

FREDON TOWNSHIP SCHOOL DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Newton, New Jersey

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

of the

Fredon Township School District

Newton, New Jersey

For The Fiscal Year Ended June 30, 2020

Prepared by

Business Office

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INTRODUCTORY SECTION



Fredon Township School

459 Route 94
Newton, N.J. 07860

(973) 383-4151
Fax (973) 383-3644

January 14, 2021

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, 2020, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (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 2019-2020 fiscal year with an enrollment of 192 students. The following detail reflects the changes in the student enrollment of the Fredon Township School District over the past eight years.

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
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%)
2019-20	192	(3.5%)

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

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

3) **MAJOR INITIATIVES:** During the 2019-2020 School year the district continued to improve upon their technology infrastructure, equipment, and programming. The district also continued the initiative with online diagnostic assessment and instructional tools in mathematics and English Language Arts (ELA). The district grading system was changed to a Standards-Based Report Card (SBRC) system to better assess and evaluate students while providing teachers, students, and parents with relevant feedback pertaining to student progress and achievement. Additionally, the district continued to focus on developing and implementing programs that focused on the social-emotional well-being of its students through a partnership with Rutgers University and Robert Wood Johnson Hospital's NJ PBSIS (Positive Behavior Support in Schools) program.

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, 2020.

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, 2020, the District had \$3,805,000 in outstanding debt issues for the school construction project.

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

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

11) OTHER INFORMATION: Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board selected the accounting firm of 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.

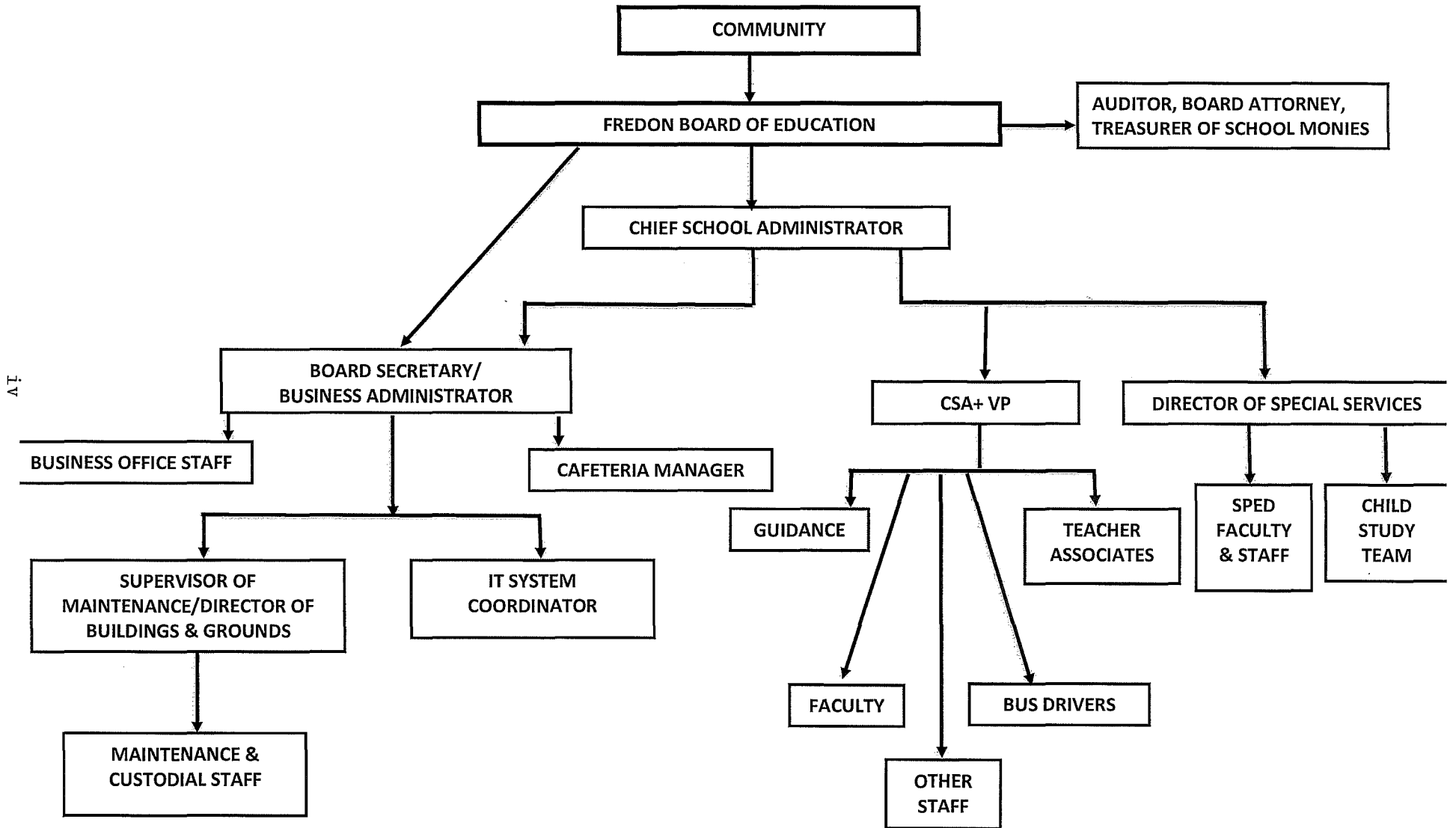
Respectfully submitted.



Matthew L. Beck
Chief School Administrator

FREDON TOWNSHIP BOARD OF EDUCATION

ORGANIZATIONAL CHART 19-20 SY



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**FREDON TOWNSHIP SCHOOL DISTRICT
BOARD OF EDUCATION**

ROSTER OF OFFICIALS

JUNE 30, 2020

Members of the Board of Education

Term Expires

Benjamin Kappler, President

2020

Courtney Wisinski, Vice-President

2020

Arne Olsen

2022

Catherine Higgins

2022

John Niemasz

2021

Other Officials

Matthew Beck, Chief School Administrator

Karen Constantino, Business Administrator

Kerry A. Keane, Treasurer

**FREDON TOWNSHIP SCHOOL DISTRICT
CONSULTANTS & ADVISORS
JUNE 30, 2020**

Audit Firm

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

Attorney

Nathanya Simon, Esquire
Scarinci Hollenback
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
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
RALPH M. PICONE, III, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
DEBRA GOLLE, CPA
MARK SACO, CPA
ROBERT LERCH, CPA
CHRIS SOHN, CPA
CHRISTOPHER M. VINCI, 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, 2020 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 January 15, 2021 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
January 15, 2021

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, 2020

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, 2020. 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 2019-2020 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 \$970,262 (net position).
- The District's total net position for governmental activities increased by \$280,590.
- Overall governmental activities revenues were \$6,169,156. General revenues accounted for \$4,765,918 or 77% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,403,238 or 23% of total revenues.
- The school district had \$5,888,566 in expenses for governmental activities; only \$1,403,238 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of \$4,765,918 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 \$2,056,425. Of this amount, \$1,446,634 is restricted for capital reserve, \$66,293 is restricted for Capital Projects, \$106,018 has been appropriated in the 2020/2021 budget for taxpayer relief, \$106,000 is restricted for taxpayer relief in the 2021/2022 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, 2020**

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, 2020

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, 2020

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 2020.

Net Position. The district's combined net position were \$981,775.

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

**Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2020**

Statement of Net Position
as of June 30, 2020 and 2019

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Assets						
Current Assets	\$ 2,067,284	\$ 1,790,232	\$ 15,909	\$ 11,670	\$ 2,083,193	\$ 1,801,902
Capital Assets	4,228,379	4,553,127	-	-	4,228,379	4,553,127
Total Assets	<u>6,295,663</u>	<u>6,343,359</u>	<u>15,909</u>	<u>11,670</u>	<u>6,311,572</u>	<u>6,355,029</u>
Deferred Outflows of Resources						
Deferred Amount on Net Pension Liability	342,317	534,482	-	-	342,317	-
Total Assets and Deferred Outflows of Resources	<u>6,637,980</u>	<u>6,877,841</u>	<u>15,909</u>	<u>11,670</u>	<u>6,653,889</u>	<u>6,889,511</u>
Liabilities						
Noncurrent Liabilities	4,993,263	5,431,666			4,993,263	5,431,666
Other Liabilities	55,862	71,923	2,922	1,393	58,784	73,316
Total Liabilities	<u>5,049,125</u>	<u>5,503,589</u>	<u>2,922</u>	<u>1,393</u>	<u>5,052,047</u>	<u>5,504,982</u>
Deferred Inflows of Resources						
Deferred Amount on Net Pension Liability	618,593	684,580	-	-	618,593	684,580
Deferred Commodities	-	-	1,474	1,594	1,474	1,594
Total Liabilities and Deferred Inflows of Resources	<u>5,667,718</u>	<u>6,188,169</u>	<u>4,396</u>	<u>2,987</u>	<u>5,672,114</u>	<u>6,191,156</u>
Net Position						
Net Investment in Capital Assets	423,379	518,127	-	-	423,379	518,127
Restricted	1,512,927	1,358,900			1,512,927	1,358,900
Unrestricted	(966,044)	(1,187,355)	11,513	8,683	(954,531)	(1,178,672)
Total Net Position	<u>\$ 970,262</u>	<u>\$ 689,672</u>	<u>\$ 11,513</u>	<u>\$ 8,683</u>	<u>\$ 981,775</u>	<u>\$ 698,355</u>

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

**Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2020**

**Change in Net Position
For The Fiscal Years Ended June 30, 2020 and 2019**

	Governmental Activities		Business-Type Activities		Total	
	2019	2019	2019	2019	2019	2018
Revenues						
Program Revenues						
Charges for Services	\$ 44,100	\$ 87,092	\$ 40,388	\$ 49,315	\$ 84,488	\$ 136,407
Operating and Capital Grants and Contributions	1,359,138	1,723,265	15,768	19,703	1,374,906	1,742,968
General Revenues						
Property Taxes	4,441,686	4,311,467			4,441,686	4,311,467
Unrestricted State Aid	298,496	328,079			298,496	328,079
Investment Earnings	4,311	4,376	29	19	4,340	4,395
Miscellaneous	21,425	13,454	-	-	21,425	13,454
Total Revenues	<u>6,169,156</u>	<u>6,467,733</u>	<u>56,185</u>	<u>69,037</u>	<u>6,225,341</u>	<u>6,536,770</u>
Expenses						
Instruction						
Regular	2,515,370	2,815,553			2,515,370	2,815,553
Special Education	392,984	474,052			392,984	474,052
Other Instruction	168,443	215,235			168,443	215,235
School Sponsored Activities and Athletics	39,878	51,539			39,878	51,539
Support Services						
Student and Instruction Related Services	1,050,428	1,168,672			1,050,428	1,168,672
General Administrative Services	256,350	264,892			256,350	264,892
School Administrative Services	123,220	129,708			123,220	129,708
Plant Operations and Maintenance	712,257	822,288			712,257	822,288
Pupil Transportation	362,165	339,541			362,165	339,541
Business Services	169,091	200,164			169,091	200,164
Interest on Long-Term Debt	98,380	103,130			98,380	103,130
Food Services	-	-	53,355	67,618	53,355	67,618
Total Expenses	<u>5,888,566</u>	<u>6,584,774</u>	<u>53,355</u>	<u>67,618</u>	<u>5,941,921</u>	<u>6,652,392</u>
Change in Net Position	280,590	(117,041)	2,830	1,419	283,420	(115,622)
Net Position, Beginning of Year	<u>689,672</u>	<u>806,713</u>	<u>8,683</u>	<u>7,264</u>	<u>698,355</u>	<u>813,977</u>
Net Position, End of Year	<u>\$ 970,262</u>	<u>\$ 689,672</u>	<u>\$ 11,513</u>	<u>\$ 8,683</u>	<u>\$ 981,775</u>	<u>\$ 698,355</u>

Fredon Board of Education Fredon, New Jersey

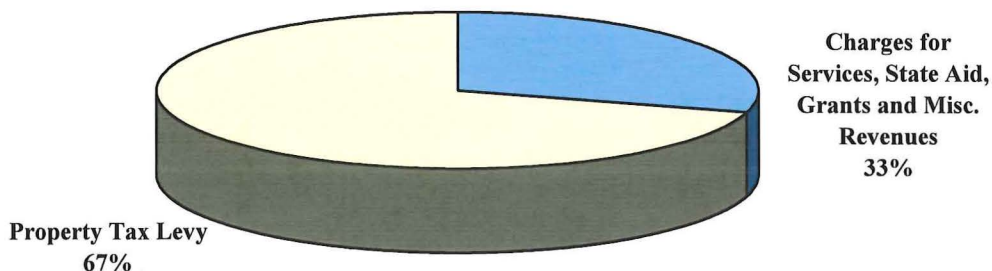
Management's Discussion and Analysis (continued) Fiscal Year Ended June 30, 2020

Governmental Activities. The District's total revenues were \$6,169,156. The local share of the revenues for property taxes amounted to \$4,441,686 or 72% of total revenues. Funding from program charges operating and capital grants amounted to \$1,403,238 or 23%. The remaining revenues totaling \$324,232 includes investment earnings unrestricted aid and other miscellaneous revenues.

