</u>
Support Services School Administration					
Salaries of Principal/Asst. Principals/Program Dir.	34,851	25,758	60,609	58,941	1,668
Salaries of Secretarial and Clerical Assistants	17,840	(13,380)	4,460	4,460	
Other Purchased Services	4,300	(3,654)	646	646	
Travel - All Other	750	(180)	570		570
Purchased Professional and Technical Svcs.					
Supplies and Materials	3,500	(2,400)	1,100	1,007	93
Other Objects	1,000	80	1,080	1,080	-
	<u>62,241</u>	<u>6,224</u>	<u>68,465</u>	<u>66,134</u>	<u>2,331</u>
Total Support Services School Administration					
	<u>62,241</u>	<u>6,224</u>	<u>68,465</u>	<u>66,134</u>	<u>2,331</u>
Central Services					
Salaries	110,106	3,338	113,444	107,911	5,533
Purchased Professional Services	-	4,200	4,200	3,000	1,200
Misc. Purchased Services	12,810	2,037	14,847	14,847	
Travel - All Other	600	(246)	354	351	3
Miscellaneous Purchased Services	1,500	(575)	925	925	
Supplies and Materials	1,250	2,220	3,470	3,470	
Miscellaneous Expenditures	1,500	(269)	1,231	1,223	8
	<u>127,766</u>	<u>10,705</u>	<u>138,471</u>	<u>131,727</u>	<u>6,744</u>
Total Central Services					
	<u>127,766</u>	<u>10,705</u>	<u>138,471</u>	<u>131,727</u>	<u>6,744</u>
Admin. Info. Tech.					
Other Purchased Services	3,300	(1,703)	1,597	1,122	475
Supplies and Materials	1,700	1,359	3,059	3,059	-
	<u>5,000</u>	<u>(344)</u>	<u>4,656</u>	<u>4,181</u>	<u>475</u>
Total Admin. Info. Tech					
	<u>5,000</u>	<u>(344)</u>	<u>4,656</u>	<u>4,181</u>	<u>475</u>

**FREDON TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Required Maintenance For School Facilities					
Salaries	\$ 130,675		\$ 130,675	\$ 130,675	
Cleaning, Repair and Maintenance Services	51,650	\$ (19,195)	32,455	28,191	\$ 4,264
Lead Testing of Drinking Water		1,000	1,000	885	115
General Supplies	20,000	(5,539)	14,461	13,071	1,390
Other Objects	300	519	819	819	-
	<u>202,625</u>	<u>(23,215)</u>	<u>179,410</u>	<u>173,641</u>	<u>5,769</u>
Total Required Maint. For School Facilities					
Custodial Services					
Salaries	94,341		94,341	88,454	5,887
Cleaning, Repair and Maintenance Services	18,000	24,610	42,610	41,110	1,500
Insurance	51,620	(196)	51,424	51,424	
Miscellaneous Purchased Services		2,589	2,589	2,586	3
General Supplies	20,300	(10,546)	9,754	8,241	1,513
Energy (Natural Gas)	1,000		1,000	654	346
Energy (Oil)	35,000	8,570	43,570	42,412	1,158
Energy (Electricity)	60,000	(17,464)	42,536	41,386	1,150
	<u>280,261</u>	<u>7,563</u>	<u>287,824</u>	<u>276,267</u>	<u>11,557</u>
Total Custodial Services					
Care and Upkeep of Grounds					
Salaries	20,186	320	20,506	20,501	5
Cleaning, Repair, and Maintenance Services	2,000	27,140	29,140	29,140	
Purchased Professional & Technical Services	3,000	(100)	2,900	2,900	-
	<u>25,186</u>	<u>27,360</u>	<u>52,546</u>	<u>52,541</u>	<u>5</u>
Total Care and Upkeep of Grounds					
Security Services					
Salaries	9,000		9,000	8,750	250
Cleaning, Repair, and Maintenance Services	6,000	(649)	5,351	5,351	
General Supplies	5,000	6,399	11,399	7,947	3,452
Purchased Professional & Technical Services	5,600	21,378	26,978	18,678	8,300
	<u>25,600</u>	<u>27,128</u>	<u>52,728</u>	<u>40,726</u>	<u>12,002</u>
Total Security Services					
Student Transportation Services					
Salaries for Pupil Transportation (Bet Home & School) - Reg. (Bet Home & School) - Reg.	17,425	12,200	29,625	29,601	24
Salaries for Pupil Transportation (Bet Home & School) - Spec. Ed. (Bet Home & School) - Special Education	17,425	(12,200)	5,225	2,178	3,047
Management Fee - ESC and CTSA Transportation Program	6,500		6,500	5,274	1,226
Contracted Services - Aid in Lieu Payments - Nonpublic		9,000	9,000	8,100	900
Contracted Services - Aid in Lieu Payments - Charter School		4,080	4,080	3,649	431
Contracted Services (Between Home and School) - Vendors		409	409	409	
Contracted Services (Other than Between Home and School) - Vendors	15,200	(409)	14,791	13,874	917
Contract Services (Between Home and School)-Joint Agreements	21,000	(11,080)	9,920	7,614	2,306
Contracted Services - (Spl. Ed. Students) - Vendors		9,500	9,500	9,500	
Contract Services (Regular Students)-ESCs and CTSAAs	169,115	2,745	171,860	171,860	
Contract Services (Special Ed Students)- ESCs and CTSAAs	100,005	(34,790)	65,215	59,040	6,175
	<u>346,670</u>	<u>(20,545)</u>	<u>326,125</u>	<u>311,099</u>	<u>15,026</u>
Total Student Transportation Services					

**FREDON TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

EXPENDITURES	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final To Actual
CURRENT EXPENDITURES (Continued)					
Unallocated Benefits - Employee Benefits					
Social Security Contributions	\$ 75,000	495	\$ 75,495	\$ 75,495	
Other Retirement Contributions - PERS	64,000	825	64,825	64,822	\$ 3
Unemployment Compensation	15,000	(15,000)			
Workmen's Compensation	37,311		37,311	36,385	926
Health Benefits	766,878	(98,751)	668,127	691,253	(23,126)
Tuition Reimbursement	17,000	(3,000)	14,000	3,650	10,350
Other Employee Benefits	20,250	3,531	23,781	8,398	15,383
Total Unallocated Benefits - Employee Benefits	995,439	(111,900)	883,539	880,003	3,536
On-behalf TPAF Pension Payments (Non-Budget) - Pension				317,009	(317,009)
On-behalf TPAF Pension Payments (Non-Budget) - NCGI Premium				6,636	(6,636)
On-behalf TPAF Pension Payments (Non-Budget) - Post Retirement Medical Contr.				146,805	(146,805)
On-behalf TPAF Pension Payments (Non-Budget) - Long-Term Disability Ins.				299	(299)
On-behalf TPAF Social Security Payments (Non-Budget)	-	-	-	127,752	(127,752)
Total On-Behalf Payments	-	-	-	598,501	(598,501)
Total Undistributed Expenditures	3,155,143	(49,814)	3,105,329	3,505,880	(400,551)
Total Expenditures - Current Expenditures	4,960,409	(58,517)	4,901,892	5,207,051	(305,159)
CAPITAL OUTLAY					
Equipment					
Required Maintenance for School Facilities	-	12,632	12,632	-	12,632
Total Equipment	-	12,632	12,632	-	12,632
Facilities Acquisition and Construction Services					
Other Purchased Professional and Technical Services		115,150	115,150	113,063	2,087
Other Objects (Debt Service Assessment)	770	-	770	770	-
Total Facilities Acquisition and Construction Services	770	115,150	115,920	113,833	2,087
Total Capital Outlay	770	127,782	128,552	113,833	14,719
Transfer to Charter School	44,121	75,271	119,392	119,392	-
Total Expenditures	5,005,300	144,536	5,149,836	5,440,276	(290,440)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(74,330)	(183,430)	(257,760)	101,318	359,078
Other Financing Sources (Uses)					
Transfer to Capital Reserve to Capital Projects	(584,000)	-	(584,000)	(584,000)	-
Transfer to Capital Reserve to Debt Service	(233,719)	-	(233,719)	(233,719)	-
Total Other Financing Sources	(817,719)	-	(817,719)	(817,719)	-

