

SCHOOL DISTRICT
OF
FREDON TOWNSHIP

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

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2015

Comprehensive Annual

Financial Report

of the

Fredon Township School District

Board of Education

Newton, New Jersey

For the Fiscal Year Ending June 30, 2015

Prepared by

Fredon Township School District

Board of Education

Finance Department

OUTLINE OF CAFR

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Introductory Section



Fredon Township School

459 Route 94
Newton, N.J. 07860

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November, 2015

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, 2015, 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 Action of 1996, and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments" and the State Treasury Circular Letter 04-04 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 2014-2015 fiscal year with an enrollment of 245 students. The following detail reflects the changes in the student enrollment of the Fredon Township School District over the past seven years.

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2004-05	333	7%

2005-06	339	2%
2006-07	333	(2%)
2007-08	337	1%
2008-09	335	1%
2009-10	345	3%
2010-11	334	(3%)
2011-12	323	(3%)
2012-13	326	1%
2013-14	280	(14%)
2014-15	245	(13%)

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: The continuing articulation of curriculum between Fredon Township School and the three other elementary districts that comprise the Kittatinny Regional 7-12 School District remains a major initiative into the 2015-2016 school year. The districts will be reviewing their Language Arts and Mathematics curriculums. Staff training in terms of implementing the curriculum will be provided on a local and regional basis. The seamless integration of technology into all aspects of the curriculum is another major initiative and will remain a major initiative well into the future. Additionally, exit skills will be developed for representative grade levels.

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, 2015.

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. The following schedule presents a summary of the general and special revenue funds for the fiscal year ended June 30, 2015 and the amount and percentage of increase in relation to prior year revenues.

Revenues:	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>
Local Sources	\$4,662,622	80.58%	\$203,636	4.57%
State Sources	1,010,828	17.47%	(34,766)	-3.32%
Federal Sources	<u>112,925</u>	<u>1.95%</u>	<u>(1,625)</u>	-1.42%
Total:	<u>\$5,786,375</u>	<u>100.00%</u>	<u>\$167,245</u>	2.98%

The following schedule presents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2014 and the percentage of increases and decreases in relation to prior year amounts.

Expenditure:	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>
Current Expense:				
Instruction	\$1,857,959	33.49%	\$(187,578)	-9.17%
Undistributed	<u>\$3,180,182</u>	<u>57.32%</u>	<u>\$ 200,063</u>	6.71%
Total	\$5,038,141	90.80%	\$ 12,489	0.25%
Capital Outlay	\$ 76,726	1.38%	\$ (52,934)	-9.17%
Debt Service	\$ 320,527	5.78%	\$ 41,750	14.98%
Special Revenue	<u>\$ 112,925</u>	<u>2.04%</u>	<u>\$ (1,625)</u>	-1.42%
Total:	<u>\$5,548,319</u>	<u>100.00%</u>	<u>\$ (320)</u>	-0.01%

DEBT ADMINISTRATION: At June 30, 2015, the District had \$4,590,000 in outstanding debt issues for the school construction project.

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

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

11) **OTHER INFORMATION:** Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board selected the accounting firm of Ardito & Company, LLP. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1996 and the related OMB circular A-133 and State Treasury OMB Circular Letter 04-04. 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;