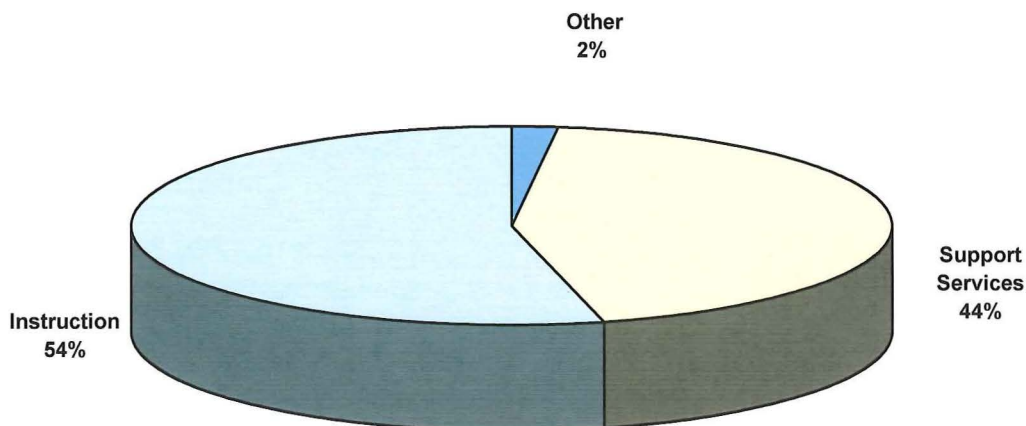
The District's total expenses of \$5,888,566 are predominantly related to instruction and support services. Instruction totaled \$3,116,675 (53%) and other support services exclusive of interest on long-term debt totaled \$2,771,891 (47%) of total expenditures.

Total governmental activities revenues surpassed expenses, increasing net position by \$280,590 from the previous year.

Revenues by Sources – Governmental Activities
For Fiscal Year 2020



Expenses by Function – Governmental Activities
For Fiscal Year 2020



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

**Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2020**

Total and Net Cost of Governmental Activities – The District's total cost of services was \$5,888,566 after applying program revenues, derived from: charges for services of \$44,100 and operating grants and contributions of \$1,359,138 the net cost of services of the District is \$4,485,328.

**Total and Net Cost of Governmental Activities
For the Fiscal Years Ended June 30, 2020 and 2019**

<u>Functions/Programs</u>	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Governmental Activities				
Instruction				
Regular	\$ 2,515,370	\$ 2,815,553	\$ 1,801,807	\$ 1,880,241
Special Education	392,984	474,052	89,444	132,935
Other Instruction	168,443	215,235	120,563	156,968
School Sponsored Activities and Athletics	39,878	51,539	38,620	46,554
Support Services				
Student and Instruction Related Services	1,050,428	1,168,672	850,279	902,147
General Administrative Services	256,350	264,892	251,527	250,966
School Administrative Services	123,220	129,708	91,376	91,269
Plant Operations and Maintenance	712,257	822,288	675,909	762,693
Pupil Transportation	362,165	339,541	325,609	297,336
Business Services	169,091	200,164	164,700	185,525
Interest	98,380	103,130	75,494	78,783
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>\$ 5,888,566</u>	<u>\$ 6,584,774</u>	<u>\$ 4,485,328</u>	<u>\$ 4,785,417</u>

Business-Type Activities

The cost of Business-Type Activities for the fiscal year ended June 30, 2020 was \$53,355. These costs were funded by charges for services and operating grants of \$56,156. The net revenue of services for business-type activities was \$2,830.

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, 2020**

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 \$2,056,425. At June 30, 2019, the fund balance was \$1,765,420.

Revenues for the District's governmental funds were \$5,840,851 while total expenditures were \$5,549,846 thereby increasing fund balance by \$291,005.

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, 2020	Fiscal Year Ended June 30, 2019
Local Sources:		
Property Taxes	\$ 4,311,467	\$ 4,311,467
Tuition	44,100	87,092
Investment Earnings	4,311	4,376
Miscellaneous	21,425	13,454
Intergovernmental		
State Sources	<u>1,129,897</u>	<u>1,124,032</u>
Total Revenues	<u>\$ 5,511,200</u>	<u>\$ 5,540,421</u>

General Fund Expenditures

	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019
Instruction	\$ 2,627,686	\$ 2,852,701
Student & Instruction Related	892,931	961,269
School, General & Business Administration	558,935	531,767
Plant Operations & Transportation	<u>1,015,643</u>	<u>1,094,539</u>
Total Expenditures	<u>\$ 5,095,195</u>	<u>\$ 5,440,276</u>

Total General Fund expenditures decreased by \$345,081 or 6% from the previous year.

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.

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

**Management’s Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2020**

Revenues of the Special Revenue Fund were \$124,163 for the year ended June 30, 2020. Federal sources represented 100% of the total revenue for the year.

Capital Projects Fund – Capital Projects Fund balance of \$66,293 remains as of June 30, 2020.

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.

Capital Assets. At the end of the fiscal year 2020, the school district’s investment in land, land improvements, buildings, furniture, machinery and equipment for governmental activities amounts to \$4,228,379 (net of depreciation).

	<u>Governmental Activities 2020</u>	<u>Governmental Activities 2019</u>
Land	\$ 119,404	\$ 119,404
Building and Building Improvements	4,065,520	4,397,612
Machinery and Equipment and Other Improvements	<u>43,455</u>	<u>36,111</u>
 Total Capital Assets, Net	 <u>\$ 4,228,379</u>	 <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.

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

**Management’s Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2020**

Debt Administration. As of June 30, 2020 the school district had outstanding long-term liabilities in the amount of \$4,993,263.

**Long-Term Debt
Outstanding Long-Term Liabilities**

	<u>2020</u>	<u>2019</u>
Bonds Payable	\$ 3,805,000	\$ 4,035,000
Compensated Absences Payable	111,884	119,917
Net Pension Liability	<u>1,076,379</u>	<u>1,276,749</u>
Total	<u>\$ 4,993,263</u>	<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.

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 2019-2020 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, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 2,008,624	\$ 12,539	\$ 2,021,163
Receivables, net			
Receivables from Other Governments	51,273	318	51,591
Internal Balances	623	(623)	
Other Receivables	5,132	-	5,132
Due from Other Funds	1,632		1,632
Inventory		3,675	3,675
Capital Assets, Not Being Depreciated	119,404		119,404
Capital Assets, Being Depreciated	<u>4,108,975</u>	<u>-</u>	<u>4,108,975</u>
Total Assets	<u>6,295,663</u>	<u>15,909</u>	<u>6,311,572</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount on Net Pension Liability	<u>342,317</u>	<u>-</u>	<u>342,317</u>
Total Deferred Outflows of Resources	<u>342,317</u>	<u>-</u>	<u>342,317</u>
Total Assets and Deferred Outflows of Resources	<u>6,637,980</u>	<u>15,909</u>	<u>6,653,889</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	8,579		8,579
Unearned Revenue	2,280	2,922	5,202
Accrued Interest Payable	45,003		45,003
Noncurrent Liabilities			
Due Within One Year	230,000		230,000
Due Beyond One Year	<u>4,763,263</u>	<u>-</u>	<u>4,763,263</u>
Total Liabilities	<u>5,049,125</u>	<u>2,922</u>	<u>5,052,047</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Amount on Net Pension Liability	618,593		618,593
Deferred Commodities Revenue	<u>-</u>	<u>1,474</u>	<u>1,474</u>
Total Deferred Inflows of Resources	<u>618,593</u>	<u>1,474</u>	<u>620,067</u>
Total Liabilities and Deferred Inflows of Resources	<u>5,667,718</u>	<u>4,396</u>	<u>5,672,114</u>
NET POSITION			
Net Investment in Capital Assets	423,379		423,379
Restricted for			
Capital Projects	1,512,927		1,512,927
Unrestricted	<u>(966,044)</u>	<u>11,513</u>	<u>(954,531)</u>
Total Net Position	<u>\$ 970,262</u>	<u>\$ 11,513</u>	<u>\$ 981,775</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, 2020**

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	\$ 2,515,370	\$ 44,100	\$ 669,463		\$ (1,801,807)		\$ (1,801,807)
Special Education	392,984		303,540		(89,444)		(89,444)
Other Instruction	168,443		47,880		(120,563)		(120,563)
School Sponsored Activities & Athletics	39,878		1,258		(38,620)		(38,620)
Support Services							
Student and Instruction Related Services	1,050,428		200,149		(850,279)		(850,279)
General Administrative Services	256,350		4,823		(251,527)		(251,527)
School Administrative Services	123,220		31,844		(91,376)		(91,376)
Central Services	169,091		4,391		(164,700)		(164,700)
Plant Operations and Maintenance	712,257		36,348		(675,909)		(675,909)
Pupil Transportation	362,165		36,556		(325,609)		(325,609)
Interest on Debt	98,380	-	22,886	-	(75,494)	-	(75,494)
Total Governmental Activities	5,888,566	44,100	1,359,138	-	(4,485,328)	-	(4,485,328)
Business-Type Activities							
Food Service	53,355	40,388	15,768	-	-	\$ 2,801	2,801
Total Business-Type Activities	53,355	40,388	15,768	-	-	2,801	2,801
Total Primary Government	\$ 5,941,921	\$ 84,488	\$ 1,374,906	\$ -	(4,485,328)	2,801	(4,482,527)
General Revenues							
Property Taxes, Levied for General Purposes					4,441,686		4,441,686
State Aid - Unrestricted					246,113		246,113
State Aid - Restricted for Debt Service Principal					52,383		52,383
Investment Earnings					4,311	29	4,340
Miscellaneous Income					21,425	-	21,425
Total General Revenues					4,765,918	29	4,765,947
Change in Net Position					280,590	2,830	283,420
Net Position, Beginning of Year (Restated)					689,672	8,683	698,355
Net Position, End of Year					\$ 970,262	\$ 11,513	\$ 981,775

FUND FINANCIAL STATEMENTS

**FREDON TOWNSHIP SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2020**

	<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	\$ 1,942,331		\$ 66,293		\$ 2,008,624
Receivables, Net					
Due from Other Funds	28,741				28,741
Receivables from Other Governments	14,413	\$ 36,860			51,273
Other Accounts Receivable	5,132	-	-	-	5,132
	<u>1,990,617</u>	<u>36,860</u>	<u>66,293</u>	<u>-</u>	<u>2,093,770</u>
Total Assets	<u>\$ 1,990,617</u>	<u>\$ 36,860</u>	<u>\$ 66,293</u>	<u>\$ -</u>	<u>\$ 2,093,770</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 485	\$ 8,094			\$ 8,579
Due to Other Funds		26,486			26,486
Unearned Revenue	-	2,280	-	-	2,280
	<u>485</u>	<u>36,860</u>	<u>-</u>	<u>-</u>	<u>37,345</u>
Total Liabilities	<u>485</u>	<u>36,860</u>	<u>-</u>	<u>-</u>	<u>37,345</u>
Fund Balances					
Restricted					
Capital Reserve	1,266,634				1,266,634
Capital Reserve - Designated for Subsequent Year's Budget	180,000				180,000
Excess Surplus	106,000				106,000
Excess Surplus - Designated for Subsequent Year's Budget	99,423				99,423
Capital Projects			\$ 66,293		66,293
Assigned					
Year End Encumbrances	127,848				127,848
Designated in Subsequent Year's Budget	6,595				6,595
Unassigned	203,632	-	-	-	203,632
	<u>1,990,132</u>	<u>-</u>	<u>66,293</u>	<u>-</u>	<u>2,056,425</u>
Total Fund Balances	<u>1,990,132</u>	<u>-</u>	<u>66,293</u>	<u>-</u>	<u>2,056,425</u>
Total Liabilities and Fund Balances	<u>\$ 1,990,617</u>	<u>\$ 36,860</u>	<u>\$ 66,293</u>	<u>\$ -</u>	<u>\$ 2,093,770</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, 2020**

Total Fund Balances - Governmental Funds (Exhibit B-1)	\$	2,056,425
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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 \$7,115,949, accumulated depreciation is \$2,887,570.		4,228,379
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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.