FREDON TOWNSHIP SCHOOL DISTRICT
 GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Sources	\$ (892,049)	\$ (183,430)	\$ (1,075,479)	\$ (716,401)	\$ 359,078
Fund Balance, Beginning of Year	<u>2,470,052</u>	<u>-</u>	<u>2,470,052</u>	<u>2,470,052</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,578,003</u>	<u>\$ (183,430)</u>	<u>\$ 1,394,573</u>	<u>\$ 1,753,651</u>	<u>\$ 359,078</u>

Recapitulation of Fund Balance

Restricted	
Capital Reserve	\$ 739,207
Capital Reserve - Designated in Subsequent Year's Budget	553,400
Excess Surplus	99,423
Excess Surplus - Designated in Subsequent Year's Budget	1,063
Assigned	
Year End Encumbrances	43,471
Designated in Subsequent Year's Budget	60,492
Unassigned	<u>256,595</u>
	1,753,651
Reconciliation to Governmental Funds Statements (GAAP):	
Less: State Aid Payments Not Recognized on GAAP Basis	<u>(54,524)</u>
Fund Balance Per Governmental Funds (GAAP)	<u>\$ 1,699,127</u>

**FREDON TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Intergovernmental					
Federal	\$ 73,269	\$ 99,214	\$ 172,483	\$ 181,569	\$ 9,086
Total Revenues	<u>73,269</u>	<u>99,214</u>	<u>172,483</u>	<u>181,569</u>	<u>9,086</u>
EXPENDITURES					
Instruction					
Tuition	43,200	1,668	44,868	44,868	
Other Purchased Services		11,200	11,200	8,639	2,561
General Supplies	6,069	42,475	48,544	52,691	(4,147)
Total Instruction	<u>49,269</u>	<u>55,343</u>	<u>104,612</u>	<u>106,198</u>	<u>(1,586)</u>
Support Services					
Salaries	8,000	15,000	23,000	23,000	-
Personal Services-Employee Benefits	506	6,624	7,130	7,130	-
Purchased Prof./Ed. Services	4,512	16,198	20,710	28,710	(8,000)
Other Purchased Services	10,982	5,549	16,531	16,531	-
Supplies and Materials	-	500	500	-	500
Total Support Services	<u>24,000</u>	<u>43,871</u>	<u>67,871</u>	<u>75,371</u>	<u>(7,500)</u>
Total Expenditures	<u>73,269</u>	<u>99,214</u>	<u>172,483</u>	<u>181,569</u>	<u>(9,086)</u>
Excess (Deficiency) of Revenues					
Over/(Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART II

**FREDON TOWNSHIP SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described below. Encumbrance accounting is also employed as an extension of formal budgetary integration of the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the Special Revenue Funds 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.

The following presents a reconciliation of the General and Special Revenue Funds from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

	General Fund		Special Revenue Fund
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	(C-1) \$ 5,541,594	(C-2)	\$ 181,569
Difference - Budget to GAAP:			
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized - Current Year			
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized - Prior Year			
State Aid payment not recognized for budgetary purposes, recognized for GAAP statements - Prior Year	53,351		
State Aid payment and extraordinary aid recognized for budgetary purposes, not recognized for GAAP statements - Current Year	<u>(54,524)</u>		<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 5,540,421</u>		<u>\$ 181,569</u>
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	(C-1) \$ 5,440,276	(C-2)	\$ 181,569
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 financial reporting purposes - Prior Year			-
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 financial reporting purposes - Current Year	<u>-</u>		<u>-</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 5,440,276</u>		<u>\$ 181,569</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART III
PENSION AND OTHER POST-EMPLOYMENT BENEFITS INFORMATION

**FREDON TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Public Employees Retirement System

Last Six Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	.00648%	.00548%	.00616%	.00493%	.00677%	.00807%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,276,749	\$ 1,274,567	\$ 1,826,630	\$ 1,108,729	\$ 1,267,804	\$ 1,544,118
District's Covered-Employee Payroll	\$ 415,976	\$ 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	306.93%	306.40%	466.96%	173.60%	183.01%	171.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.60%	48.10%	40.14%	47.92%	52.08%	48.72%

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

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

FREDON TOWNSHIP SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT CONTRIBUTIONS

Public Employees Retirement System

Last Six Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 64,499	\$ 50,723	\$ 54,791	\$ 42,463	\$ 55,823	\$ 60,876
Contributions in Relation to the Contractually Required Contribution	<u>64,499</u>	<u>50,723</u>	<u>54,791</u>	<u>42,463</u>	<u>55,823</u>	<u>60,876</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 415,976	\$ 415,976	\$ 391,178	\$ 638,676	\$ 692,770	\$ 902,207
Contributions as a Percentage of Covered-Employee Payroll	15.50%	12.19%	14.01%	6.65%	8.06%	6.75%

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**FREDON TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Teachers Pension and Annuity Fund

Last Six Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0%	0%	0%	0%	0%	0%
District's Proportionate Share of the Net Pension Liability (Asset)	\$0	\$0	\$0	\$0	\$0	\$0
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>\$ 10,965,503</u>	<u>\$ 12,176,611</u>	<u>\$ 13,508,244</u>	<u>\$ 12,436,112</u>	<u>\$ 10,026,439</u>	<u>\$ 10,770,506</u>
Total	<u>\$ 10,965,503</u>	<u>\$ 12,176,611</u>	<u>\$ 13,508,244</u>	<u>\$ 12,436,112</u>	<u>\$ 10,026,439</u>	<u>\$ 10,770,506</u>
District's Covered-Employee Payroll	\$ 1,742,905	\$ 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	0%	0%	0%	0%	0%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	26.49%	25.41%	22.33%	28.74%	33.64%	33.76%

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

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**FREDON TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND SCHEDULE OF DISTRICT CONTRIBUTIONS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Change of Benefit Terms: None.

Change of Assumptions: Assumptions used in calculating the net pension liability and statutorily required employer contribution are presented in Note 4.

**FREDON TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S PROPORTIONATE SHARE OF
TOTAL OPEB LIABILITY**

Postemployment Health Benefit Plan

Last Two Fiscal Years*

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service Cost	\$ 395,496	\$ 479,289
Interest on Total OPEB Liability	376,862	325,945
Differences Between Expected and Actual Experience	(312,531)	
Changes of Assumptions	(1,077,689)	(1,395,939)
Gross Benefit Payments	(251,118)	(237,447)
Contribution from the Member	<u>8,679</u>	<u>8,743</u>
Net Change in Total OPEB Liability	(860,301)	(819,409)
Total OPEB Liability - Beginning	<u>10,251,518</u>	<u>11,070,927</u>
Total OPEB Liability - Ending	<u>\$ 9,391,217</u>	<u>\$10,251,518</u>
District's Proportionate Share of OPEB Liability	\$ -	\$ -
State's Proportionate Share of OPEB Liability	<u>9,391,217</u>	<u>10,251,518</u>
Total OPEB Liability - Ending	<u>\$ 9,391,217</u>	<u>\$10,251,518</u>
District's Covered-Employee Payroll	<u>\$ 2,158,881</u>	<u>\$ 2,158,881</u>
District's Proportionate Share of the Total OPEB Liability as a Percentage of its Covered-Employee Payroll	0%	0%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 75. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**FREDON TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S PROPORTIONATE SHARE OF THE OPEB LIABILITY
AND SCHEDULE OF DISTRICT PROPORTIONATE SHARE OF THE OPEB LIABILITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Changes in Benefit Terms:

None.

Changes of Assumptions

Assumptions used in calculating the OPEB liability are presented in Note 4.