Sean Dolan

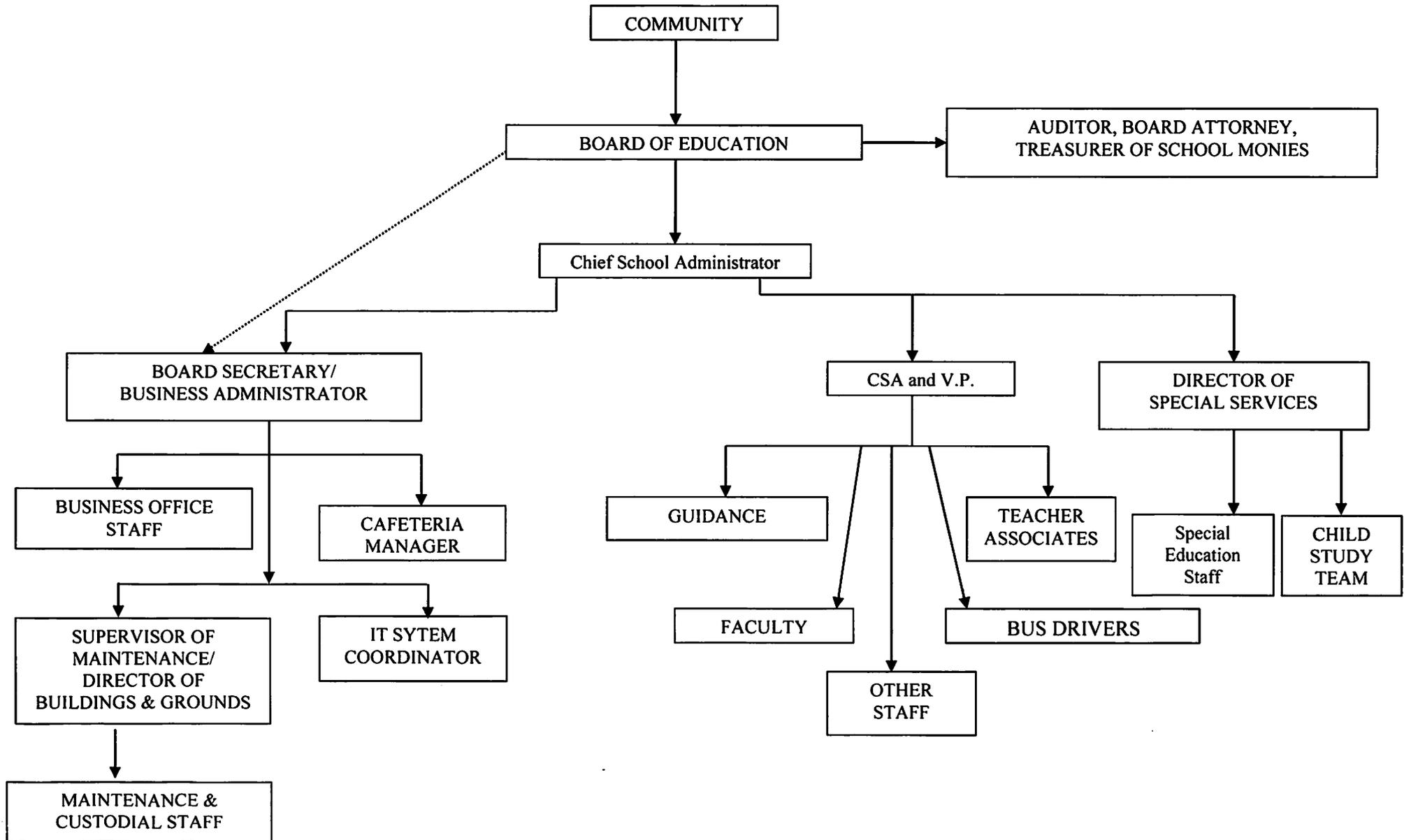
Mr. Sean Dolan
Superintendent

Donna Mosner

Mrs. Donna Mosner
School Business Administrator

FREDON TOWNSHIP BOARD OF EDUCATION
Newton, NJ 07860

ORGANIZATION CHART (Updated Draft for review 8-26-15)



FREDON TOWNSHIP SCHOOL DISTRICT
BOARD OF EDUCATION

ROSTER OF OFFICIALS

June 30, 2015

Members of the Board of Education

Term Expires

Courtney Wisinski, <i>President</i>	2017
John Niemasz, <i>Vice-President</i>	2015
Christina Liuzza	2017
John Payne	2016
Thomas Knutelsky	2016

Other Officials

Mr. Sean Dolan, *Superintendent of Schools*
Donna Mosner, *Board Secretary/School Business Administrator*
Kerry A. Keane, *Treasurer*

**FREDON TOWNSHIP SCHOOL DISTRICT
BOARD OF EDUCATION**

CONSULTANTS AND ADVISORS

Audit Firm

Ardito & Co., LLP
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Lakeland Bank
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Financial Section

Independent Auditor's Report



ARDITO & Co., LLP

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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the government activities, the business-type activities, each major fund and the aggregate remaining fund information of the Fredon Township School District Board of Education, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

-Continued-

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Fredon Township School District Board of Education, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fredon Township School District Board of Education's basic financial statements. The introductory section, combining and individual fund financial statements, long-term debt schedules, statistical section, and schedule of state financial assistance, as required by New Jersey OMB's circulars 04-04 and 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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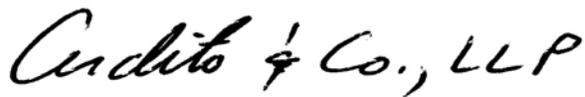
The combining and individual fund financial statement information, long-term debt schedules, and the schedule of state financial assistance, as required by New Jersey OMB's Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual fund financial statement information, long-term debt schedules, and schedule of state financial assistance, as required by New Jersey OMB's circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2015, on our consideration of the Fredon Township School District Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