	\$	(618,593)	
Deferred Inflows of Resources			
Deferred Outflows of Resources		342,317	
			(276,276)

The District has financed capital assets through the issuance of serial bonds. The interest accrual at year end is:		(45,003)
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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

	(3,805,000)	
Serial Bonds Payable, Net		
Net Pension Liability	(1,076,379)	
Compensated Absences	(111,884)	
		(4,993,263)

Net Position of Governmental Activities (Exhibit A-1)	\$	970,262
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**FREDON TOWNSHIP SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local Sources					
Local Tax Levy	\$ 4,311,467			\$ 130,219	\$ 4,441,686
Tuition	44,100				44,100
Investment Earnings	4,311				4,311
Miscellaneous	21,425	-	-	-	21,425
Total - Local Sources	<u>4,381,303</u>	<u>-</u>	<u>-</u>	<u>130,219</u>	<u>4,511,522</u>
State Sources					
Federal Sources	1,129,897			75,269	1,205,166
	<u>-</u>	\$ 124,163	<u>-</u>	<u>-</u>	<u>124,163</u>
Total Revenues	<u>5,511,200</u>	<u>124,163</u>	<u>-</u>	<u>205,488</u>	<u>5,840,851</u>
EXPENDITURES					
Current					
Regular Instruction	2,147,265	17,901			2,165,166
Special Education Instruction	299,121	48,942			348,063
Other Instruction	142,795				142,795
School-Sponsored Activities and Athletics	38,505				38,505
Support Services and Undistributed Costs					
Student and Instruction Related Services	892,931	57,320			950,251
General Administrative Services	243,421				243,421
School Administrative Services	102,500				102,500
Central Services	162,250				162,250
Plant Operations and Maintenance	677,006				677,006
Pupil Transportation	338,637				338,637
Debt Service					
Principal				230,000	230,000
Interest and Other Charges				100,488	100,488
Capital Outlay	50,764	-	-	-	50,764
Total Expenditures	<u>5,095,195</u>	<u>124,163</u>	<u>-</u>	<u>330,488</u>	<u>5,549,846</u>
Excess (Deficiency) of Revenues Over Expenditures					
	<u>416,005</u>	<u>-</u>	<u>-</u>	<u>(125,000)</u>	<u>291,005</u>
OTHER FINANCING SOURCES (USES)					
Transfers In					
Transfers Out	(125,000)	-	-	125,000	(125,000)
Total Other Financing Sources and Uses	<u>(125,000)</u>	<u>-</u>	<u>-</u>	<u>125,000</u>	<u>-</u>
Net Change in Fund Balances	291,005	-	-	-	291,005
Fund Balance, Beginning of Year	1,699,127	-	\$ 66,293	-	1,765,420
Fund Balance, End of Year	<u>\$ 1,990,132</u>	<u>\$ -</u>	<u>\$ 66,293</u>	<u>\$ -</u>	<u>\$ 2,056,425</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, 2020**

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ 291,005

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	\$ 50,764	
Depreciation Expense	<u>(375,512)</u>	
		(324,748)

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	74,192	
Compensated Absences	<u>8,033</u>	
		82,225

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		230,000
----------------	--	---------

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>2,108</u>
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Change in Net Position of Governmental Activities (Exhibit A-2)		<u>\$ 280,590</u>
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**FREDON TOWNSHIP SCHOOL DISTRICT
 PROPRIETARY FUND
 FOOD SERVICE ENTERPRISE FUND
 STATEMENT OF NET POSITION
 AS OF JUNE 30, 2020**

**Enterprise Fund -
Food Service**

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 12,539
Intergovernmental Receivable	
State	5
Federal	313
Inventory	<u>3,675</u>
Total Current Assets	<u>16,532</u>

LIABILITIES

Due To Other Funds	623
Unearned Revenues	<u>2,922</u>
Total Liabilities	<u>3,545</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Commodities Revenue	<u>1,474</u>
Total Deferred Inflows of Resources	<u>1,474</u>
Total Liabilities and Deferred Inflows of Resources	<u>5,019</u>

NET POSITION

Unrestricted	<u>11,513</u>
Total Net Position	<u>\$ 11,513</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, 2020**

	Enterprise Fund - <u>Food Service</u>
OPERATING REVENUES	
Charges for Services	
Daily Sales - Reimbursable	\$ 26,275
Daily Sales - Non-Reimbursable	14,113
Other Sales	-
	<hr/>
Total Operating Revenues	40,388
	<hr/>
OPERATING EXPENSES	
Cost of Sales - Reimbursable	19,364
Cost of Sales - Non-Reimbursable	4,245
Salaries & Wages	18,475
Insurance	2,272
Supplies	307
Professional Service	225
Management Fee	6,962
Miscellaneous	1,505
	<hr/>
Total Operating Expenses	53,355
	<hr/>
Operating Loss	(12,967)
	<hr/>
NONOPERATING REVENUES	
Federal Sources	
National School Lunch Program	9,670
Food Distribution Program	5,461
State Sources	
State School Lunch Program	637
Interest and Investment Revenue	29
	<hr/>
Total Nonoperating Revenues	15,797
	<hr/>
Change in Net Position	2,830
Net Position, Beginning of Year	8,683
	<hr/>
Net Position, End of Year	<u>\$ 11,513</u>

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, 2020**

	Enterprise Fund - Food Service
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 42,229
Cash Payments to Employees for Salaries and Wages	(18,475)
Cash Payments to Suppliers for Goods and Services	<u>(29,519)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(5,765)</u>
Cash Flows from Noncapital Financing Activities	
Cash Received from State and Federal Subsidy Reimbursements	<u>10,919</u>
Net Cash Provided by Noncapital Financing Activities	<u>10,919</u>
Cash Flows from Investing Activities	
Interest on Investments	<u>29</u>
Net Cash Provided by Investing Activities	<u>29</u>
Net Increase in Cash and Cash Equivalents	5,183
Cash and Cash Equivalents, Beginning of Year	<u>7,356</u>
Cash and Cash Equivalents, End of Year	<u>\$ 12,539</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	<u>\$ (12,967)</u>
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Food Distribution Program	5,461
Change in Assets and Liabilities	
(Increase)/Decrease in Inventory	(520)
(Increase)/Decrease in Other Accounts Receivable	312
Increase/(Decrease) in Deferred Inflows of Resources	(120)
Increase/(Decrease) in Due to Other Funds	540
Increase (Decrease) in Unearned Revenue	<u>1,529</u>
Total Adjustments	<u>7,202</u>
Net Cash Used for Operating Activities	<u>\$ (5,765)</u>
Non-cash Investing, Capital and Financing Activities:	
Value Received- Food Distribution Program	<u>\$ 5,342</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, 2020**

	<u>Unemployment Compensation Trust</u>	<u>Agency Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ <u>94,135</u>	\$ <u>56,512</u>
Total Assets	<u>94,135</u>	<u>\$ 56,512</u>
LIABILITIES		
Accrued Salaries and Wages		\$ 44,693
Due to Student Groups		6,139
Payroll Deductions and Withholdings		4,048
Due to Other Funds		1,632
Due to State Government	<u>1,631</u>	<u>-</u>
Total Liabilities	<u>1,631</u>	<u>\$ 56,512</u>
NET POSITION		
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 92,504</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, 2020**

	<u>Unemployment Compensation Trust</u>
ADDITIONS	
Contributions	
Employees	\$ 4,589
Investment Earnings	
Interest	<u>193</u>
Total Additions	<u>4,782</u>
DEDUCTIONS	
Unemployment Claims and Contributions	<u>13,269</u>
Total Deductions	<u>13,269</u>
Change in Net Position	(8,487)
Net Position, Beginning of Year	<u>100,991</u>
Net Position, End of Year	<u>\$ 92,504</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, 2020**

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. A Business Administrator/Board Secretary is also appointed by the Board and oversees the business functions 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 currently operates a Pre-Kindergarten through grade six (6) school district.

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 Superintendent is the Chief Administrative Officer of the District who is responsible for general supervision of all schools, planning and operational functions of the District. The Business Administrator/Board Secretary is the Chief Financial Officer and is responsible for budgeting, financial accounting and reporting and reports through the Superintendent to the Board.

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

For fiscal year 2020, there were no GASB statements required to be adopted and implemented by the District.

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

- GASB No. 84, *Fiduciary Activities*, implementation postponed will be effective beginning with the fiscal year ending June 30, 2021. 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.
- GASB No. 87, *Leases*, implementation postponed will be effective beginning with the fiscal year ending June 30, 2022. 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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

- GASB No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*, implementation postponed will be effective beginning with the fiscal year ending June 30, 2022. The objectives of this Statement is to improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities.
- GASB No. 92, *Omnibus 2020*, implementation postponed will be effective beginning with the fiscal year ending June 30, 2022 except requirements related to GASB No. 87 and Implementation Guide No. 2019-3 are effective upon issuance. The objective of this Statement is to enhance comparability in the application of accounting and financial reporting requirements and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics.
- GASB No. 96, *Subscription – Based Information Technology Arrangements*, will be effective beginning with the fiscal year ending June 30, 2023. The objective of this Statement will be to improve financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.
- GASB No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No.84, and a Supersession of GASB Statement No. 32*, the section that maybe applicable to the District will be effective beginning with the fiscal year ending June 30, 2022. The objective of this Statement is to provide more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The requirements also will enhance the relevance, consistency, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans.

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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

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.

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. 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 administrators, teachers and special events.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

Additionally, the District 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.

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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Property taxes, tuition, 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.

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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. *Capital Assets (Continued)*

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.

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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

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

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)

Restricted Fund Balance (Continued)

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 2020/2021 District budget certified for taxes.

Excess Surplus – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2020 audited excess surplus that is required to be appropriated in the 2021/2022 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, 2019 audited excess surplus that was appropriated in the 2020/2021 original budget certified for taxes.

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

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 2020/2021 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).

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. Fund Balance Policies (Continued)

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.

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.

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 2018-2019 and 2019-2020 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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Revenues and Expenditures/Expenses (Continued)

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.

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 2019/2020. Also, during 2019/2020 the Board increased the original budget by \$70,703. The increase was funded by the additional 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, 2020**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. 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, 2020 is as follows:

Balance, July 1, 2019		\$ 1,292,607
Increased by		
Interest Earnings	\$ 2,102	
Unexpended Balances from Capital Outlay	248,787	
Deposit by Board Resolution	456,538	
Total Increases		<u>707,427</u>
		2,000,034
Decreased by:		
Withdrawals Approved in District Budget	553,400	
Withdrawals Approved by Board Resolution	-	
Total Decreases		<u>553,400</u>
Balance, June 30, 2020		<u>\$ 1,446,634</u>

The June 30, 2020 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. \$180,000 of the capital reserve balance at June 30, 2020 was designated and appropriated for use in the 2020/2021 original budget certified for taxes.

C. 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, 2020 is 205,423. Of this amount, \$99,423 was designated and appropriated in the 2020/2021 original budget certified for taxes and the remaining amount of \$106,000 will be appropriated in the 2021/2022 original budget certified for taxes.

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

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, 2020, the book value of the Board's deposits were \$2,171,810 and bank and brokerage firm balances of the Board's deposits amounted to \$2,340,626. The Board's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

Depository Account

Insured	<u>\$ 2,340,626</u>
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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, 2020 none of the Board's bank balances were exposed to custodial credit risk.

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, 2020, the Board had no outstanding investments.

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Receivables as of June 30, 2020 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	\$ 5,132			\$ 5,132
Intergovernmental-				-
Federal		\$ 36,860	\$ 313	37,173
State	<u>14,413</u>	<u>-</u>	<u>5</u>	<u>14,418</u>
Gross Receivables	19,545	36,860	318	56,723
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 19,545</u>	<u>\$ 36,860</u>	<u>\$ 318</u>	<u>\$ 56,723</u>

The District had unearned grant revenue as of June 30, 2020 in the amount of \$2,280, which represents unencumbered grant drawdowns in the Special Revenue Fund.

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	<u>Balance, July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2020</u>
Governmental Activities:				
Land	\$ 119,404	\$ -	\$ -	\$ 119,404
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	6,641,845			6,641,845
Machinery and Equipment	<u>303,936</u>	<u>50,764</u>	<u>-</u>	<u>354,700</u>
Total Capital Assets Being Depreciated	<u>6,945,781</u>	<u>50,764</u>	<u>-</u>	<u>6,996,545</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(2,244,233)	(332,092)		(2,576,325)
Machinery and Equipment	<u>(267,825)</u>	<u>(43,420)</u>	<u>-</u>	<u>(311,245)</u>
Total Accumulated Depreciation	<u>(2,512,058)</u>	<u>(375,512)</u>	<u>-</u>	<u>(2,887,570)</u>
Total Capital Assets, Being Depreciated, Net	<u>4,433,723</u>	<u>(324,748)</u>	<u>-</u>	<u>4,108,975</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,553,127</u>	<u>\$ (324,748)</u>	<u>\$ -</u>	<u>\$ 4,228,379</u>

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

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

Governmental Activities:

Instruction	
Regular, Special & Other	\$ 195,475
Total Instruction	<u>195,475</u>
Support Services	
Student & Instruction Related Services	69,971
Plant Operations and Maintenance	44,778
Other (General Admin, School Admin, Central Serv, & Trans.)	<u>65,288</u>
Total Support Services	<u>180,037</u>
Total Governmental Funds	<u>375,512</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 375,512</u></u>

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2020, is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 26,486
General Fund	Food Service Enterprise Fund	623
General Fund	Payroll Agency Fund	<u>1,632</u>
Total		<u><u>\$ 28,741</u></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.