OTHER SUPPLEMENTARY INFORMATION

SCHOOL LEVEL SCHEDULES

(General Fund)

NOT APPLICABLE

SPECIAL REVENUE FUND

**FREDON TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	ESSA		IDEA Part B		REAP Grant	Total
	Title I	Title II-A	Basic	Preschool		
REVENUES						
Intergovernmental						
Federal	\$ 53,217	\$ 19,621	\$ 52,788	\$ 4,319	\$ 51,624	\$ 181,569
Total Revenues	<u>\$ 53,217</u>	<u>\$ 19,621</u>	<u>\$ 52,788</u>	<u>\$ 4,319</u>	<u>\$ 51,624</u>	<u>\$ 181,569</u>
EXPENDITURES						
Instruction						
Salaries of Teachers						\$ -
Tuition			\$ 44,868			44,868
Other Purchased Services					\$ 8,639	8,639
General Supplies	\$ 10,087	-	-	\$ 1,919	40,685	52,691
Total Instruction	<u>10,087</u>	<u>-</u>	<u>44,868</u>	<u>1,919</u>	<u>49,324</u>	<u>106,198</u>
Support Services						
Salaries	23,000		-			23,000
Personal Services - Employee Benefits	7,130					7,130
Purchased Prof./Ed. Services	10,500	\$ 9,810	6,000	2,400		28,710
Other Purchased Services	2,500	9,811	1,920	-	2,300	16,531
Total Support Services	<u>43,130</u>	<u>19,621</u>	<u>7,920</u>	<u>2,400</u>	<u>2,300</u>	<u>75,371</u>
Total Expenditures	<u>\$ 53,217</u>	<u>\$ 19,621</u>	<u>\$ 52,788</u>	<u>\$ 4,319</u>	<u>\$ 51,624</u>	<u>\$ 181,569</u>

**FREDON TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
SCHEDULE OF PRESCHOOL EDUCATION AID EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOT APPLICABLE

CAPITAL PROJECTS FUND

**FREDON TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<u>Issue/Project Title</u>	<u>Appropriation</u>	<u>Expenditures to Date</u>		<u>Cancelled</u>	<u>Unexpended Balance, June 30, 2019</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Roof Replacement Project	\$ 265,000		\$ 235,077		\$ 29,923
Air Conditioning - 10 Classrooms	230,000		200,423		29,577
Faculty Bathroom Renovations	<u>89,000</u>	<u>-</u>	<u>82,207</u>	<u>-</u>	<u>6,793</u>
	<u>\$ 584,000</u>	<u>\$ -</u>	<u>\$ 517,707</u>	<u>\$ -</u>	<u>\$ 66,293</u>

**FREDON TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Revenues and Other Financing Sources	
Transfer from Capital Reserve	\$ <u>584,000</u>
Total Revenues and Other Financing Sources	<u>584,000</u>
Expenditures	
Construction Services	<u>517,707</u>
Total Expenditures and Other Financing Uses	<u>517,707</u>
Excess of Revenues and Other Financing Sources over Expenditures	66,293
Fund Balance- Beginning of Year	<u>-</u>
Fund Balance- End of Year	<u>\$ 66,293</u>

ENTERPRISE FUND

**FREDON TOWNSHIP SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

THIS STATEMENT IS NOT APPLICABLE
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

THIS STATEMENT IS NOT APPLICABLE
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

**COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

THIS STATEMENT IS NOT APPLICABLE
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

FIDUCIARY FUNDS

**FREDON TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AS OF JUNE 30, 2019**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
ASSETS			
Cash	\$ 6,615	\$ 45,491	\$ 52,106
Total Assets	<u>\$ 6,615</u>	<u>\$ 45,491</u>	<u>\$ 52,106</u>
LIABILITIES			
Accrued Salaries and Wages		\$ 40,502	\$ 40,502
Payroll Deductions and Withholdings Payable		3,357	3,357
Due to Other Funds		1,632	1,632
Due to Student Groups	<u>\$ 6,615</u>	<u>-</u>	<u>6,615</u>
Total Liabilities	<u>\$ 6,615</u>	<u>\$ 45,491</u>	<u>\$ 52,106</u>

**FREDON TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

THIS STATEMENT IS NOT APPLICABLE
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-8

**STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Balance, July 1, 2018</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance, June 30, 2019</u>
Due to Student Groups Fredon Township School	<u>7,475</u>	<u>7,312</u>	<u>8,172</u>	<u>6,615</u>
Total	<u>\$ 7,475</u>	<u>\$ 7,312</u>	<u>\$ 8,172</u>	<u>\$ 6,615</u>

**FREDON TOWNSHIP SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Balance, July 1, <u>2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance, June 30, <u>2019</u>
LIABILITIES				
Payroll Deductions and Withholdings		\$ 3,093,282	\$ 3,089,925	\$ 3,357
Accrued Salaries and Wages - Regular		1,825,256	1,824,167	1,089
Accrued Salaries and Wages - Summer Pay	48,373	41,363	50,323	39,413
Accounts Payable	(8,140)	8,140		
Due to Other Funds	<u>6,028</u>	<u>1,632</u>	<u>6,028</u>	<u>1,632</u>
 Total	 <u>\$ 46,261</u>	 <u>\$ 4,969,673</u>	 <u>\$ 4,970,443</u>	 <u>\$ 45,491</u>

LONG-TERM DEBT

FREDON TOWNSHIP SCHOOL DISTRICT
 LONG-TERM DEBT
 SCHEDULE OF SERIAL BONDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

<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, 2018</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance, June 30, 2019</u>
			<u>Date</u>	<u>Amount</u>					
2008 School Bonds	6/3/2008	\$ 5,000,000				\$ 180,000		\$ 180,000	
2017 School Bonds	9/29/2016	\$ 4,165,000	7/15/2019-20	\$ 230,000	2.000%				
			7/15/2021	235,000	1.750%				
			7/15/2022	240,000	1.750%				
			7/15/2023	245,000	2.000%				
			7/15/2024	250,000	2.000%				
			7/15/2025	255,000	2.000%				
			7/15/2026	260,000	2.000%				
			7/15/2027	270,000	3.000%				
			7/15/2028	280,000	3.000%				
			7/15/2029	290,000	3.000%				
			7/15/2030	295,000	3.125%				
			7/15/2031	305,000	3.125%				
			7/15/2032	320,000	3.250%				
			7/15/2033	330,000	3.250%				
						<u>4,075,000</u>		<u>40,000</u>	<u>\$ 4,035,000</u>
						<u>\$ 4,255,000</u>	<u>\$ -</u>	<u>\$ 220,000</u>	<u>\$ 4,035,000</u>

**FREDON TOWNSHIP SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER LEASE PURCHASE AGREEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOT APPLICABLE

**FREDON TOWNSHIP SCHOOL DISTRICT
LONG-TERM DEBT
DEBT SERVICE FUND BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
State Sources					
Debt Service Aid	\$ 74,452	-	\$ 74,452	\$ 74,452	-
Total Revenues	<u>74,452</u>	<u>-</u>	<u>74,452</u>	<u>74,452</u>	<u>-</u>
EXPENDITURES					
Regular Debt Service					
Principal	220,000		220,000	220,000	
Interest	<u>106,900</u>	<u>-</u>	<u>106,900</u>	<u>106,900</u>	<u>-</u>
Total Expenditures	<u>326,900</u>	<u>-</u>	<u>326,900</u>	<u>326,900</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(252,448)	-	(252,448)	(252,448)	-
Other Financing Sources					
Operating Transfer In	<u>233,719</u>	<u>-</u>	<u>233,719</u>	<u>233,719</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(18,729)	-	(18,729)	(18,729)	-
Fund Balance, Beginning of Year	<u>18,729</u>	<u>-</u>	<u>18,729</u>	<u>18,729</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATISTICAL SECTION

This part of the FREDON TOWNSHIP SCHOOL DISTRICT's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