ARDITO & CO., LLP
November 16, 2015



Licensed Public School Accountant No. 2369

**Required Supplementary Information -
Part I**

Management's Discussion and Analysis

FREDON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

The discussion and analysis of FredonTownship School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- ◆ In total, Net Position increased \$236,420 which represents a 27.4% decrease from 2014.
- ◆ General revenues accounted for \$4,663,628 in revenue or 74.1% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$1,627,446 or 25.9% of total revenues of \$6,291,074.
- ◆ Total assets of governmental activities increased by \$74,257, as cash and cash equivalents increased by \$168,032, receivables increased by \$52,285, and capital assets decreased by \$145,715.
- ◆ The School District had \$6,054,654 in expenses; only \$1,627,446 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$4,663,628 were available to provide for these programs.
- ◆ Among major funds, the General Fund had \$5,352,847 in revenues and \$5,114,867 in expenditures. The General Fund's surplus balance increased \$237,980 over 2014, which compares favorably to the budgeted decrease of \$7,769.

Using this Generally Accepted Accounting Principals Report (GAAP)

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

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

FREDON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 11. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, and Capital Projects Fund.

FREDON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

Governmental Funds

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

The School District as a Whole

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

Table 1 provides a summary of the School District's Net Position for 2015 compared to 2014.

	<u>2015</u>	<u>2014</u>
Table 1 Net Position		
Assets		
Current and Other Assets	\$ 807,312	\$ 587,340
Capital Assets	<u>4,871,790</u>	<u>5,017,505</u>
Total Assets	<u>5,679,102</u>	<u>5,604,845</u>
Deferred Outflows of Resources	<u>95,690</u>	<u>55,852</u>
Liabilities		
Long-Term Liabilities	6,024,420	6,418,822
Other Liabilities	<u>89,395</u>	<u>104,015</u>
Total Liabilities	<u>6,113,815</u>	<u>6,522,837</u>
Deferred Inflows of Resources	<u>286,697</u>	<u>-</u>
Net Position		
Invested in Capital Assets, Net of Debt	281,790	302,505
Restricted	568,709	226,402
Unrestricted	<u>(1,476,219)</u>	<u>(1,391,047)</u>
Total Net Position	<u>\$ (625,720)</u>	<u>\$ (862,140)</u>

FREDON TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

Total assets of governmental activities increased by \$74,257, as cash and cash equivalents increased by \$168,032, receivables increased by \$52,285, and capital assets decreased by \$145,715.

The cash increase was mainly due operational efficiency towards budget, net of capital addition spending, and the increase in capital assets was due to depreciation expense, net of capital outlay (fund 12) spending for various capital acquisitions. Accounts receivable increased due to the Township of Fredon not paying over the entire levy until the subsequent year.

Table 2 shows the changes in Net Position from fiscal year 2014.

Table 2
Changes in Net Position

	<u>2015</u>	<u>2014</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 49,993	\$ 43,930
Operating Grants and Contributions	1,577,453	1,107,428
General Revenues:		
Property Taxes	4,657,154	4,554,969
Federal & State Aid on Capital Asset Projects		-
Investment Earnings	3,002	5,108
Other	3,472	211
Total Revenues	<u>6,291,074</u>	<u>5,711,646</u>
Program Expenses		
Instruction	3,102,976	2,806,668
Support Services:		
Tuition	114,849	140,134
Pupils and Instructional Staff	774,901	921,016
General Administration, School Administration, Business	758,186	649,152
Operations and Maintenance of Facilities	724,372	534,314
Pupil Transportation	285,884	324,490
Business-Type Activities	77,385	81,106
Interest and Fiscal Charges	216,101	220,214
Total Expenses	<u>6,054,654</u>	<u>5,677,094</u>
Increase in Net Position	<u>\$ 236,420</u>	<u>\$ 34,552</u>

FREDON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 74.0% percent of revenues for governmental activities for the Fredon Township School District for the fiscal year 2015.