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers

	<u>Transfer In:</u>	
	<u>Debt Service</u>	<u>Total</u>
Transfer Out:		
General Fund	\$ 125,000	\$ 125,000
Total Transfers	<u>\$ 125,000</u>	<u>\$ 125,000</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 or 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, 2020 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>\$3,805,000</u>
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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>	
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>\$ 3,805,000</u>	<u>\$ 816,474</u>	<u>\$ 4,621,474</u>

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-Term Debt (Continued)

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2020 was as follows:

2.5% of Equalized Valuation Basis (Municipal)	\$ 12,928,475
Less: Net Debt	<u>3,805,000</u>
Remaining Borrowing Power	<u>\$ 9,123,475</u>

F. Other Long-Term Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2020, was as follows:

	Balance, July 1, 2019	Additions	Reductions	Balance, June 30, 2020	Due Within One Year
Governmental Activities:					
Bonds Payable	\$ 4,035,000		\$ 230,000	\$ 3,805,000	\$ 230,000
Compensated Absences	119,917		8,033	111,884	
Net Pension Liability	<u>1,276,749</u>	-	<u>200,370</u>	<u>1,076,379</u>	-
Governmental Activity Long-Term Liabilities	<u>\$ 5,431,666</u>	<u>\$ -</u>	<u>\$ 438,403</u>	<u>\$ 4,993,263</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 Group 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 Group, to report claims on a timely basis, cooperate with the management of the Group its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the Group. 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, 2020**

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:

Fiscal Year Ended <u>June 30,</u>	District <u>Contributions</u>	Employee <u>Contributions</u>	Amount <u>Reimbursed</u>	Ending <u>Balance</u>
2020	None	\$ 4,589	\$ 13,269	\$ 92,504
2019	None	5,213	1,990	100,991
2018	30,172	5,882	None	97,572

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, 2020, 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, 2020, 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, 2020**

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, 2020**

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, 2020**

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, 2020**

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, 2019 is \$18.1 billion and the plan fiduciary net position as a percentage of the total pension liability is 56.27%. The collective net pension liability of the State funded TPAF at June 30, 2019 is \$61.5 billion and the plan fiduciary net position as a percentage of total pension liability is 26.95%.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2018 which were rolled forward to June 30, 2019.

Actuarial Methods and Assumptions

In the July 1, 2018 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 2020.

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

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, 2020 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 the 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 2020, 2019 and 2018 were equal to the required contributions.

During the fiscal years ended June 30, 2020, 2019 and 2018 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>
2020	\$ 58,107	\$ 368,459	None
2019	64,499	323,645	None
2018	50,723	259,993	None

In addition for fiscal years 2020, 2019 and 2018 the District contributed \$272, \$323 and \$621, respectively for PERS and the State contributed \$319, \$299 and \$373, 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 \$130,712 during the fiscal year ended June 30, 2020 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 both 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, 2020**

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, 2018 through June 30, 2019. 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, 2019 are based on the ratio of each employer’s contribution to total employer contributions of the group for the fiscal year ended June 30, 2019.

At June 30, 2020, the District reported in the statement of net position (accrual basis) a liability of \$1,076,379 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2019 and was determined by an actuarial valuation as of July 1, 2018. The District’s proportionate share of the net pension liability was based on the ratio of the District’s share of contributions to the pension plan relative to the total contributions of all participating governmental entities, for the year ended June 30, 2019. At June 30, 2019, the District’s proportionate share was .00597 percent, which was a decrease of .00051 percent from its proportionate share measured as of June 30, 2018 of .00648 percent.

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

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, 2020, the District recognized in the district-wide statement of activities (accrual basis) pension benefit of \$16,085 for PERS. The pension contribution made by the District during the current 2019/2020 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, 2020 with a measurement date of the prior fiscal year end of June 30, 2019. 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, 2020 for contributions made subsequent to the measurement date. At June 30, 2020, 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	\$ 19,320	\$ 4,755
Changes of Assumptions	107,480	373,608
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		16,991
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>215,517</u>	<u>223,239</u>
Total	<u>\$ 342,317</u>	<u>\$ 618,593</u>

At June 30, 2020, 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	\$ (68,289)
2021	(68,289)
2022	(68,289)
2023	(50,030)
2024	(21,379)
Thereafter	<u>-</u>
	<u>\$ (276,276)</u>

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

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

	<u>PERS</u>
Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00-6.00% Based on Years of Service
Thereafter	3.00%-7.00% Based on Years of Service
Investment Rate of Return	7.00%
Mortality Rate Table	Pub-2010

Assumptions for mortality improvements are based on Society of Actuaries Scale MP-2019.

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

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

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, 2019) 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 rates 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 PER's target asset allocation as of June 30, 2019 are summarized in the following table:

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

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>
2020	June 30, 2019	6.28%
2019	June 30, 2018	5.66%

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

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, 2057
Municipal Bond Rate *	From July 1, 2057 and Thereafter

* The municipal bond return rate used is 3.50% as of the measurement date of June 30, 2019. 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 6.28%, 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 (5.28 percent) or 1-percentage-point higher (7.28 percent) than the current rate:

	1% Decrease <u>5.28%</u>	Current Discount Rate <u>6.28%</u>	1% Increase <u>7.28%</u>
District's Proportionate Share of the PERS Net Pension Liability	\$ <u>1,359,642</u>	\$ <u>1,076,379</u>	\$ <u>837,690</u>

The sensitivity analysis was based on the proportionate share of the District's net pension liability as of the measurement date of June 30, 2019. A sensitivity analysis specific to the District's net pension liability at June 30, 2019 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, 2020**

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 measurement period July 1, 2018 through June 30, 2019. 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, 2019, 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, 2020, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$583,456 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, 2020 the State's proportionate share of the net pension liability attributable to the District is \$9,891,992. The nonemployer allocation percentages are based on the ratio of the State's contributions made as a nonemployer attributable to the District adjusted for unpaid early retirement incentives relative to total contributions to TPAF during the year ended June 30, 2019. At June 30, 2019, the State's share of the net pension liability attributable to the District was .01612 percent, which was a decrease of .00111 percent from its proportionate share measured as of June 30, 2018 of .01723 percent.

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

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

	<u>TPAF</u>
Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00-6.00% Based on Years of Service
Thereafter	3.00%-7.00% Based on Years of Service
Investment Rate of Return	7.00%
Mortality Rate Table	Pub-2010

Assumptions for mortality improvements are based on Society of Actuaries Scale MP-2019.

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

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

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, 2019) 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 TPAF's target asset allocation as of June 30, 2019 are summarized in the following table:

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

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

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
2020	June 30, 2019	5.60%
2019	June 30, 2018	4.86%

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, 2054
Municipal Bond Rate *	From July 1, 2054 and Thereafter

* The municipal bond return rate used is 3.50% as of the measurement date of June 30, 2019. 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 5.60%, 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 (4.60 percent) or 1-percentage-point higher (6.60 percent) than the current rate:

	1% Decrease (4.60%)	Current Discount Rate (5.60%)	1% Increase (6.60%)
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	\$ 11,664,848	\$ 9,891,992	\$ 8,421,081

The sensitivity analysis was based on the State’s proportionate share of the net pension liability attributable to the District as of the measurement date of June 30, 2019. A sensitivity analysis specific to the State’s proportionate share of the net pension liability attributable to the District at June 30, 2019 was not provided by the pension system.

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

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, 2019. 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, 2020**

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, 2018:

Active Plan Members	216,892
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	148,051
Inactive Plan Members Entitled to but not yet Receiving Benefits	<u> -</u>
Total	<u>364,943</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, 2019 is \$41.7 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, 2018 which were rolled forward to June 30, 2019.

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

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 \$1.28 billion to the OPEB plan in fiscal year 2019.

The State sets the contribution rate based on a pay as you go basis rather than the actuarial determined contribution an 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, 2020, 2019 and 2018 were \$136,692, \$146,805 and \$167,924, 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, 2018 through June 30, 2019. 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, 2020**

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, 2020, the District recognized in the district-wide statement of activities (accrual basis) OPEB expense of \$250,000. 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, 2020 the State's proportionate share of the OPEB liability attributable to the District is \$8,249,127. 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, 2019 to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2019. At both June 30, 2019 and 2018, the state's share of the OPEB liability attributable to the District was .02 percent.

Actuarial Assumptions

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

Inflation Rate	2.50%
Salary Increases*	
PERS:	
Initial Fiscal Year Applied Through	2026
Rate	2.00% to 6.00%
Rate Thereafter	3.00% to 7.00%
TPAF:	
Initial Fiscal Year Applied Through	2026
Rate	1.55% to 3.05%
Rate Thereafter	1.55% to 3.05%
Mortality:	
PERS	Pre-retirement and Post-retirement based on Pub-2010 Healthy "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

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

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)

TPAF	Pre-retirement and Post-retirement based on Pub-2010 "Teachers" and "General" classifications respectively, headcount-weighted mortality tables with fully generational mortality improvement projections from the central year using Scale MP-2019.
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Long-Term Rate of Return	2.00%
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*Salary increases are based on the defined benefit pension plan that the member is enrolled in and the members years of service.

For the June 30, 2019 measurement date healthcare cost trend rates for pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

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

100% of active members are considered to participate in the plan upon retirement.

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 2.00% as of June 30, 2019.

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>
2020	June 30, 2019	3.50%
2019	June 30, 2018	3.87%

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.

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

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)

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, 2020 (measurement date June 30, 2019) is as follows:

	Total OPEB Liability <u>(State Share 100%)</u>
Balance, June 30, 2018 Measurement Date	\$ <u>9,391,217</u>
Changes Recognized for the Fiscal Year:	
Service Cost	353,860
Interest on the Total OPEB Liability	372,425
Differences Between Expected and Actual Experience	(1,745,652)
Changes of Assumptions	122,995
Gross Benefit Payments	(253,224)
Contributions from the Member	<u>7,506</u>
Net Changes	\$ <u>(1,142,090)</u>
Balance, June 30, 2019 Measurement Date	\$ <u><u>8,249,127</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87% percent in 2018 to 3.50% percent in 2019.

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, 2019.

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

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 3.50%, 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 (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current rate:

	1% Decrease <u>(2.50%)</u>	Current Discount Rate <u>(3.50%)</u>	1% Increase <u>(4.50%)</u>
State's Proportionate Share of the OPEB Liability Attributable to the District	<u>\$ 9,745,479</u>	<u>\$ 8,249,127</u>	<u>\$ 7,060,507</u>

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)	<u>\$ 6,796,913</u>	<u>\$ 8,249,127</u>	<u>\$ 10,171,560</u>

The sensitivity analyses were based on the State’s proportionate share of the OPEB liability attributable to the District at June 30, 2019. Sensitivity analyses specific to the State’s proportionate share of the OPEB liability attributable to the District at June 30, 2019 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.

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

NOTE 5 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the “Pandemic”) by the World Health Organization and is currently affecting many parts of the world, including the United States and the State of New Jersey. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President’s Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

New Jersey Governor Phil Murphy has issued multiple Executive Orders since March 16, 2020 including but not limited to aggressive social distancing measures, restrictions on local elections, restrictions on foreclosure and evictions, suspension of all elective surgeries, closing of all schools and child care centers, the commandeering of property such as medical supplies, the cessation of all non-essential construction projects, extending insurance premium grace periods, the temporary reprieve to certain at-risk inmates and the extension of the permitted statutory grace period from May 11, 2020 to June 1, 2020 for quarterly property taxes due May 1, 2020. The Board expects ongoing actions will be taken by State, federal and local governments and private entities to mitigate the spread and impacts of COVID-19. The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the School District. The declaration of a public health emergency remains in effect as of the date of audit. As part of a planned multi-stage approach to restart the State’s economy, Governor Murphy has signed a series of Executive Orders permitting the resumption of certain activities.

Because of the evolving nature of the outbreak and federal, state and local responses thereto, the Board cannot predict how the outbreak will impact the financial condition or operations of the School District, or if there will be any impact on the assessed values of property within the School District or deferral of tax payments to municipalities. The Board cannot predict costs associated with this or any other potential infectious disease outbreak, including whether there will be any reduction in State funding or an increase in operational costs incurred to clean, sanitize and maintain it facilities either before or after an outbreak of an infectious disease.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

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

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final To Actual
REVENUES					
Local Sources					
Local Tax Levy	\$ 4,311,467		\$ 4,311,467	\$ 4,311,467	
Tuition	84,000		84,000	44,100	\$ (39,900)
Interest				2,209	2,209
Interest Earned - Capital Reserve	500		500	2,102	1,602
Miscellaneous	-	-	-	21,425	21,425
Total Local Sources	4,395,967	-	4,395,967	4,381,303	(14,664)
State Sources					
Special Education Aid	183,763		183,763	183,763	
Transportation Aid	33,235		33,235	33,235	
Equalization Aid	242,661		242,661	242,661	
Security Aid	25,900		25,900	25,900	
Extraordinary Aid				7,989	7,989
Non Public Transportation Reimbursements				2,111	2,111
On-behalf TPAF Pension Payments (Non-Budget) - Pension				361,971	361,971
On-behalf TPAF Pension Payments (Non-Budget) - NCGI Premium				6,488	6,488
On-behalf TPAF Pension Payments (Non-Budget) - Post Retirement Medical Contr.				136,692	136,692
On-behalf TPAF Pension Payments (Non-Budget) - Long-Term Disability Ins.				319	319
On-behalf TPAF Social Security Payments (Non-Budget)	-	-	-	130,712	130,712
Total State Sources	485,559	-	485,559	1,131,841	646,282
Total Revenues	4,881,526	-	4,881,526	5,513,144	631,618
Instruction - Regular Programs					
Salaries of Teachers					
Preschool	84,809	578	85,387	84,742	645
Kindergarten	176,552	-	176,552	175,338	1,214
Grades 1-5	785,622	(75,131)	710,491	691,479	19,012
Grades 6-8	169,691	41,018	210,709	208,153	2,556
Regular Programs - Home Instruction					
Salaries of Teachers	500	-	500		500
Purchased Professional - Educational Services	1,000	-	1,000		1,000
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	56,831	(14,099)	42,732	39,060	3,672
Purchased Professional - Educational Services	2,250	(1,440)	810	810	-
Other Purchased Services	54,900	(15,274)	39,626	39,626	-
General Supplies	73,627	44,710	118,337	70,968	47,369
Textbooks	5,000	(5,000)	-		-
Other Objects	8,309	(2,709)	5,600	4,930	670
Total Regular Programs - Instruction	1,419,091	(27,347)	1,391,744	1,315,106	76,638