Exhibits

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

J-1 to J-5

Revenue Capacity

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

J-6 to J-9

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

J-10 to J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

J-14 and J-15

Operating Information

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

J-16 to J-20

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

FREDON TOWNSHIP SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities										
Net Investment in Capital Assets	\$ 98,632	\$ 134,750	\$ 405,174	\$ 335,985	\$ 302,505	\$ 281,790	\$ 258,541	\$ (71,042)	\$ (33,540)	\$ 518,127
Restricted	406,199	155,842	121,103	166,255	226,402	568,709	1,355,826	2,127,459	2,100,523	1,358,900
Unrestricted	<u>172,221</u>	<u>157,782</u>	<u>66,362</u>	<u>64,872</u>	<u>78,626</u>	<u>(1,488,985)</u>	<u>(1,380,467)</u>	<u>(1,268,188)</u>	<u>(1,208,926)</u>	<u>(1,187,355)</u>
Total Governmental Activities Net Position	\$ 677,052	\$ 448,374	\$ 592,639	\$ 567,112	\$ 607,533	\$ (638,486)	\$ 233,900	\$ 788,229	\$ 858,057	\$ 689,672
Business-Type Activities										
Net Investment in Capital Assets										
Restricted										
Unrestricted	\$ 28,726	\$ 26,840	\$ 23,137	\$ 24,462	\$ 18,593	\$ 12,766	\$ 11,629	\$ 16,048	\$ 7,264	\$ 8,683
Total Business-Type Activities Net Position	\$ 28,726	\$ 26,840	\$ 23,137	\$ 24,462	\$ 18,593	\$ 12,766	\$ 11,629	\$ 16,048	\$ 7,264	\$ 8,683
District-Wide										
Net Investment in Capital Assets	\$ 98,632	\$ 134,750	\$ 405,174	\$ 335,985	\$ 302,505	\$ 281,790	\$ 258,541	\$ (71,042)	\$ (33,540)	\$ 518,127
Restricted	406,199	155,842	121,103	166,255	226,402	568,709	1,355,826	2,127,459	2,100,523	1,358,900
Unrestricted	<u>200,947</u>	<u>184,622</u>	<u>89,499</u>	<u>89,334</u>	<u>97,219</u>	<u>(1,476,219)</u>	<u>(1,368,838)</u>	<u>(1,252,140)</u>	<u>(1,201,662)</u>	<u>(1,178,672)</u>
Total District Net Position	\$ 705,778	\$ 475,214	\$ 615,776	\$ 591,574	\$ 626,126	\$ (625,720)	\$ 245,529	\$ 804,277	\$ 865,321	\$ 698,355

Note 1 - Net Position at June 30, 2014 is restated to reflect the implementation of GASB Statement No. 68, "Accounting and Financial Reporting of Pensions".

FREDON TOWNSHIP SCHOOL DISTRICT
 CHANGES IN NET POSITION
 LAST TEN FISCAL YEARS
 (Unaudited)
 (accrual basis of accounting)

	Fiscal Year Ended									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 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	\$ 2,815,553
Special Education	191,555	276,557	291,839	290,364	306,357	308,956	318,778	332,725	298,033	474,052
Other Instruction	169,226	205,841	216,631	209,149	273,836	222,644	246,445	249,524	200,857	215,235
School Sponsored Activities And Athletics										51,539
Support Services:										
Tuition	171,328	212,696	169,583	85,075	140,134	114,849	89,706	31,907	37,510	
Student & Instruction Related Services	819,984	747,397	729,172	718,968	921,016	774,901	842,836	924,371	1,167,017	1,168,672
General Administration	601,515	523,531	528,195	519,108	488,227	604,271	525,889	619,013	669,537	264,892
School Administrative Services	91,592	107,352	111,860	113,411	160,925	153,915	113,042	173,521	153,719	129,708
Other Support Services										200,164
Plant Operations And Maintenance	464,351	505,543	479,796	555,516	534,314	724,372	668,616	701,000	1,018,560	822,288
Pupil Transportation	399,667	334,287	333,310	270,514	324,490	285,884	293,174	307,023	314,191	339,541
Unallocated Depreciation	15,761	18,503	19,152	20,118	21,167	22,167	22,278	18,333	18,604	
Interest On Long-Term Debt	209,861	207,884	205,437	203,129	199,047	193,934	187,591	342,448	112,109	103,130
Total Governmental Activities Expenses	5,444,027	5,517,208	5,301,022	5,505,372	5,595,988	5,977,269	5,604,895	6,191,185	7,139,602	6,584,774
Business-Type Activities:										
Food Service	95,382	87,995	87,663	82,485	79,306	75,385	80,015	73,297	80,144	67,618
AM Program	3,129	3,306	4,320	1,810	1,800	2,000	2,850	29,216	813	-
Total Business-Type Activities Expense	98,511	91,301	91,983	84,295	81,106	77,385	82,865	102,513	80,957	67,618
Total District Expenses	\$ 5,542,538	\$ 5,608,509	\$ 5,393,005	\$ 5,589,667	\$ 5,677,094	\$ 6,054,654	\$ 5,687,760	\$ 6,293,698	\$ 7,220,559	\$ 6,652,392
Program Revenues										
Governmental Activities:										
Charges For Services:										
Instruction (Tuition)								\$ 25,437	\$ 50,244	\$ 87,092
Operating Grants And Contributions	\$ 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	1,723,265
Capital Grants And Contributions	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities Program Revenues	1,125,012	963,792	1,055,785	1,020,757	1,079,723	1,556,894	1,706,727	2,017,340	2,478,364	1,810,357
Business-Type Activities:										
Charges For Services										
Food Service	\$ 64,475	\$ 58,151	\$ 51,393	\$ 47,678	\$ 42,569	\$ 47,993	\$ 51,767	\$ 48,331	\$ 50,822	\$ 49,315
AM Program	3,129	3,306	4,422	2,249	1,361	2,000	8,734	32,767	1	
Operating Grants And Contributions	26,720	24,159	23,242	30,029	27,705	20,559	21,206	20,978	24,062	19,703
Total Business Type Activities Program Revenues	94,324	85,616	79,057	79,956	71,635	70,552	81,707	102,076	74,885	69,018
Total District Program Revenues	\$ 1,219,336	\$ 1,049,408	\$ 1,134,842	\$ 1,100,713	\$ 1,151,358	\$ 1,627,446	\$ 1,788,434	\$ 2,119,416	\$ 2,553,249	\$ 1,879,375

FREDON TOWNSHIP SCHOOL DISTRICT
 CHANGES IN NET POSITION
 LAST TEN FISCAL YEARS
 (Unaudited)
 (accrual basis of accounting)

	Fiscal Year Ended									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net (Expense)/Revenue										
Governmental Activities	\$ (4,319,015)	\$ (4,553,416)	\$ (4,245,237)	\$ (4,484,615)	\$ (4,516,265)	\$ (4,420,375)	\$ (3,898,168)	\$ (4,173,845)	\$ (4,661,238)	\$ (4,774,417)
Business-Type Activities	(4,187)	(5,685)	(12,926)	(4,339)	(9,471)	(6,833)	(1,158)	(437)	(6,072)	1,400
Total District-Wide Net Expense	\$ (4,323,202)	\$ (4,559,101)	\$ (4,258,163)	\$ (4,488,954)	\$ (4,525,736)	\$ (4,427,208)	\$ (3,899,326)	\$ (4,174,282)	\$ (4,667,310)	\$ (4,773,017)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied For General Purposes, Net	\$ 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	\$ 4,311,467
Taxes Levied For Debt Service	55,000	199,881	205,851	215,285	231,804	247,526	266,234	268,860	252,152	-
Investment Earnings	12,771	1,059	1,761	1,451	1,506	1,996	2,656	4,382	4,099	4,376
Federal and State Aid - Unrestricted										277,974
State Aid Restricted for Debt Service										50,105
Miscellaneous Income	32,202	24,998	1,104	3,785	211	3,472	4,664	25,905	21,381	13,454
Accrued Interest on Bonds	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities	4,283,735	4,324,738	4,389,492	4,458,986	4,556,686	4,662,622	4,770,554	4,881,426	4,722,443	4,657,376
Business-Type Activities:										
Investment Earnings	4,164	3,342	8,766	5,309	3,602	1,006	21	10	10	19
Miscellaneous Income	457	457	457	457	-	-	-	4,846	5,901	-
Total Business-Type Activities	4,621	3,799	9,223	5,766	3,602	1,006	21	4,856	5,911	19
Total District-Wide	\$ 4,288,356	\$ 4,328,537	\$ 4,398,715	\$ 4,464,752	\$ 4,560,288	\$ 4,663,628	\$ 4,770,575	\$ 4,886,282	\$ 4,728,354	\$ 4,657,395
Change in Net Position										
Governmental Activities	\$ (35,280)	\$ (228,678)	\$ 144,255	\$ (25,629)	\$ 40,421	\$ 242,247	\$ 872,386	\$ 707,581	\$ 61,205	\$ (117,041)
Business-Type Activities	434	(1,886)	(3,703)	1,427	(5,869)	(5,827)	(1,137)	4,419	(161)	1,419
Total	\$ (34,846)	\$ (230,564)	\$ 140,552	\$ (24,202)	\$ 34,552	\$ 236,420	\$ 871,249	\$ 712,000	\$ 61,044	\$ (115,622)