Instruction comprises 51.2% of district expenses. Support services expenses make up 43.9% of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services compared to 2014. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	<u>Total Cost of Services 2015</u>	<u>Net Cost of Services 2015</u>	<u>Total Cost of Services 2014</u>	<u>Net Cost of Services 2014</u>
Instruction	\$ 3,102,976	\$ 2,285,639	\$ 2,806,668	\$ 2,263,243
Support Services:				
Tuition	114,849	87,519	140,134	116,787
Pupils and Instructional Staff	774,901	556,507	921,016	727,667
General Admin., School Admin., Business	758,186	577,762	649,152	540,998
Operation and Maintenance of Facilities	724,372	551,995	534,314	445,293
Pupil Transportation	285,884	217,853	324,490	270,427
Business-Type Activities	77,385	6,833	81,106	9,471
Interest and Fiscal Charges	<u>216,101</u>	<u>143,100</u>	<u>220,214</u>	<u>151,850</u>
Total Expenses	<u>\$ 6,054,654</u>	<u>\$ 4,427,208</u>	<u>\$ 5,677,094</u>	<u>\$ 4,525,736</u>

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

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

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

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

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

FREDON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

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

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

The dependence upon tax revenues is apparent. Over 73.7% of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 74.9%. The community, as a whole, is the primary support for the FredonTownship School District.

The School District's Funds

Information about the School District's major funds starts on page 11. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other sources of \$5,786,375 and expenditures of \$5,548,319. The General Fund's surplus balance increased \$237,980 over 2014, which compares favorably to the budgeted decrease of \$7,769.

General Fund Budgeting Highlights

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

During the course of the fiscal 2015 year, the School District amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

For the General Fund, budget basis revenue and other financing sources, excluding on-behalf payments, was \$4,951,477, \$9,742 over original budgeted estimates of \$4,941,735. This difference was due primarily to an increases in miscellaneous revenue and non-public transportation aid.

General fund revenues exceeded expenditures by \$238,524. Again this surplus compares to a budgeted deficit of \$7,769, which was due to the budgeted use of surplus needed to balance the 2014-2015 budget. The budgeted deficit was reduced due revenue increases and cost savings in the areas of instruction, tuition, and related services.

Overall general fund balance (budget basis) was \$808,505, and amounts ear-marked and reserved for future purposes were \$572,715, creating a surplus in unreserved fund balance of \$235,790. Management believes unreserved fund balance at or near statutory levels will provide adequate working capital for the district.

FREDON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

Capital Assets

At the end of the fiscal year 2015, the School District had \$4,871,790 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2015 balances compared to 2014.

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

	<u>2015</u>	<u>2014</u>
Land		
Land Improvements	-	-
Buildings and Improvements	4,788,755	4,897,937
Machinery and Equipment	<u>83,035</u>	<u>119,568</u>
 Totals	 <u>\$ 4,871,790</u>	 <u>\$ 5,017,505</u>

Overall capital assets decreased \$145,715 from fiscal year 2014 to fiscal year 2015. The decrease in capital assets was due to capital additions, net of depreciation expense for the year.

Capital improvements of \$75,956 were purchased during fiscal year 2015.

Debt Administration

At June 30, 2015, the School District had \$4,756,616 as outstanding long term debt. Of this amount, \$166,616 is for compensated absences and \$4,590,000 is for bonds payable outstanding.

At June 30, 2015, the School District's overall legal debt margin was \$6,820,046 and the unvoted debt margin was the same.

FREDON TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

For the Future

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

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

Contacting the School District's Financial Management

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

Basic Financial Statements

DISTRICT-WIDE FINANCIAL STATEMENTS

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

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION

June 30, 2015

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	TOTAL
ASSETS			
Cash and Cash Equivalents	\$112,795	\$9,895	\$122,690
Receivables, Net	150,294	1,309	151,603
Interfund Receivables			
Inventory		2,522	2,522
Restricted Assets:			
Capital Reserve Account - Cash	530,497		530,497
Capital Assets, Net (Note 5):	4,871,790		4,871,790
Total Assets	<u>5,665,376</u>	<u>13,726</u>	<u>5,679,102</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Deferred Outflows			<u>95,690</u>
LIABILITIES			
Accounts Payable			
Unearned Revenue		960	960
Interfund Payable			
Accrued Interest	88,435		88,435
Net Pension Liability (Note 7)	1,267,804		1,267,804
Noncurrent Liabilities (Note 6):			
Due Within One Year	155,000		155,000
Due Beyond One Year	4,601,616		4,601,616
Total Liabilities	<u>6,112,855</u>	<u>960</u>	<u>6,113,815</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Deferred Inflows			<u>286,697</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	281,790		281,790
Restricted for:			
Other Purposes	530,497		530,497
Capital Projects Fund	38,211		38,211
Debt Service Fund	1		1
Unrestricted	(1,488,985)	12,766	(1,476,219)
Total Net Position	<u>(\$638,486)</u>	<u>\$12,766</u>	<u>(\$625,720)</u>