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

	<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					
Resource Room/Resource Center					
Salaries of Teachers	\$ 121,158	\$ 659	\$ 121,817	\$ 121,812	\$ 5
General Supplies	426	639	1,065	1,065	-
Total Resource Room/Resource Center	<u>121,584</u>	<u>1,298</u>	<u>122,882</u>	<u>122,877</u>	<u>5</u>
Home Instruction					
Salaries of Teachers	250	(250)	-	-	-
Total Home Instruction	<u>250</u>	<u>(250)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Special Education Instruction	<u>121,834</u>	<u>1,048</u>	<u>122,882</u>	<u>122,877</u>	<u>5</u>
Basic Skills/Remedial - Instruction					
Salaries of Teachers	85,333	133	85,466	85,466	-
General Supplies	500	(85)	415	249	166
Total Basic Skills/Remedial - Instruction	<u>85,833</u>	<u>48</u>	<u>85,881</u>	<u>85,715</u>	<u>166</u>
School Sponsored Co/Extra Curricular Activities					
Salaries	44,216	-	44,216	26,434	17,782
Purchased Services	1,000	-	1,000	-	1,000
Supplies and Materials	7,500	-	7,500	392	7,108
Other Objects	765	-	765	-	765
Total School Sponsored Co/Extra Curricular Activities	<u>53,481</u>	<u>-</u>	<u>53,481</u>	<u>26,826</u>	<u>26,655</u>
Total Instruction	<u>1,680,239</u>	<u>(26,251)</u>	<u>1,653,988</u>	<u>1,550,524</u>	<u>103,464</u>
Undistributed Expenditures - Instruction					
Tuition to Other LEAs Within the State - Special	219,532	(18,289)	201,243	94,890	106,353
Total Undistributed Expenditures - Instruction	<u>219,532</u>	<u>(18,289)</u>	<u>201,243</u>	<u>94,890</u>	<u>106,353</u>
Attendance and Social Work					
Salaries	31,701	-	31,701	31,560	141
Other Purchased Services	8,850	-	8,850	3,090	5,760
Total Attendance and Social Work	<u>40,551</u>	<u>-</u>	<u>40,551</u>	<u>34,650</u>	<u>5,901</u>

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

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Health Services					
Salaries	\$ 69,579	\$ (1,255)	\$ 68,324	\$ 67,129	\$ 1,195
Purchased Professional and Technical Svcs.	1,000	1,292	2,292	2,292	-
Supplies and Materials	1,745	3,520	5,265	5,265	-
Total Health Services	<u>72,324</u>	<u>3,557</u>	<u>75,881</u>	<u>74,686</u>	<u>1,195</u>
Speech, OT, PT and Related Services					
Salaries	35,885	-	35,885	31,699	4,186
Purchased Professional Educational Services	57,900	3,007	60,907	52,699	8,208
Supplies and Materials	700	-	700	565	135
Total Speech, OT, PT and Related Services	<u>94,485</u>	<u>3,007</u>	<u>97,492</u>	<u>84,963</u>	<u>12,529</u>
Other Support Service-Students- Extraordinary Services					
Salaries	41,801	27,119	68,920	61,685	7,235
Purchased Professional - Educational Services	6,250	528	6,778	4,164	2,614
Supplies and Materials	1,500	157	1,657	1,657	-
Total Other Support Service-Students- Extraordinary Services	<u>49,551</u>	<u>27,804</u>	<u>77,355</u>	<u>67,506</u>	<u>9,849</u>
Guidance					
Salaries of Other Professional Staff	20,673	20,959	41,632	38,595	3,037
Salaries of Secretarial and Clerical Assistants	32,519	(39)	32,480	26,056	6,424
Purchased Professional - Educational Services	750	-	750	595	155
Other Purchased Services	5,375	900	6,275	6,275	-
Supplies and Materials	2,000	(1,362)	638	638	-
Total Guidance	<u>61,317</u>	<u>20,458</u>	<u>81,775</u>	<u>72,159</u>	<u>9,616</u>
Child Study Teams					
Salaries of Other Professional Staff	46,187	(24,048)	22,139	15,452	6,687
Salaries of Secretarial and Clerical Assistants	22,499	-	22,499	22,499	-
Purchased Professional- Educational Services	57,631	42,348	99,979	83,737	16,242
Other Purchased Professional and Tech. Services	-	-	-	-	-
Other Purchased Services	4,000	3,750	7,750	5,250	2,500
Miscellaneous Purchased Services	-	-	-	-	-
Supplies and Materials	3,500	(2,799)	701	701	-
Other Objects	250	-	250	242	8
Total Child Study Teams	<u>134,067</u>	<u>19,251</u>	<u>153,318</u>	<u>127,881</u>	<u>25,437</u>
Improvement of Instructional Services					
Salaries of Supervisor of Instruction	89,482	-	89,482	89,482	-
Salaries of Secretarial & Clerical Assistants	25,144	298	25,442	25,144	298
Other Salaries	1,200	-	1,200	-	1,200
Purchased Professional- Educational Services	12,000	-	12,000	11,693	307
Other Purchased Services	600	400	1,000	1,000	-
Supplies and Materials	2,000	(698)	1,302	-	1,302
Total Improvement of Instructional Services	<u>130,426</u>	<u>-</u>	<u>130,426</u>	<u>127,319</u>	<u>3,107</u>
Educational Media Services/School Library					
Salaries	-	-	-	-	-
Salaries of Technology Coordinators	65,665	(12,902)	52,763	39,945	12,818
Other Purchased Services	825	-	825	795	30
Supplies and Materials	2,240	1,597	3,837	3,837	-
Total Educational Media Serv./School Library	<u>68,730</u>	<u>(11,305)</u>	<u>57,425</u>	<u>44,577</u>	<u>12,848</u>

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

	<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)					
Undistributed Expenditures (Continued)					
Instructional Staff Training Services					
Purchased Professional - Educational Services	\$ 20,000	\$ -	\$ 20,000	\$ -	\$ 20,000
Other Purchased Services	10,500	1,350	11,850	7,153	4,697
Supplies and Materials	2,500	-	2,500	-	2,500
	<u>33,000</u>	<u>1,350</u>	<u>34,350</u>	<u>7,153</u>	<u>27,197</u>
Total Instructional Staff Training Services					
Support Services General Administration					
Salaries	101,359	-	101,359	101,359	-
Legal Services	11,500	-	11,500	8,545	2,955
Audit Fees	17,200	9,750	26,950	19,730	7,220
Other Purchased Professional Services	2,800	(2,800)	-	-	-
Communications/Telephone	22,100	(714)	21,386	19,498	1,888
BOE Other Purchased Services	1,500	596	2,096	2,096	-
Miscellaneous Purchased Services	22,545	7,457	30,002	29,173	829
BOE In-House Training/Meeting Supplies	250	-	250	-	250
General Supplies	1,250	(411)	839	839	-
Miscellaneous Expenditures	3,000	10,527	13,527	13,527	-
BOE Membership Dues and Fees	3,200	-	3,200	3,103	97
	<u>186,704</u>	<u>24,405</u>	<u>211,109</u>	<u>197,870</u>	<u>13,239</u>
Total Support Services General Administration					
Support Services School Administration					
Salaries of Principal/Asst. Principals/Program Dir.	51,453	5,000	56,453	56,453	-
Salaries of Secretarial and Clerical Assistants	4,571	-	4,571	4,571	-
Other Purchased Services	5,050	(2,352)	2,698	-	2,698
Supplies and Materials	3,500	(2,493)	1,007	908	99
Other Objects	1,000	(155)	845	845	-
	<u>65,574</u>	<u>-</u>	<u>65,574</u>	<u>62,777</u>	<u>2,797</u>
Total Support Services School Administration					
Central Services					
Salaries	87,777	4,521	92,298	92,298	-
Purchased Professional Services	1,500	1,200	2,700	1,200	1,500
Misc. Purchased Services	16,945	(132)	16,813	15,926	887
Supplies and Materials	1,450	595	2,045	1,632	413
Miscellaneous Expenditures	1,700	61	1,761	1,761	-
	<u>109,372</u>	<u>6,245</u>	<u>115,617</u>	<u>112,817</u>	<u>2,800</u>
Total Central Services					
Admin. Info. Tech.					
Other Purchased Services	4,200	5,455	9,655	8,655	1,000
Supplies and Materials	3,500	(2,600)	900	-	900
	<u>7,700</u>	<u>2,855</u>	<u>10,555</u>	<u>8,655</u>	<u>1,900</u>
Total Admin. Info. Tech.					

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

	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	\$ 133,942		\$ 133,942	\$ 133,942	\$ -
Cleaning, Repair and Maintenance Services	35,500	\$ 4,317	39,817	39,817	-
Lead Testing of Drinking Water		1,800	1,800	1,800	-
General Supplies	20,000	78	20,078	16,804	3,274
Other Objects	1,144	-	1,144	823	321
	<u>190,586</u>	<u>6,195</u>	<u>196,781</u>	<u>193,186</u>	<u>3,595</u>
Total Required Maint. For School Facilities					
Custodial Services					
Salaries	97,655	(21,951)	75,704	68,130	7,574
Cleaning, Repair and Maintenance Services	42,050	1,318	43,368	41,868	1,500
Insurance	55,401	9,871	65,272	64,984	288
Miscellaneous Purchased Services	250	2,975	3,225	3,059	166
General Supplies	18,000	-	18,000	7,986	10,014
Energy (Natural Gas)	1,500	-	1,500	230	1,270
Energy (Oil)	50,000	(7,219)	42,781	32,039	10,742
Energy (Electricity)	55,000	(1,064)	53,936	43,426	10,510
	<u>319,856</u>	<u>(16,070)</u>	<u>303,786</u>	<u>261,722</u>	<u>42,064</u>
Total Custodial Services					
Care and Upkeep of Grounds					
Salaries	21,014	(5,949)	15,065	11,847	3,218
Cleaning, Repair, and Maintenance Services	6,850	6,000	12,850	9,350	3,500
Purchased Professional & Technical Services	3,000	-	3,000	1,034	1,966
	<u>30,864</u>	<u>51</u>	<u>30,915</u>	<u>22,231</u>	<u>8,684</u>
Total Care and Upkeep of Grounds					
Security Services					
Salaries	9,000	-	9,000	5,662	3,338
Cleaning, Repair, and Maintenance Services	6,500	-	6,500	3,986	2,514
General Supplies	5,000	5,665	10,665	10,665	-
Purchased Professional & Technical Services	8,450	6,087	14,537	13,651	886
	<u>28,950</u>	<u>11,752</u>	<u>40,702</u>	<u>33,964</u>	<u>6,738</u>
Total Security Services					
Student Transportation Services					
Salaries for Pupil Transportation (Bet Home & School) - Reg. (Bet Home & School) - Reg.	16,287	2,593	18,880	18,880	-
Salaries for Pupil Transportation (Bet Home & School) - Spec. Ed. (Bet Home & School) - Special Education	16,287	(1,645)	14,642	6,549	8,093
Management Fee - ESC and CTSA Transportation Program	7,560	-	7,560	6,380	1,180
Contracted Services - Aid in Lieu Payments - Nonpublic	11,000	-	11,000	4,601	6,399
Contracted Services - Aid in Lieu Payments - Charter School	4,000	-	4,000	-	4,000
Contracted Services (Between Home and School) - Vendors		-			
Contracted Services (Other than Between Home and School - Vendors	15,200	(595)	14,605	3,828	10,777
Contract Services (Between Home and School)-Joint Agreements	10,000	-	10,000	7,948	2,052
Contracted Services - (Spl. Ed. Students) - Vendors	9,500	(3,313)	6,187	3,064	3,123
Contract Services (Regular Students)-ESCs and CTSA	172,300	200	172,500	166,879	5,621
Contract Services (Special Ed Students)- ESCs and CTSA	112,900	3,753	116,653	109,273	7,380
	<u>375,034</u>	<u>993</u>	<u>376,027</u>	<u>327,402</u>	<u>48,625</u>
Total Student Transportation Services					