FREDON TOWNSHIP SCHOOL DISTRICT
 FUND BALANCES - GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (Unaudited)
 (modified accrual basis of accounting)

	2010		2011		2012		2013		Fiscal Year Ended		2016		2017		2018		2019			
									2014	2015										
General Fund																				
Reserved	\$	347,467																		
Unreserved		183,043																		
Restricted			\$	159,392	\$	131,948	\$	226,560	\$	306,289	\$	572,715	\$	1,360,569	\$	2,238,673	\$	2,215,757	\$	1,393,093
Committed																				
Assigned																				103,963
Unassigned		-		258,857		247,029		222,934		211,105		182,659		202,501		198,575		200,944		202,071
Total General Fund	\$	530,510	\$	418,249	\$	378,977	\$	449,494	\$	517,394	\$	755,374	\$	1,563,070	\$	2,437,248	\$	2,416,701	\$	1,699,127
All Other Governmental Funds																				
Reserved	\$	4,260																		
Unreserved	\$	272,528																		
Restricted		-	\$	130,555	\$	37,982	\$	38,060	\$	38,136	\$	38,212	\$	6	\$	18,735	\$	18,729	\$	66,293
Total All Other Governmental Funds	\$	276,788	\$	130,555	\$	37,982	\$	38,060	\$	38,136	\$	38,212	\$	6	\$	18,735	\$	18,729	\$	66,293

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Beginning with Fiscal Year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Reclassification of prior year fund balance amounts to comply with Statement No. 54 is not required.

FREDON TOWNSHIP SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Tax Levy	\$ 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	\$ 4,311,467
Tuition Charges									25,437	87,092
Interest Earnings	287	1,059	1,761	1,451	1,506	1,996	2,656	4,382	4,099	4,376
Miscellaneous	44,686	24,998	1,104	3,785	211	3,472	4,664	25,905	21,381	13,454
State Sources	909,805	806,873	913,866	1,045,594	964,013	1,010,828	1,040,008	1,111,890	1,165,067	1,198,484
Federal Sources	215,207	156,919	141,919	114,550	115,710	112,925	44,865	68,628	187,383	181,569
Total Revenue	5,408,747	5,288,530	5,445,277	5,619,130	5,636,409	5,786,375	5,855,427	6,087,381	6,125,137	5,796,442
Expenditures										
Instruction										
Regular Instruction	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	2,331,084
Special Education Instruction	152,435	216,898	222,111	226,093	237,754	212,716	209,019	202,857	186,115	405,278
Other Instruction	134,666	161,437	164,872	162,855	212,516	153,290	161,591	152,131	125,431	176,154
School Sponsored Activities and Athletics										46,383
Support Services:										
Tuition	171,328	212,696	169,583	85,075	140,134	114,849	89,706	31,907	37,510	
Student and Inst. Related Services	652,524	586,168	554,953	559,828	714,772	533,518	552,637	563,574	728,776	1,036,640
General Administration										242,541
School Administrative Services	72,887	84,194	85,134	88,308	124,889	105,970	74,120	105,793	95,994	104,323
Plant Operations And Maintenance	369,520	396,487	365,160	398,792	412,575	498,729	390,023	426,797	636,068	769,011
Pupil Transportation	399,667	334,287	333,310	270,514	324,490	285,884	293,174	307,023	314,191	325,528
Other Support Services	478,672	410,595	401,995	404,206	378,898	416,040	344,819	377,402	339,832	184,903
Unallocated Benefits	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	
Charter Schools	47,172	43,836	36,675	39,239	52,242	81,403	50,901	14,707	44,121	
Capital Outlay	3,290,552	330,905	401,945	129,660	81,048	76,726	93,685	38,361	92,591	517,707
Debt Service:										
Debt Service	209,861	258,830	266,561	278,777	300,168	320,527	344,752	342,721	324,919	
Principal										220,000
Interest and Other Charges										106,900
Bond Issuance Costs	-	-	-	-	-	-	-	-	-	-
Total Expenditures	8,514,817	5,547,024	5,577,120	5,548,639	5,568,433	5,548,319	5,085,937	5,194,474	6,154,313	6,466,452
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	(3,106,070)	(258,494)	(131,843)	70,491	67,976	238,056	769,490	892,907	(29,176)	(670,010)
Other Financing Sources (Uses)										
Serial Bond Proceeds										
Premium Interest on Bonds										
Payment to Refunded Bond Escrow Agent										
Cancellation of Unexpended SDA Grant										
Transfers In	98,626								8,623	817,719
Transfers Out	(98,626)	-	-	-	-	-	-	-	-	(817,719)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	8,623	-
Net Change in Fund Balances	\$ (3,106,070)	\$ (258,494)	\$ (131,843)	\$ 70,491	\$ 67,976	\$ 238,056	\$ 769,490	\$ 892,907	\$ (20,553)	\$ (670,010)
Debt Service as a Percentage of Noncapital Expenditures	4.02%	4.96%	5.15%	5.14%	5.47%	5.86%	6.91%	6.65%	5.36%	5.50%

* Noncapital expenditures are total expenditures less capital outlay.

**FREDON TOWNSHIP SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(Unaudited)**

<u>Fiscal Year Ended June 30</u>	<u>Tuition</u>	<u>Interest on Deposits</u>	<u>Misc.</u>	<u>Total</u>
2019	\$ 87,092	\$ 4,376	\$ 13,454	\$ 104,922
2018	50,244	4,099	21,381	75,724
2017	25,437	4,352	12,637	42,426
2016	6,100	2,612	4,010	12,722
2015		1,861	3,531	5,392
2014		1,430	211	1,641
2013		1,375	3,887	5,262
2012		1,563	1,104	2,667
2011	24,702	1,059	10	25,771
2010	6,412	1,398	26,076	33,886

FREDON TOWNSHIP SCHOOL DISTRICT
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN YEARS
 (Unaudited)

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^a
2010	\$ 9,719,800	\$ 455,995,100	\$ 61,120,500	\$ 2,291,500	\$ 22,934,800	\$ 7,002,600		\$ 559,064,300	\$ 746,917	\$ 559,811,217	\$ 556,324,174	\$ 0.765
2011	9,559,600	454,453,300	61,934,100	1,982,200	23,068,200	7,002,600		558,000,000	244,365	558,244,365	531,329,855	0.781
2012	9,533,400	452,433,840	61,856,300	1,989,000	22,996,700	6,477,600		555,286,840	274,641	555,561,481	495,256,704	0.990
2013	6,625,800	361,504,600	49,443,000	1,951,900	20,661,700	6,092,300		446,279,300	295,773	446,575,073	468,903,446	1.020
2014	6,625,800	361,504,600	49,443,000	1,951,900	20,661,700	6,092,300		446,279,300	295,773	446,575,073	468,903,446	1.044
2015	6,664,400	356,619,800	52,873,500	1,947,100	16,768,600	5,900,500		440,773,900	323,862	441,097,762	450,932,164	1.074
2016	6,312,700	354,237,400	53,697,600	1,942,600	16,093,500	5,900,500		438,184,300	391,473	438,575,773	440,346,934	1.101
2017	6,312,700	354,237,400	53,697,600	1,942,600	16,093,500	5,900,500		438,184,300	391,473	438,575,773	440,346,934	1.101
2018	6,009,500	351,806,200	54,666,700	1,700,200	15,671,800	5,336,300		435,190,700	467,097	435,657,797	427,779,556	1.096
2019	5,696,700	352,781,400	53,463,900	1,694,800	16,227,500	5,236,300		435,100,600	580,869	435,681,469	N/A	1.019

Source: County Abstract of Ratables

^a Tax rates are per \$100

**FREDON TOWNSHIP SCHOOL DISTRICT
PROPERTY TAX RATES
PER \$100 OF ASSESSED VALUATION
LAST TEN YEARS
(Unaudited)**

<u>Calendar Year</u>	<u>Total</u>	<u>Local School District</u>	<u>Regional School District</u>	<u>Municipality</u>	<u>County</u>
2019	\$ 2.938	\$ 1.019	\$ 0.919	\$ 0.424	\$ 0.576
2018	2.899	1.096	0.833	0.409	0.561
2017	2.874	1.101	0.832	0.400	0.541
2016	2.783	1.074	0.802	0.390	0.517
2015	2.735	1.044	0.774	0.383	0.534
2014	2.703	1.020	0.749	0.379	0.555
2013	2.546	0.990	0.705	0.365	0.486
2012	1.995	0.781	0.543	0.284	0.387
2011	1.945	0.765	0.524	0.272	0.384
2010	1.890	0.742	0.504	0.265	0.379

FREDON TOWNSHIP SCHOOL DISTRICT
 PRINCIPAL PROPERTY TAXPAYERS,
 CURRENT YEAR AND NINE YEARS AGO
 (Unaudited)

2018			2010		
Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value	Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value
Individual Taxpayer #1	\$ 4,748,800	1.09%			
Mira Plastics	1,784,600	0.41%			
Individual Taxpayer #2	1,410,200	0.32%			
Amlo Enterprises	1,098,800	0.25%			
Individual Taxpayer #3	1,062,800	0.24%			
Individual Taxpayer #4	953,100	0.22%			
Individual Taxpayer #5	910,000	0.21%			
Individual Taxpayer #6	774,000	0.18%			
Individual Taxpayer #7	726,200	0.17%			
RPM Homes, LLC	711,400	0.16%			
	<u>\$ 14,179,900</u>	<u>3.25%</u>			

Information Not Available

Source: Municipal Tax Assessor

**FREDON TOWNSHIP SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year Ended	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the		Collections in Subsequent Years
		Amount	Percentage of Levy	
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%	
2019	4,311,467	4,311,467	100.00%	

**FREDON TOWNSHIP SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities	Total District	Population	Per Capita
	General Obligation Bonds	Certificates of Participation	Capital Leases	Intergovernmental Loan	Capital Leases			
2010	5,000,000					5,000,000	3,379	1,480
2011	4,950,000					4,950,000	3,358	1,474
2012	4,890,000					4,890,000	3,327	1,470
2013	4,815,000					4,815,000	3,293	1,462
2014	4,715,000					4,715,000	3,265	1,444
2015	4,590,000					4,590,000	3,222	1,425
2016	4,435,000					4,435,000	3,199	1,386
2017	4,465,000					4,465,000	3,185	1,402
2018	4,255,000					4,255,000	3,175	1,340
2019	4,035,000			-		4,035,000	3,175 *	1,271

Source: District records

* - Estimate

FREDON TOWNSHIP SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(Unaudited)

<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 ^a of Property	Per Capita ^b
2010	\$ 5,000,000		\$ 5,000,000	0.89%	\$ 1,480
2011	4,950,000		4,950,000	0.89%	1,474
2012	4,890,000		4,890,000	0.88%	1,470
2013	4,815,000		4,815,000	1.08%	1,462
2014	4,715,000		4,715,000	1.06%	1,444
2015	4,590,000		4,590,000	1.04%	1,425
2016	4,435,000		4,435,000	1.01%	1,386
2017	4,465,000		4,465,000	1.02%	1,402
2018	4,255,000		4,255,000	0.98%	1,340
2019	4,035,000		4,035,000	0.93%	1,271

Source: District records

Notes:

a See Exhibit J-6 for property tax data.

b See Exhibit J-14 for population data.

**FREDON TOWNSHIP SCHOOL DISTRICT
 COMPUTATION OF DIRECT AND OVERLAPPING OUTSTANDING BONDED DEBT
 FOR YEAR ENDED DECEMBER 31, 2018
 (Unaudited)**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Municipal Debt: (1)			
Township of Fredon	\$ 400,000		\$ 400,000
Local School District	<u>4,191,198</u>	<u>\$ 4,191,198</u>	<u>-</u>
	<u>\$ 4,591,198</u>	<u>\$ 4,191,198</u>	<u>400,000</u>
Overlapping Debt Apportioned to the Municipality:			
County of Sussex (A)			-
			-
			<u>-</u>
			<u>-</u>
Total Direct and Overlapping Debt			<u>\$ 400,000</u>

Sources:

(1) Township of Fredon 2018 Annual Debt Statement

FREDON TOWNSHIP SCHOOL DISTRICT
 LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS

Legal Debt Margin Calculation for Fiscal Year 2019

Average equalized valuation of taxable property	\$ 4,302,411,191
Debt limit (2.5 % of average equalization value)	10,756,029
Total Net Debt Applicable to Limit	<u>4,035,000</u>
Legal debt margin	<u>\$ 6,721,029</u>

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Limit	\$ 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	\$ 10,756,029
Total Net Debt Applicable to Limit	<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>	<u>4,035,000</u>
Legal Debt Margin	<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>	<u>\$ 6,721,029</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	36.67%	37.59%	38.69%	39.45%	39.88%	40.23%	40.35%	41.30%	39.62%	37.51%

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

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

**FREDON TOWNSHIP SCHOOL DISTRICT
DEMOGRAPHIC STATISTICS
LAST TEN YEARS
(Unaudited)**

<u>Year Ended December 31,</u>	<u>Unemployment Rate</u>	<u>Per Capita Income</u>	<u>School District Population</u>
2018	N/A	N/A	3,175
2017	4.3%	\$ 59,193	3,185
2016	4.5%	56,711	3,199
2015	4.1%	55,528	3,222
2014	4.9%	53,709	3,265
2013	4.1	51,392	3,293
2012	3.5	50,809	3,327
2011	3.5	49,072	3,358
2010	3.6	47,423	3,379
2009	3.4	46,479	3,330

Source: United States Bureau of Census - Population Division NJ Department of Labor,
Bureau of Labor Force Statistics

N/A - Updated information not available

FREDON TOWNSHIP SCHOOL DISTRICT
PRINCIPAL EMPLOYERS,
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

<u>Employer</u>	<u>2019</u>		<u>2010</u>	
	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>

NOT AVAILABLE

FREDON TOWNSHIP SCHOOL DISTRICT
 FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS
 (Unaudited)

<u>Function/Program</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Instruction										
Regular	25	25	25	25	24	24	22	24	24	24
Special Education	7	8	8	8	7	7	4	4	4	4
Other Special Education	2	2	2	2	2	2	2	2	1	1
Vocational										
Other Instruction										
Nonpublic School Programs										
Adult/Continuing Education Programs										
Support Services:										
Student and Instruction Related Services										
General Administration	2	2	2	2	2	2	2	2	2	2
School Administrative Services	3	3	3	3	3	3	3	3	3	3
Other Administrative Services										
Central Services	2	2	2	2	2	2	2	2	3	3
Administrative Information Technology										
Plant Operations And Maintenance										
Pupil Transportation										
Other Support Services										
Special Schools										
Food Service										
Child Care	-	-	-	-	-	-	-	-	-	-
Total	<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>	<u>37</u>

Source: District Personnel Records

FREDON TOWNSHIP SCHOOL DISTRICT
 OPERATING STATISTICS
 LAST TEN FISCAL YEARS
 (Unaudited)

Fiscal Year	Enrollment ^a	Operating Expenditures ^b	Cost Per Pupil ^c	Percentage Change	Teaching Staff	Pupil/Teacher Ratio			Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	Senior High School				
2010	345	\$ 5,014,404	\$ 14,535	3.71%	41	1:8.4	N/A	N/A	340	334	1.25%	98.38%
2011	334	4,957,289	14,842	2.12%	42	1:8.0	N/A	N/A	333	326	-2.09%	98.14%
2012	324	4,908,614	15,150	2.07%	42	1:7.7	N/A	N/A	323	311	-2.86%	96.38%
2013	326	5,140,202	15,767	4.08%	42	1:7.8	N/A	N/A	326	317	0.90%	97.36%
2014	280	5,187,217	18,526	17.49%	40	1:7.0	N/A	N/A	277	268	-15.18%	96.75%
2015	280	5,187,217	18,526	0.00%	40	1:7.0	N/A	N/A	277	268	0.00%	96.75%
2016	238	4,647,500	19,527	5.41%	34	1:7.0	N/A	N/A	237	231	-14.18%	97.39%
2017	242	4,813,392	19,890	1.86%	30	1:8.1	N/A	N/A	240	231	1.14%	96.29%
2018	221	5,736,803	25,958	30.51%	30	1:7.4	N/A	N/A	218	210	-9.17%	96.34%
2019	199	5,621,845	28,250	8.83%	26	1:7.7	N/A	N/A	194	187	-10.94%	96.21%

Sources: District records

- Note:
- a Enrollment based on annual October district count.
 - b Operating expenditures equal total expenditures less debt service and capital outlay.
 - c Cost per pupil represents operating expenditures divided by enrollment.