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

EXPENDITURES	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final To Actual
CURRENT EXPENDITURES (Continued)					
Unallocated Benefits - Employee Benefits					
Social Security Contributions	\$ 80,000	-	\$ 80,000	\$ 54,901	\$ 25,099
Other Retirement Contributions - PERS	70,000	-	70,000	58,379	11,621
Workmen's Compensation	40,024	(7,480)	32,544	32,542	2
Health Benefits	734,067	(23,662)	710,405	627,794	82,611
Tuition Reimbursement	17,000	-	17,000	9,215	7,785
Other Employee Benefits	27,100	-	27,100	8,460	18,640
Total Unallocated Benefits - Employee Benefits	968,191	(31,142)	937,049	791,291	145,758
On-behalf TPAF Pension Payments					
(Non-Budget) - Pension				361,971	(361,971)
On-behalf TPAF Pension Payments					
(Non-Budget) - NCGI Premium				6,488	(6,488)
On-behalf TPAF Pension Payments					
(Non-Budget) - Post Retirement Medical Contr.				136,692	(136,692)
On-behalf TPAF Pension Payments					
(Non-Budget) - Long-Term Disability Ins.				319	(319)
On-behalf TPAF Social Security Payments					
(Non-Budget)	-	-	-	130,712	(130,712)
Total On-Behalf Payments	-	-	-	636,182	(636,182)
Total Undistributed Expenditures	3,186,814	51,117	3,237,931	3,383,881	(145,950)
Total Expenditures - Current Expenditures	4,867,053	24,866	4,891,919	4,934,405	(42,486)
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	67,600	34,000	101,600	46,500	55,100
Construction Services	195,800	(34,000)	161,800	-	161,800
Supplies and Materials	25,000	-	25,000	22,784	2,216
Infrastructure	140,000	-	140,000	37,738	102,262
Other Objects (Debt Service Assessment)	770	-	770	770	-
Total Facilities Acquisition and Construction Services	429,170	-	429,170	107,792	321,378
Total Capital Outlay	429,170	12,632	441,802	120,424	321,378
Transfer to Charter School	74,758	5,974	80,732	40,366	40,366
Total Expenditures	5,370,981	43,472	5,414,453	5,095,195	319,258
Excess (Deficiency) of Revenues					
Over/(Under) Expenditures	(489,455)	(43,472)	(532,927)	417,949	950,876
Other Financing Sources (Uses)					
Transfer from Capital Reserve to Debt Service	(125,000)	-	(125,000)	(125,000)	-
Total Other Financing Sources	(125,000)	-	(125,000)	(125,000)	-

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

	<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	\$ (614,455)	\$ (43,472)	\$ (657,927)	\$ 292,949	\$ 950,876
Fund Balance, Beginning of Year	<u>1,753,651</u>	<u>-</u>	<u>1,753,651</u>	<u>1,753,651</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,139,196</u>	<u>\$ (43,472)</u>	<u>\$ 1,095,724</u>	<u>\$ 2,046,600</u>	<u>\$ 950,876</u>

Recapitulation of Fund Balance

Restricted	
Capital Reserve	\$ 1,266,634
Capital Reserve - Designated in Subsequent Year's Budget	180,000
Excess Surplus	106,000
Excess Surplus - Designated in Subsequent Year's Budget	99,423
Assigned	
Year End Encumbrances	127,848
Designated in Subsequent Year's Budget	6,595
Unassigned	<u>260,100</u>
	2,046,600
Reconciliation to Governmental Funds Statements (GAAP):	
Less: State Aid Payments Not Recognized on GAAP Basis	<u>(56,468)</u>
Fund Balance Per Governmental Funds (GAAP)	<u>\$ 1,990,132</u>

**FREDON TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<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	\$ 99,762	\$ 27,231	\$ 126,993	\$ 124,163	\$ (2,830)
Total Revenues	<u>99,762</u>	<u>27,231</u>	<u>126,993</u>	<u>124,163</u>	<u>(2,830)</u>
EXPENDITURES					
Instruction					
Tuition	48,942	-	48,942	48,942	-
General Supplies	<u>-</u>	<u>18,300</u>	<u>18,300</u>	<u>17,901</u>	<u>399</u>
Total Instruction	<u>48,942</u>	<u>18,300</u>	<u>67,242</u>	<u>66,843</u>	<u>399</u>
Support Services					
Salaries	23,000	-	23,000	23,000	-
Personal Services-Employee Benefits	8,050	1,970	10,020	10,020	-
Purchased Prof./Ed. Services	12,070	752	12,822	10,391	2,431
Other Purchased Services	7,700	(2,789)	4,911	4,911	-
Supplies and Materials	<u>-</u>	<u>8,998</u>	<u>8,998</u>	<u>8,998</u>	<u>-</u>
Total Support Services	<u>50,820</u>	<u>8,931</u>	<u>59,751</u>	<u>57,320</u>	<u>2,431</u>
Total Expenditures	<u>99,762</u>	<u>27,231</u>	<u>126,993</u>	<u>124,163</u>	<u>2,830</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, 2020**

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.

		<u>General</u> <u>Fund</u>		<u>Special</u> <u>Revenue</u> <u>Fund</u>
Sources/inflows of resources				
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	(C-1)	\$ 5,513,144	(C-2)	\$ 124,163
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		54,524		
State Aid payment and extraordinary aid recognized for budgetary purposes, not recognized for GAAP statements - Current Year		<u>(56,468)</u>		<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	(B-2)	<u>\$ 5,511,200</u>		<u>\$ 124,163</u>
Uses/outflows of resources				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	(C-1)	\$ 5,095,195	(C-2)	\$ 124,163
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				
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	(B-2)	<u>\$ 5,095,195</u>		<u>\$ 124,163</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 Seven Fiscal Years*

	<u>2020</u>	<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)	.00597%	.00648%	.00548%	.00616%	.00493%	.00677%	.00807%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,076,379	\$ 1,276,749	\$ 1,274,567	\$ 1,826,630	\$ 1,108,729	\$ 1,267,804	\$ 1,544,118
District's Covered-Employee Payroll	\$ 465,664	\$ 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	231.15%	306.93%	306.40%	466.96%	173.60%	183.01%	171.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.27%	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 Seven Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 58,379	\$ 64,499	\$ 50,723	\$ 54,791	\$ 42,463	\$ 55,823	\$ 60,876
Contributions in Relation to the Contractually Required Contribution	<u>58,379</u>	<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>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 427,648	\$ 415,976	\$ 415,976	\$ 391,178	\$ 638,676	\$ 692,770	\$ 902,207
Contributions as a Percentage of Covered-Employee Payroll	13.64%	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 Seven Fiscal Years*

	<u>2020</u>	<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%	0%
District's Proportionate Share of the Net Pension Liability (Asset)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>\$ 9,891,992</u>	<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>\$ 9,891,992</u>	<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	\$ 1,653,271	\$ 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%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	26.95%	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, 2020**

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 Three Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service Cost	\$ 353,860	\$ 395,496	\$ 479,289
Interest on Total OPEB Liability	372,425	376,862	325,945
Differences Between Expected and Actual Experience	(1,745,652)	(312,531)	
Changes of Assumptions	122,995	(1,077,689)	(1,395,939)
Gross Benefit Payments	(253,224)	(251,118)	(237,447)
Contribution from the Member	<u>7,506</u>	<u>8,679</u>	<u>8,743</u>
Net Change in Total OPEB Liability	(1,142,090)	(860,301)	(819,409)
Total OPEB Liability - Beginning	<u>9,391,217</u>	<u>10,251,518</u>	<u>11,070,927</u>
Total OPEB Liability - Ending	<u>\$ 8,249,127</u>	<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>8,249,127</u>	<u>9,391,217</u>	<u>10,251,518</u>
Total OPEB Liability - Ending	<u>\$ 8,249,127</u>	<u>\$ 9,391,217</u>	<u>\$ 10,251,518</u>
District's Covered-Employee Payroll	<u>\$ 2,118,935</u>	<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%	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, 2020**

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, 2020**

	<u>ESSA</u>			<u>IDEA Part B</u>		<u>REAP Grant</u>	<u>Total</u>
	<u>Title I</u>	<u>Title II-A</u>	<u>Title IV</u>	<u>Basic</u>	<u>Preschool</u>		
REVENUES							
Intergovernmental							
Federal	\$ 36,931	\$ 7,900	\$ 8,998	\$ 48,942	\$ 2,491	\$ 18,901	\$ 124,163
Total Revenues	<u>\$ 36,931</u>	<u>\$ 7,900</u>	<u>\$ 8,998</u>	<u>\$ 48,942</u>	<u>\$ 2,491</u>	<u>\$ 18,901</u>	<u>\$ 124,163</u>
EXPENDITURES							
Instruction							
Tuition				\$ 48,942			\$ 48,942
Other Purchased Services							-
General Supplies	-	-	-	-	-	\$ 17,901	17,901
Total Instruction	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,942</u>	<u>-</u>	<u>17,901</u>	<u>66,843</u>
Support Services							
Salaries	\$ 23,000						23,000
Personal Services - Employee Benefits	10,020						10,020
Purchased Prof./Ed. Services		\$ 7,900			\$ 2,491		10,391
Other Purchased Services	3,911					1,000	4,911
Supplies and Materials	-	-	\$ 8,998	-	-	-	8,998
Total Support Services	<u>36,931</u>	<u>7,900</u>	<u>8,998</u>	<u>-</u>	<u>2,491</u>	<u>1,000</u>	<u>57,320</u>
Total Expenditures	<u>\$ 36,931</u>	<u>\$ 7,900</u>	<u>\$ 8,998</u>	<u>\$ 48,942</u>	<u>\$ 2,491</u>	<u>\$ 18,901</u>	<u>\$ 124,163</u>

**FREDON TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
SCHEDULE OF PRESCHOOL EDUCATION AID EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOT APPLICABLE

CAPITAL PROJECTS FUND

FREDON TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<u>Issue/Project Title</u>	<u>Appropriation</u>	<u>Expenditures to Date</u>		<u>Cancelled</u>	<u>Unexpended Balance, June 30, 2020</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>82,207</u>	<u>-</u>	<u>-</u>	<u>6,793</u>
	<u>\$ 584,000</u>	<u>\$ 517,707</u>	<u>\$ -</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, 2020**

Revenues and Other Financing Sources	
Transfer from Capital Reserve	\$ -
Total Revenues and Other Financing Sources	-
Expenditures	
Construction Services	-
Total Expenditures and Other Financing Uses	-
Excess of Revenues and Other Financing Sources over Expenditures	-
Fund Balance- Beginning of Year	66,293
Fund Balance- End of Year	\$ 66,293

ENTERPRISE FUND

EXHIBIT G-1

**FREDON TOWNSHIP SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

EXHIBIT G-2

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

EXHIBIT G-3

**COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2020**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
ASSETS			
Cash	\$ 6,139	\$ 50,373	\$ 56,512
Total Assets	<u>\$ 6,139</u>	<u>\$ 50,373</u>	<u>\$ 56,512</u>
LIABILITIES			
Accrued Salaries and Wages		\$ 44,693	\$ 44,693
Payroll Deductions and Withholdings Payable		4,048	4,048
Due to Other Funds		1,632	1,632
Due to Student Groups	<u>\$ 6,139</u>	<u>-</u>	<u>6,139</u>
Total Liabilities	<u>\$ 6,139</u>	<u>\$ 50,373</u>	<u>\$ 56,512</u>

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

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, 2020**

	<u>Balance, July 1, 2019</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance, June 30, 2020</u>
Due to Student Groups Fredon Township School	\$ 6,615	\$ 244	\$ 720	\$ 6,139
Total	<u>\$ 6,615</u>	<u>\$ 244</u>	<u>\$ 720</u>	<u>\$ 6,139</u>

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

	Balance, July 1, <u>2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance, June 30, <u>2020</u>
LIABILITIES				
Payroll Deductions and Withholdings	\$ 3,357	\$ 2,803,423	\$ 2,802,732	\$ 4,048
Accrued Salaries and Wages - Regular	1,089	1,599,463	1,599,444	1,108
Accrued Salaries and Wages - Summer Pay	39,413	43,547	39,375	43,585
Accounts Payable				
Due to Other Funds	<u>1,632</u>	<u>-</u>	<u>-</u>	<u>1,632</u>
 Total	 <u>\$ 45,491</u>	 <u>\$ 4,446,433</u>	 <u>\$ 4,441,551</u>	 <u>\$ 50,373</u>

LONG-TERM DEBT

FREDON TOWNSHIP SCHOOL DISTRICT
 LONG-TERM DEBT
 SCHEDULE OF SERIAL BONDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<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, 2019</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance, June 30, 2020</u>
			<u>Date</u>	<u>Amount</u>					
2017 School Bonds	9/29/2016	\$ 4,165,000	7/15/2020	\$ 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%				
					\$ 4,035,000		230,000	\$ 3,805,000	
					\$ 4,035,000	\$ -	\$ 230,000	\$ 3,805,000	

**FREDON TOWNSHIP SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER LEASE PURCHASE AGREEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOT APPLICABLE