FREDON TOWNSHIP SCHOOL DISTRICT
 SCHOOL BUILDING INFORMATION
 LAST TEN FISCAL YEARS
 (Unaudited)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
District Building										
<u>Elementary</u>										
Square Feet	39,391	39,391	39,391	39,391	39,391	39,391	39,391	39,391	39,391	39,391
Capacity (students)	330	330	330	330	330	330	330	330	330	330
Enrollment	345	345	324	326	280	280	236	240	221	199

Number of Schools at June 30, 2019

- Elementary = 1
- Middle School =
- Senior High School =
- Other =

Source: District Records

**FREDON TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS
(Unaudited)**

UNDISTRIBUTED EXPENDITURES - REQUIRED
MAINTENANCE FOR SCHOOL FACILITIES

		<u>2019</u>	<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>
School Facilities	Project #										
Fredon Township School	N/A	<u>173,641</u>	<u>322,464</u>	<u>141,668</u>	<u>141,604</u>	<u>149,195</u>	<u>139,675</u>	<u>135,607</u>	<u>107,380</u>	<u>127,661</u>	<u>116,315</u>
Grand Total		<u>\$ 173,641</u>	<u>\$ 322,464</u>	<u>\$ 141,668</u>	<u>\$ 141,604</u>	<u>\$ 149,195</u>	<u>\$ 139,675</u>	<u>\$ 135,607</u>	<u>\$ 107,380</u>	<u>\$ 127,661</u>	<u>\$ 116,315</u>

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Source: School District Financial Statements

**FREDON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF INSURANCE
JUNE 30, 2019
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
COMPREHENSIVE PACKAGE POLICY - School Alliance Insurance Fund		
Property - Blanket Building and Contents Sussex Insurance Pool Limit	\$ 500,000,000.00	\$ 2,500.00
Comprehensive Crime Coverage		
Theft Disappearance	\$ 50,000.00	\$ 1,000.00
Employee Dishonesty	\$ 500,000.00	\$ 1,000.00
Extra Expense	\$ 100,000.00	
Comprehensive Casualty Coverage Includes General Liability, Auto, Employee Benefits	\$ 5,000,000.00	
School Board Legal Liability	\$ 5,000,000.00	
Excess Liability	\$ 5,000,000.00	
PUBLIC EMPLOYEE FAITHFUL PERFORMANCE		
Blanket Position Bond - Selective Insurance Company		
Treasurer	\$ 200,000.00	
Board Secretary	\$ 200,000.00	
Public Employee Dishonesty	\$ 500,000.00	\$ 1,000.00

Source: School District's records

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SINGLE AUDIT SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
CHRIS SOHN, CPA

**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
Newton, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements 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 as of and for the fiscal year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Fredon Township School District's basic financial statements and have issued our report thereon dated December 9, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fredon Township School 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 Fredon Township School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fredon Township School 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.

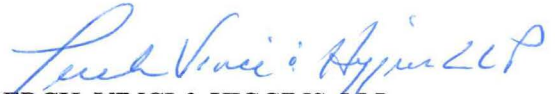
Compliance and Other Matters

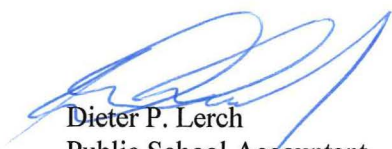
As part of obtaining reasonable assurance about whether the Fredon Township School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Fredon Township School District in a separate report entitled, "Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance" dated December 9, 2019

Purpose of this Report

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


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants


Dieter P. Lerch
Public School Accountant
PSA Number CS00756

Fair Lawn, New Jersey
December 9, 2019



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
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DEBRA GOLLE, CPA
MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
CHRIS SOHN, CPA

**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
AS 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
Newton, New Jersey

Report on Compliance for Each Major State Program

We have audited the Fredon Township School District’s compliance with the types of compliance requirements described in the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Fredon Township School District’s major state programs for the fiscal year ended June 30, 2019. The Fredon Township School District’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 state statutes, regulations, and the terms and conditions of its state financial assistance applicable to its state programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Fredon Township School 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; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and New Jersey Circular 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 Fredon Township School District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

Management of the Fredon Township School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Fredon Township School 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 Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Fredon Township School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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 Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 15-08

We have audited the financial statements of the Fredon Township School District, as of and for the fiscal year ended June 30, 2019 and have issued our report thereon dated December 9, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants



Dieter P. Lerch
Public School Accountant
PSA Number CS00756

Fair Lawn, New Jersey
December 9, 2019

FREDON TOWNSHIP SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Federal/Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	FAIN Number	Grant or State Number	Grant Period	Award Amount	Balance, July 1, 2018	Carryover		Cash Received	Budgetary Expenditures	Adjustment/ Repayment	Balance, June 30, 2019			MEMO GAAP Receivable
							Unearned Revenue	Accounts Receivable				Accounts Receivable	Unearned Revenue	Due to Grantor	
U.S. Department of Agriculture															
Passed-Through State Dept. of Education															
<i>Enterprise Fund</i>															
Food Distribution Program															
Non-Cash Assistance	10.555	191NJ304N1099	N/A	7/1/18-6/30/19	\$ 5,523				\$ 5,523	\$ 3,929			\$ 1,594		
Non-Cash Assistance	10.555	181NJ304N1099	N/A	7/1/17-6/30/18	5,741	\$ 1,169				1,169					
Cash Assistance	10.555	191NJ304N1099	N/A	7/1/18-6/30/19	13,756				12,879	13,756		\$ (877)			\$ 877
Cash Assistance	10.555	181NJ304N1099	N/A	7/1/17-6/30/18	15,468	(1,304)			1,304						
Total U.S. Department of Agriculture						(135)	-	-	19,706	18,854	-	(877)	1,594	-	877
U.S. Department of Education															
Passed-Through State Dept. of Education															
<i>Special Revenue Fund</i>															
I.D.E.A. Part B, Basic Regular	84.027	H027A180100	IDEA520019	7/1/18-6/30/19	52,788				52,788	52,788					
I.D.E.A. Part B, Basic Regular	84.027	H027A170100	IDEA520018	7/1/17-6/30/18	54,599	(4,791)			4,791						
I.D.E.A. Part B, Preschool	84.173	H173A180114	IDEA520019	7/1/18-6/30/19	2,529	-	\$ 1,790	\$ (1,790)	4,319	4,319					
I.D.E.A. Part B, Preschool	84.173	H173A170114	IDEA520018	7/1/17-6/30/18	2,515	(269)	(1,790)	1,790	269						
Cluster Total - Special Education						(5,060)	-	-	62,167	57,107	-	-	-	-	-
ESSA - Title I	84.010	S010A180030	ESSA520019	7/1/18-6/30/19	40,719				12,498	(12,498)	10,375	53,217	(42,842)	-	42,842
ESSA - Title I	84.010	S010A170030	ESSA520018	7/1/17-6/30/18	23,868				(12,498)	12,498					
ESSA - Title II-A	84.367	S367A180029	ESSA520019	7/1/18-6/30/19	19,621				9,810	19,621			(9,811)		9,811
ESSA - Title II-A	84.367	S367A170029	ESSA520018	7/1/17-6/30/18	10,603										
Rural Education Achievement Program	84.358A	S358B180030	ESSA520019	7/1/18-6/30/19	55,036								(55,036)	55,036	
Rural Education Achievement Program		S358B170030	ESSA520018	7/1/17-6/30/18	55,036				50,038	51,624			(4,998)	3,412	1,586
Rural Education Achievement Program	84.358A	S358B160030	ESSA520017	7/1/16-6/30/17	25,481	(25,481)			25,481						
Total Special Revenue Fund						(30,541)	-	-	157,871	181,569	-	(112,687)	58,448	-	54,239
Total Federal Awards						\$ (30,676)	\$ -	\$ -	\$ 177,577	\$ 200,423	\$ -	\$ (113,564)	\$ 60,042	\$ -	\$ 55,116

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

Note: The District is not subject to a Federal Single Audit.

FREDON TOWNSHIP SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, June 30, 2018		Cash Received	Budgetary Expenditures	Adjustment/Refund of Prior Years' Balances	Balance, June 30, 2019			MEMO	
				(Accounts Receivable)/Deferred Revenue	Due to Grantor				Accounts Receivable	Unearned Revenue	Due to Grantor	GAAP Receivable	Cumulative Expenditures
State Department of Education													
<i>General Fund</i>													
Special Education Aid	19-495-034-5120-089	7/1/18-6/30/19	\$ 183,763			\$ 165,414	\$ 183,763		\$ (18,349)			*	\$ 183,763
Special Education Aid	18-495-034-5120-089	7/1/17-6/30/18	183,763	(18,349)		18,349						*	
Equalization Aid	19-495-034-5120-078	7/1/18-6/30/19	277,211			249,531	277,211		(27,680)			*	277,211
Equalization Aid	18-495-034-5120-078	7/1/17-6/30/18	277,211	(27,680)		27,680						*	
Security Aid	19-495-034-5120-084	7/1/18-6/30/19	25,900			23,314	25,900		(2,586)			*	25,900
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	25,900	(2,586)		2,586						*	
PARCC Readiness Aid	18-495-034-5120-098	7/1/17-6/30/18	2,720	(271)		271						*	
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	2,720	(271)		271						*	
Professional Learning Community	18-495-034-5120-101	7/1/17-6/30/18	2,200	(220)		220						*	
Cluster Total - State Aid Public				(49,377)	-	487,636	486,874	-	(48,615)	-	-	*	486,874
Transportation Aid	19-495-034-5120-015	7/1/18-6/30/19	33,235			29,917	33,235		(3,318)			*	33,235
Transportation Aid	18-495-034-5120-015	7/1/17-6/30/18	39,793	(3,974)		3,974						*	
Non Public Transportation Reimb	N/A	7/1/18-6/30/19	4,004				4,004		(4,004)			*	\$ 4,004
Non Public Transportation Reimb	N/A	7/1/17-6/30/18	2,768	(2,768)		2,768						*	4,004
Cluster Total - Transportation Aid				(6,742)	-	36,659	37,239	-	(7,322)	-	-	*	37,239
Extraordinary Aid	19-100-034-5120-473	7/1/18-6/30/19	2,591				2,591		(2,591)			*	2,591
Extraordinary Aid	18-100-034-5120-473	7/1/17-6/30/18	1,527	(1,527)		1,527						*	-
On-Behalf TPAF - Pension	19-495-034-5094-002	7/1/18-6/30/19	317,009			317,009	317,009					*	317,009
On Behalf TPAF - NCGI Premiur	19-100-034-5094-004	7/1/18-6/30/19	6,636			6,636	6,636					*	6,636
On Behalf TPAF - Post Ret. Med	19-495-034-5094-001	7/1/18-6/30/19	146,805			146,805	146,805					*	146,805
On Behalf TPAF - LTDI	19-100-034-5094-004	7/1/18-6/30/19	299			299	299					*	299
Reimbursed TPAF Social Securit	19-495-034-5094-003	7/1/18-6/30/19	127,752			120,688	127,752		(7,064)			*	7,064
Reimbursed TPAF Social Securit	18-495-034-5094-003	7/1/17-6/30/18	125,409	(6,694)	-	6,694						*	-
Total General Fund				(64,340)	-	1,123,953	1,125,205	-	(65,592)	-	-	*	11,068
<i>Debt Service Fund</i>													
Debt Service Type II Aid	19-100-034-5120-124	7/1/18-6/30/19	74,452			74,452	74,452					*	74,452
Total Debt Service Fund				-	-	74,452	74,452	-	-	-	-	*	74,452
<i>Enterprise Fund</i>													
National School Lunch Program	19-100-010-3350-023	7/1/18-6/30/19	849			796	849		(53)			*	53
National School Lunch Program	18-100-010-3350-023	7/1/17-6/30/18	891	(77)		77						*	-
Total Enterprise Fund				(77)	-	873	849	-	(53)	-	-	*	53
State Financial Assistance Subject to Single Audit Determination				(64,417)	-	1,199,278	1,200,506	-	(65,645)	-	-	*	11,121
On-Behalf TPAF - Pension	19-495-034-5094-002	7/1/18-6/30/19	317,009			(317,009)	(317,009)					*	(317,009)
On Behalf TPAF - NCGI Premiur	19-100-034-5094-004	7/1/18-6/30/19	6,636			(6,636)	(6,636)					*	(6,636)
On Behalf TPAF - Post Ret. Med	19-495-034-5094-001	7/1/18-6/30/19	146,805			(146,805)	(146,805)					*	(146,805)
On Behalf TPAF - LTDI	19-100-034-5094-004	7/1/18-6/30/19	299			(299)	(299)					*	(299)
Total State Financial Assistance Subject to Major Program Determination			\$	(64,417)	\$ -	\$ 728,529	\$ 729,757	\$ -	\$ (65,645)	\$ -	\$ -	*	\$ 11,121

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

**FREDON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 GENERAL

The accompanying schedules present the activity of all federal and state financial assistance programs of the Fredon Township School District. The Board of Education is defined in Note 1(A) to the Board's financial statements. All federal financial assistance received directly from federal agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are prepared and presented using 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 basis of accounting are described in Notes 1(C) to the Board's financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (U.S. Uniform Guidance) and New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in these schedules may differ from the amounts presented in, or used in the preparation of, the financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is a decrease of \$1,173 for the general fund. There is no adjustment for the special revenue fund for the special revenue fund. See the Notes to Required Supplementary Information 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 financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 1,124,032	\$ 1,124,032
Special Revenue Fund	\$ 181,569		181,569
Debt Service Fund		74,452	74,452
Food Service Fund	<u>18,854</u>	<u>849</u>	<u>19,703</u>
Total Awards and Financial Assistance	<u>\$ 200,423</u>	<u>\$ 1,199,333</u>	<u>\$ 1,399,756</u>

**FREDON TOWNSHIP SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the District's fiscal year and grant program years.

NOTE 5 OTHER INFORMATION

Revenues and expenditures reported under the Food Distribution Program as non-cash assistance represent current year value received and current year distributions, respectively. TPAF Social Security contributions in the amount of \$127,752 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2019. The amount reported as TPAF Pension System Contributions in the amount of \$323,645, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$146,805 and TPAF Long-Term Disability Insurance in the amount of \$299 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2019.

NOTE 6 ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

On-behalf State Programs for TPAF Pension, Post-Retirement Medical Benefits and Long-Term Disability Insurance Contributions payments are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the District's financial statements and the amount subject to State single audit and major program determination.

NOTE 7 DE MINIMIS INDIRECT COST RATE

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

**FREDON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Part I – Summary of Auditor’s Results

Financial Statement Section

- | | |
|--|--------------------------------------|
| A) Type of auditor's report issued: | <u>Unmodified</u> |
| B) Internal control over financial reporting: | |
| 1) Material weakness(es) identified? | _____ yes <u> X </u> no |
| 2) Were significant deficiency(ies) identified that were not considered to be material weaknesses? | _____ yes <u> X </u> none reported |
| C) Noncompliance material to basic financial statements noted? | _____ yes <u> X </u> no |

Federal Awards Section

Not Applicable

**FREDON TOWNSHIP SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Part I – Summary of Auditor’s Results

State Awards Section

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

Auditee qualified as low-risk auditee? X yes no

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

Internal Control over compliance:

1) Material weakness(es) identified? yes X no

2) Were significant deficiency(ies) identified that were not considered to be material weaknesses? yes X none

Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 15-08? yes X no

Identification of major programs:

GMIS Number(s)	Name of State Program
<u>19-495-034-5120-089</u>	<u>Special Education Aid</u>
<u>19-495-034-5120-084</u>	<u>Security Aid</u>
<u>19-495-034-5120-078</u>	<u>Equalization Aid</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

**FREDON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements in accordance with Government Auditing Standards.

There are none.

FREDON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR FEDERAL AWARDS

Not Applicable.

CURRENT YEAR STATE AWARDS

There are none.

**FREDON TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. Uniform Guidance and New Jersey OMB's Letter 15-08.

STATUS OF PRIOR YEAR FINDINGS

There were none.