**FREDON TOWNSHIP SCHOOL DISTRICT
LONG-TERM DEBT
DEBT SERVICE FUND BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
State Sources					
Local Tax Levy	\$ 130,219	-	\$ 130,219	\$ 130,219	\$ -
Debt Service Aid	<u>75,269</u>	<u>-</u>	<u>75,269</u>	<u>75,269</u>	<u>-</u>
 Total Revenues	 <u>205,488</u>	 <u>-</u>	 <u>205,488</u>	 <u>205,488</u>	 <u>-</u>
EXPENDITURES					
Regular Debt Service					
Principal	230,000		230,000	230,000	
Interest	<u>100,488</u>	<u>-</u>	<u>100,488</u>	<u>100,488</u>	<u>-</u>
 Total Expenditures	 <u>330,488</u>	 <u>-</u>	 <u>330,488</u>	 <u>330,488</u>	 <u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(125,000)	-	(125,000)	(125,000)	-
Other Financing Sources					
Operating Transfer In	<u>125,000</u>	<u>-</u>	<u>125,000</u>	<u>125,000</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	-	-	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental Activities										
Net Investment in Capital Assets	\$ 134,750	\$ 405,174	\$ 335,985	\$ 302,505	\$ 281,790	\$ 258,541	\$ (71,042)	\$ (33,540)	\$ 518,127	\$ 423,379
Restricted	155,842	121,103	166,255	226,402	568,709	1,355,826	2,127,459	2,100,523	1,358,900	1,512,927
Unrestricted	157,782	66,362	64,872	78,626	(1,488,985)	(1,380,467)	(1,268,188)	(1,208,926)	(1,187,355)	(966,044)
Total Governmental Activities Net Position	\$ 448,374	\$ 592,639	\$ 567,112	\$ 607,533	\$ (638,486)	\$ 233,900	\$ 788,229	\$ 858,057	\$ 689,672	\$ 970,262
Business-Type Activities										
Net Investment in Capital Assets										
Restricted										
Unrestricted	\$ 26,840	\$ 23,137	\$ 24,462	\$ 18,593	\$ 12,766	\$ 11,629	\$ 16,048	\$ 7,264	\$ 8,683	\$ 11,513
Total Business-Type Activities Net Position	\$ 26,840	\$ 23,137	\$ 24,462	\$ 18,593	\$ 12,766	\$ 11,629	\$ 16,048	\$ 7,264	\$ 8,683	\$ 11,513
District-Wide										
Net Investment in Capital Assets	\$ 134,750	\$ 405,174	\$ 335,985	\$ 302,505	\$ 281,790	\$ 258,541	\$ (71,042)	\$ (33,540)	\$ 518,127	\$ 423,379
Restricted	155,842	121,103	166,255	226,402	568,709	1,355,826	2,127,459	2,100,523	1,358,900	1,512,927
Unrestricted	184,622	89,499	89,334	97,219	(1,476,219)	(1,368,838)	(1,252,140)	(1,201,662)	(1,178,672)	(954,531)
Total District Net Position	\$ 475,214	\$ 615,776	\$ 591,574	\$ 626,126	\$ (625,720)	\$ 245,529	\$ 804,277	\$ 865,321	\$ 698,355	\$ 981,775

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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 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	\$ 2,515,370
Special Education	276,557	291,839	290,364	306,357	308,956	318,778	332,725	298,033	474,052	392,984
Other Instruction	205,841	216,631	209,149	273,836	222,644	246,445	249,524	200,857	215,235	168,443
School Sponsored Activities And Athletics									51,539	39,878
Support Services:										
Tuition	212,696	169,583	85,075	140,134	114,849	89,706	31,907	37,510		
Student & Instruction Related Services	747,397	729,172	718,968	921,016	774,901	842,836	924,371	1,167,017	1,168,672	1,050,428
General Administration	523,531	528,195	519,108	488,227	604,271	525,889	619,013	669,537	264,892	256,350
School Administrative Services	107,352	111,860	113,411	160,925	153,915	113,042	173,521	153,719	129,708	123,220
Other Support Services									200,164	169,091
Plant Operations And Maintenance	505,543	479,796	555,516	534,314	724,372	668,616	701,000	1,018,560	822,288	712,257
Pupil Transportation	334,287	333,310	270,514	324,490	285,884	293,174	307,023	314,191	339,541	362,165
Unallocated Depreciation	18,503	19,152	20,118	21,167	22,167	22,278	18,333	18,604		
Interest On Long-Term Debt	207,884	205,437	203,129	199,047	193,934	187,591	342,448	112,109	103,130	98,380
Total Governmental Activities Expenses	<u>5,517,208</u>	<u>5,301,022</u>	<u>5,505,372</u>	<u>5,595,988</u>	<u>5,977,269</u>	<u>5,604,895</u>	<u>6,191,185</u>	<u>7,139,602</u>	<u>6,584,774</u>	<u>5,888,566</u>
Business-Type Activities:										
Food Service	87,995	87,663	82,485	79,306	75,385	80,015	73,297	80,144	67,618	53,355
AM Program	3,306	4,320	1,810	1,800	2,000	2,850	29,216	813	-	-
Total Business-Type Activities Expense	<u>91,301</u>	<u>91,983</u>	<u>84,295</u>	<u>81,106</u>	<u>77,385</u>	<u>82,865</u>	<u>102,513</u>	<u>80,957</u>	<u>67,618</u>	<u>53,355</u>
Total District Expenses	<u>\$ 5,608,509</u>	<u>\$ 5,393,005</u>	<u>\$ 5,589,667</u>	<u>\$ 5,677,094</u>	<u>\$ 6,054,654</u>	<u>\$ 5,687,760</u>	<u>\$ 6,293,698</u>	<u>\$ 7,220,559</u>	<u>\$ 6,652,392</u>	<u>\$ 5,941,921</u>
Program Revenues										
Governmental Activities:										
Charges For Services:										
Instruction (Tuition)							\$ 25,437	\$ 50,244	\$ 87,092	\$ 44,100
Operating Grants And Contributions	\$ 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	1,359,138
Capital Grants And Contributions	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities Program Revenues	<u>963,792</u>	<u>1,055,785</u>	<u>1,020,757</u>	<u>1,079,723</u>	<u>1,556,894</u>	<u>1,706,727</u>	<u>2,017,340</u>	<u>2,478,364</u>	<u>1,810,357</u>	<u>1,403,238</u>
Business-Type Activities:										
Charges For Services:										
Food Service	\$ 58,151	\$ 51,393	\$ 47,678	\$ 42,569	\$ 47,993	\$ 51,767	\$ 48,331	\$ 50,822	\$ 49,315	\$ 40,388
AM Program	3,306	4,422	2,249	1,361	2,000	8,734	32,767	1		
Operating Grants And Contributions	24,159	23,242	30,029	27,705	20,559	21,206	20,978	24,062	19,703	15,768
Total Business Type Activities Program Revenues	<u>85,616</u>	<u>79,057</u>	<u>79,956</u>	<u>71,635</u>	<u>70,552</u>	<u>81,707</u>	<u>102,076</u>	<u>74,885</u>	<u>69,018</u>	<u>56,156</u>
Total District Program Revenues	<u>\$ 1,049,408</u>	<u>\$ 1,134,842</u>	<u>\$ 1,100,713</u>	<u>\$ 1,151,358</u>	<u>\$ 1,627,446</u>	<u>\$ 1,788,434</u>	<u>\$ 2,119,416</u>	<u>\$ 2,553,249</u>	<u>\$ 1,879,375</u>	<u>\$ 1,459,394</u>

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

	Fiscal Year Ended									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net (Expense)/Revenue										
Governmental Activities	\$ (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)	\$ (4,485,328)
Business-Type Activities	(5,685)	(12,926)	(4,339)	(9,471)	(6,833)	(1,158)	(437)	(6,072)	1,400	2,801
Total District-Wide Net Expense	\$ (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)	\$ (4,482,527)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied For General Purposes, Net	\$ 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	\$ 4,441,686
Taxes Levied For Debt Service	199,881	205,851	215,285	231,804	247,526	266,234	268,860	252,152	-	-
Investment Earnings	1,059	1,761	1,451	1,506	1,996	2,656	4,382	4,099	4,376	4,311
Federal and State Aid - Unrestricted									277,974	246,113
State Aid Restricted for Debt Service									50,105	52,383
Miscellaneous Income	24,998	1,104	3,785	211	3,472	4,664	25,905	21,381	13,454	21,425
Accrued Interest on Bonds	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities	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	4,765,918
Business-Type Activities:										
Investment Earnings	3,342	8,766	5,309	3,602	1,006	21	10	10	19	29
Miscellaneous Income	457	457	457	-	-	-	4,846	5,901	-	-
Total Business-Type Activities	3,799	9,223	5,766	3,602	1,006	21	4,856	5,911	19	29
Total District-Wide	\$ 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	\$ 4,765,947
Change in Net Position										
Governmental Activities	\$ (228,678)	\$ 144,255	\$ (25,629)	\$ 40,421	\$ 242,247	\$ 872,386	\$ 707,581	\$ 61,205	\$ (117,041)	\$ 280,590
Business-Type Activities	(1,886)	(3,703)	1,427	(5,869)	(5,827)	(1,137)	4,419	(161)	1,419	2,830
	\$ (230,564)	\$ 140,552	\$ (24,202)	\$ 34,552	\$ 236,420	\$ 871,249	\$ 712,000	\$ 61,044	\$ (115,622)	\$ 283,420

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

	Fiscal Year Ended									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Restricted	\$ 159,392	\$ 131,948	\$ 226,560	\$ 306,289	\$ 572,715	\$ 1,360,569	\$ 2,238,673	\$ 2,215,757	\$ 1,393,093	\$ 1,652,057
Committed										
Assigned									103,963	134,443
Unassigned	258,857	247,029	222,934	211,105	182,659	202,501	198,575	200,944	202,071	203,632
Total General Fund	\$ 418,249	\$ 378,977	\$ 449,494	\$ 517,394	\$ 755,374	\$ 1,563,070	\$ 2,437,248	\$ 2,416,701	\$ 1,699,127	\$ 1,990,132
All Other Governmental Funds										
Restricted	\$ 130,555	\$ 37,982	\$ 38,060	\$ 38,136	\$ 38,212	\$ 6	\$ 18,735	\$ 18,729	\$ 66,293	\$ 66,293
Total All Other Governmental Funds	\$ 130,555	\$ 37,982	\$ 38,060	\$ 38,136	\$ 38,212	\$ 6	\$ 18,735	\$ 18,729	\$ 66,293	\$ 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,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Tax Levy	\$ 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	\$ 4,441,686
Tuition Charges							25,437	50,244	87,092	44,100
Interest Earnings	1,059	1,761	1,451	1,506	1,996	2,656	4,382	4,099	4,376	4,311
Miscellaneous	24,998	1,104	3,785	211	3,472	4,664	25,905	21,381	13,454	21,425
State Sources	806,873	913,866	1,045,594	964,013	1,010,828	1,040,008	1,111,890	1,165,067	1,198,484	1,205,166
Federal Sources	156,919	141,919	114,550	115,710	112,925	44,865	68,628	187,383	181,569	124,163
Total Revenue	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	5,840,851
Expenditures										
Instruction										
Regular Instruction	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	2,165,166
Special Education Instruction	216,898	222,111	226,093	237,754	212,716	209,019	202,857	186,115	405,278	348,063
Other Instruction	161,437	164,872	162,855	212,516	153,290	161,591	152,131	125,431	176,154	142,795
School Sponsored Activities and Athletics									46,383	38,505
Support Services:										
Tuition	212,696	169,583	85,075	140,134	114,849	89,706	31,907	37,510		
Student and Inst. Related Services	586,168	554,953	559,828	714,772	533,518	552,637	563,574	728,776	1,036,640	950,251
General Administration									242,541	243,421
School Administrative Services	84,194	85,134	88,308	124,889	105,970	74,120	105,793	95,994	104,323	102,500
Plant Operations And Maintenance	396,487	365,160	398,792	412,575	498,729	390,023	426,797	636,068	769,011	677,006
Pupil Transportation	334,287	333,310	270,514	324,490	285,884	293,174	307,023	314,191	325,528	338,637
Other Support Services	410,595	401,995	404,206	378,898	416,040	344,819	377,402	339,832	184,903	162,250
Unallocated Benefits	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	43,836	36,675	39,239	52,242	81,403	50,901	14,707	44,121		
Capital Outlay	330,905	401,945	129,660	81,048	76,726	93,685	38,361	92,591	517,707	50,764
Debt Service:										
Debt Service	258,830	266,561	278,777	300,168	320,527	344,752	342,721	324,919		
Principal									220,000	230,000
Interest and Other Charges									106,900	100,488
Bond Issuance Costs	-	-	-	-	-	-	-	-	-	-
Total Expenditures	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	5,549,846
Excess (Deficiency) of Revenues Over (Under) Expenditures	(258,494)	(131,843)	70,491	67,976	238,056	769,490	892,907	(29,176)	(670,010)	291,005
Other Financing Sources (Uses)										
Serial Bond Proceeds										
Premium Interest on Bonds										
Payment to Refunded Bond Escrow Agent										
Cancellation of Unexpended SDA Grant										
Transfers In								8,623	817,719	125,000
Transfers Out	-	-	-	-	-	-	-	-	(817,719)	(125,000)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	8,623	-	-
Net Change in Fund Balances	\$ (258,494)	\$ (131,843)	\$ 70,491	\$ 67,976	\$ 238,056	\$ 769,490	\$ 892,907	\$ (20,553)	\$ (670,010)	\$ 291,005
Debt Service as a Percentage of Noncapital Expenditures	4.96%	5.15%	5.14%	5.47%	5.86%	6.91%	6.65%	5.36%	5.50%	6.01%

* 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>
2020	\$ 44,100	\$ 4,311	\$ 21,425	\$ 69,836
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

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.	Ofarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^a
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
2020	5,641,800	354,044,900	52,097,400	1,699,100	16,225,900	5,236,300		434,945,400	-	434,945,400	431,331,481	1.021

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)**

Calendar <u>Year</u>	<u>Total</u>	<u>Local School District</u>	<u>Regional School District</u>	<u>Municipality</u>	<u>County</u>
2020	\$ 2.975	\$ 1.021	\$ 0.950	\$ 0.424	\$ 0.580
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

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

2020			2011		
Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value	Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value
Mira Plastics	\$ 2,470,000	0.57%			
23 Players Blvd, LLC	2,352,400	0.54%			
Hosea Holdings II, LLC	1,813,300	0.42%			
Individual Taxpayer #1	1,624,200	0.37%			
Individual Taxpayer #2	1,573,100	0.36%			
Individual Taxpayer #3	1,495,900	0.34%			
Cedar Valley Properties, LLC	1,168,300	0.27%			
Individual Taxpayer #4	1,050,000	0.24%			
New Freedom Properties, LLC	1,007,600	0.23%			
Individual Taxpayer #5	964,500	0.22%			
	<u>\$ 15,519,300</u>	<u>3.57%</u>			

Information Not Available

Individual Taxpayer #1

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	
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%	
2020	4,441,686	4,441,686	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			
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	3,160	1,277
2020	3,805,000				-	3,805,000	3,160 *	1,204

Source: District records

* - Estimate

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
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%	1,277
2020	3,805,000		3,805,000	0.87%	1,204

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, 2019
(Unaudited)**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Municipal Debt: (1)			
Township of Fredon	\$ 200,000		\$ 200,000
Regional School District	104,276	\$ 104,276	-
Local School District	<u>3,805,000</u>	<u>3,805,000</u>	<u>-</u>
	<u>\$ 4,109,276</u>	<u>\$ 3,909,276</u>	<u>200,000</u>
Overlapping Debt Apportioned to the Municipality:			
County of Sussex (A)			<u>-</u>
Total Direct and Overlapping Debt			<u>\$ 200,000</u>

Sources:

(1) Township of Fredon 2019 Annual Debt Statement

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

Legal Debt Margin Calculation for Fiscal Year 2020

Average equalized valuation of taxable property	\$ 430,949,182
Debt limit (2.5 % of average equalization value)	10,773,730
Total Net Debt Applicable to Limit	<u>3,805,000</u>
Legal debt margin	<u>\$ 6,968,730</u>

	2010	2011	2012	2013	2014	#	2015	2016	2017	2018	2019
Debt Limit	\$ 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	\$ 10,773,730
Total Net Debt Applicable to Limit	<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>	<u>3,805,000</u>
Legal Debt Margin	<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>	<u>\$ 6,968,730</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	37.59%	38.69%	39.45%	39.88%	40.23%	#	40.35%	41.30%	39.62%	37.51%	35.32%

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 NJSA 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>
2019	3.5%	N/A	3,160
2018	3.6%	\$ 61,757	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

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>2020</u>		<u>2011</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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Instruction										
Regular	25	25	25	24	24	22	24	24	24	23
Special Education	8	8	8	7	7	4	4	4	4	3
Other Special Education	2	2	2	2	2	2	2	1	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	3	3	3
Administrative Information Technology										
Plant Operations And Maintenance										
Pupil Transportation										
Other Support Services										
Special Schools										
Food Service										
Child Care	-	-	-	-	-	-	-	-	-	-
Total	<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>	<u>35</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	Pupil/Teacher Ratio				Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
					Teaching Staff	Elementary	Middle School	Senior High School				
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	-11.01%	96.39%
2020	192	5,168,594	26,920	3.70%	24	1:8.0	N/A	N/A	191	187	-1.55%	97.91%

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)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
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	324	326	280	280	236	240	221	199	192
Number of Schools at June 30, 2020										
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>2020</u>	<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>
School Facilities	Project #										
Fredon Township School	N/A	<u>\$ 193,186</u>	<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>
Grand Total		<u>\$ 193,186</u>	<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>

Source: School District Financial Statements

**FREDON TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF INSURANCE
JUNE 30, 2020
(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

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
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
RALPH M. PICONE, III, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
DEBRA GOLLE, CPA
MARK SACO, CPA
ROBERT LERCH, CPA
CHRIS SOHN, CPA
CHRISTOPHER M. VINCI, 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, 2020 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 January 15, 2021.

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.

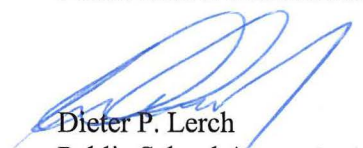
Compliance and Other Matters

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.

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
January 15, 2021



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
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CHRISTOPHER M. VINCI, 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, 2021. 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 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, 2020.

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.

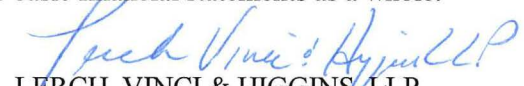
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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, 2020 and have issued our report thereon dated January 15, 2021, 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
January 15, 2021

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

Federal/Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	FAIN Number	Grant or State Number	Grant Period	Award Amount	Balance, July 1, 2019	Carryover		Cash Received	Budgetary Expenditures	Adjustment/ Repayment	Balance, June 30, 2020			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	201NJ304N1099	N/A	7/1/19-6/30/20	\$ 5,342				\$ 5,342	\$ 3,868			\$ 1,474		
Non-Cash Assistance	10.555	191NJ304N1099	N/A	7/1/18-6/30/19	5,523	\$ 1,594				1,594					
Cash Assistance	10.555	201NJ304N1099	N/A	7/1/19-6/30/20	9,671				9,358	9,671			\$ (313)		\$ (313)
Cash Assistance	10.555	191NJ304N1099	N/A	7/1/18-6/30/19	13,756	(877)			877						
Total U.S. Department of Agriculture						717	-	-	15,577	15,133	-	(313)	1,474	-	(313)
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	H027A190100	IDEAS20020	7/1/19-6/30/20	48,942				42,200	48,942		(6,742)	-		(6,742)
I.D.E.A. Part B, Preschool	84.173	H173A190114	IDEAS20020	7/1/19-6/30/20	2,491				-	2,491		(2,491)	-		(2,491)
Cluster Total - Special Education						-	-	-	42,200	51,433	-	(9,233)	-	-	(9,233)
ESSA - Title I	84.010	S010A190030	ESSA520020	7/1/19-6/30/20	36,931				19,550	36,931		(17,381)	-		(17,381)
ESSA - Title I	84.010	S010A180030	ESSA520019	7/1/18-6/30/19	40,719	(42,842)			42,842						-
ESSA - Title II-A	84.367	S367A190029	ESSA520020	7/1/19-6/30/20	9,329				3,229	7,900		(6,100)	1,429		(4,671)
ESSA - Title II-A	84.367	S367A180029	ESSA520019	7/1/18-6/30/19	19,621	(9,811)			9,811						-
ESSA - Title IV-A	84.424A	S424A190031	ESSA520020	7/1/19-6/30/20	10,000				8,000	8,998		(2,000)	1,002		(998)
Rural Education Achievement Program	84.358A	S358B190030	ESSA520020	7/1/19-6/30/20	19,300				14,324	18,901		(4,976)	399		(4,577)
Rural Education Achievement Program	84.358A	S358B180030	ESSA520019	7/1/18-6/30/19	55,036	(1,586)			4,998			(3,412)	-		-
Total Special Revenue Fund						(54,239)	-	-	144,954	124,163	(3,412)	(39,690)	2,830	-	(36,860)
Total Federal Awards						\$ (53,522)	\$ -	\$ -	\$ 160,531	\$ 139,296	\$ (3,412)	\$ (40,003)	\$ 4,304	\$ -	\$ (37,173)

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, 2020

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, June 30, 2019			Budgetary Expenditures	Adjustment/Refund of Prior Years' Balances	Balance, June 30, 2020			MEMO	
				(Accounts Receivable)/Deferred Revenue	Due to Grantor	Cash Received			Accounts Receivable	Unearned Revenue	Due to Grantor	GAAP Receivable	Cumulative Expenditures
State Department of Education													
<i>General Fund</i>													
Special Education Aid	20-495-034-5120-089	7/1/19-6/30/20	\$ 183,763			\$ 165,416	\$ 183,763		\$ (18,347)			*	\$ 183,763
Special Education Aid	19-495-034-5120-089	7/1/18-6/30/19	183,763	\$ (18,349)		18,349						*	
Equalization Aid	20-495-034-5120-078	7/1/19-6/30/20	242,661			218,433	242,661		(24,228)			*	242,661
Equalization Aid	19-495-034-5120-078	7/1/18-6/30/19	277,211	(27,680)		27,680						*	
Security Aid	20-495-034-5120-084	7/1/19-6/30/20	25,900			23,314	25,900		(2,586)			*	25,900
Security Aid	19-495-034-5120-084	7/1/18-6/30/19	25,900	(2,586)		2,586						*	
Cluster Total - State Aid Public				(48,615)	-	455,778	452,324	-	(45,161)	-	-	*	452,324
Transportation Aid	20-495-034-5120-015	7/1/19-6/30/20	33,235			30,007	33,235		(3,318)			*	33,235
Transportation Aid	19-495-034-5120-015	7/1/18-6/30/19	33,235	(3,318)		3,318						*	
Non Public Transportation Reimb	N/A	7/1/19-6/30/20	2,111				2,111		(2,111)			\$	2,111
Non Public Transportation Reimb	N/A	7/1/18-6/30/19	4,004	(4,004)		4,004						*	2,111
Cluster Total - Transportation Aid				(7,322)	-	37,329	35,436	-	(5,429)	-	-	*	35,436
Extraordinary Aid	20-100-034-5120-473	7/1/19-6/30/20	7,989				7,989		(7,989)			*	7,989
Extraordinary Aid	19-100-034-5120-473	7/1/18-6/30/19	2,591	(2,591)		2,591						*	-
On-Behalf TPAF -Pension	20-495-034-5094-002	7/1/19-6/30/20	361,971			361,971	361,971					*	361,971
On Behalf TPAF - NCGI Premiur	20-100-034-5094-004	7/1/19-6/30/20	6,488			6,488	6,488					*	6,488
On Behalf TPAF - Post Ret. Med	20-495-034-5094-001	7/1/19-6/30/20	136,692			136,692	136,692					*	136,692
On Behalf TPAF - LTDI	20-100-034-5094-004	7/1/19-6/30/20	319			319	319					*	319
Reimbursed TPAF Social Securit	20-495-034-5094-003	7/1/19-6/30/20	130,712			118,410	130,712		(12,302)			*	130,712
Reimbursed TPAF Social Securit	19-495-034-5094-003	7/1/18-6/30/19	127,752	(7,064)	-	7,064						*	-
Total General Fund				(65,592)	-	1,126,642	1,131,931	-	(70,881)	-	-	*	1,131,931
<i>Debt Service Fund</i>													
Debt Service Type II Aid	20-100-034-5120-124	7/1/19-6/30/20	75,269	-		75,269	75,269					*	75,269
Total Debt Service Fund				-	-	75,269	75,269	-	-	-	-	*	75,269
<i>Enterprise Fund</i>													
National School Lunch Program	20-100-010-3350-023	7/1/19-6/30/20	637			632	637		(5)			*	637
National School Lunch Program	19-100-010-3350-023	7/1/18-6/30/19	849	(53)		53						*	-
Total Enterprise Fund				(53)	-	685	637	-	(5)	-	-	*	637
State Financial Assistance Subject to Single Audit Determination				(65,645)	-	1,202,596	1,207,837	-	(70,886)	-	-	*	1,207,837
On-Behalf TPAF -Pension	20-495-034-5094-002	7/1/19-6/30/20	361,971			(361,971)	(361,971)					*	(361,971)
On Behalf TPAF - NCGI Premiur	20-100-034-5094-004	7/1/19-6/30/20	6,488			(6,488)	(6,488)					*	(6,488)
On Behalf TPAF - Post Ret. Med	20-495-034-5094-001	7/1/19-6/30/20	136,692			(136,692)	(136,692)					*	(136,692)
On Behalf TPAF - LTDI	20-100-034-5094-004	7/1/19-6/30/20	319			(319)	(319)					*	(319)
Total State Financial Assistance Subject to Major Program Determination			\$	(65,645)	\$	697,126	\$ 702,367	\$	(70,886)	\$	-	\$	702,367

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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, 2020**

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 \$1,944 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		\$ 1,129,897	\$ 1,129,897
Special Revenue Fund	\$ 124,163		124,163
Debt Service Fund		75,269	75,269
Food Service Fund	<u>15,131</u>	<u>637</u>	<u>15,768</u>
Total Awards and Financial Assistance	<u>\$ 139,294</u>	<u>\$ 1,205,803</u>	<u>\$ 1,345,097</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, 2020**

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 \$130,712 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, 2020. The amount reported as TPAF Pension System Contributions in the amount of \$368,459, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$136,692 and TPAF Long-Term Disability Insurance in the amount of \$319 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2020.

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, 2020

Part I – Summary of Auditor’s Results

Financial Statement Section

- A) Type of auditor's report issued: Unmodified
- B) Internal control over financial reporting:
 - 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 reported
- C) Noncompliance material to basic financial statements noted? yes X 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, 2020

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>20-495-034-5120-089</u>	<u>Special Education Aid</u>
<u>20-495-034-5120-084</u>	<u>Security Aid</u>
<u>20-495-034-5120-078</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, 2020**

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, 2020**

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, 2020**

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.