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

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	CHARGES	OPERATING	GOVERNMENTAL	BUSINESS-TYPE	TOTAL	
	FOR	GRANTS AND				
EXPENSES	SERVICES	CONTRIBUTIONS	ACTIVITIES	ACTIVITIES		
Governmental Activities:						
Instruction:						
Regular	\$ 2,571,376	\$ 690,834	\$ (1,880,542)		\$ (1,880,542)	
Special Education	308,956	73,521	(235,435)		(235,435)	
Other Special Instruction	222,644	52,982	(169,662)		(169,662)	
Support Services:						
Tuition	114,849	27,330	(87,519)		(87,519)	
Student & Instruction Related Serv.	774,901	218,394	(556,507)		(556,507)	
School Administrative Services	153,915	36,627	(117,288)		(117,288)	
General and Business Admin. Serv.	604,271	143,797	(460,474)		(460,474)	
Plant Operations and Maintenance	724,372	172,377	(551,995)		(551,995)	
Pupil Transportation	285,884	68,031	(217,853)		(217,853)	
Interest Expense and Fiscal Charges	193,934	73,001	(120,933)		(120,933)	
Unallocated Depreciation	22,167		(22,167)		(22,167)	
Total Governmental Activities	5,977,269	-	1,556,894	(4,420,375)	(4,420,375)	
Business-Type Activities:						
Food Service	75,385	\$ 47,993	20,559	\$ (6,833)	(6,833)	
AM Program	2,000	2,000		-	-	
Total Business-Type Activities	77,385	49,993	20,559	(6,833)	(6,833)	
Total Primary Government	\$ 6,054,654	\$ 49,993	\$ 1,577,453	\$ (4,420,375)	\$ (6,833)	\$ (4,427,208)
General Revenues:						
Taxes:						
Property Taxes. Levied for General Purposes, Net			\$ 4,409,628		\$ 4,409,628	
Property Taxes. Levied for Debt Service			247,526		247,526	
Investment Earnings			1,996	\$ 1,006	3,002	
Miscellaneous Income			3,472		3,472	
Total General Revenues, Special Items, Extraor. Items a			4,662,622	1,006	4,663,628	
Change in Net Position			242,247	(5,827)	236,420	
Net Position—Beginning			(880,733)	18,593	(862,140)	
Net Position—Ending			\$ (638,486)	\$ 12,766	\$ (625,720)	

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

FUND FINANCIAL STATEMENTS

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

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	<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	\$ 605,081		\$ 38,211		\$ 643,292
Receivables from Other Governments	61,888	\$ 82,064		\$ 1	143,953
Other Receivables	6,341				6,341
Interfund Receivables	82,064				82,064
TOTAL ASSETS	\$ 755,374	\$ 82,064	\$ 38,211	\$ 1	\$ 875,650
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund Payable	-	82,064			82,064
Total Liabilities	-	82,064	-	-	82,064
Fund Balances:					
<u>Restricted for:</u>					
Capital Reserve Account	530,497				530,497
<u>Assigned to:</u>					
Year-End Encumbrances	42,218				42,218
Capital Projects Fund			38,211		38,211
Debt Service Fund				1	1
<u>Unassigned:</u>					
General Fund - Unreserved, Undesignated	182,659				182,659
Total Fund Balances	755,374	-	38,211	1	793,586
TOTAL LIABILITIES AND FUND BALANCE	\$ 755,374	\$ 82,064	\$ 38,211	\$ 1	\$ 875,650

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$6,869,440 and the accumulated depreciation is \$1,997,650.

\$ 4,871,790

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

95,690

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

(286,697)

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

(1,267,804)

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

(88,435)

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

(4,756,616)

Net position of governmental activities

\$ (638,486)

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<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	\$ 4,409,628			\$ 247,526	\$ 4,657,154
Tuition					
Miscellaneous	5,392		\$ 76		5,468
Total - Local Sources	<u>4,415,020</u>		76	247,526	4,662,622
State Sources	937,827			73,001	1,010,828
Federal Sources		\$ 112,925			112,925
Total Revenues	<u>5,352,847</u>	<u>112,925</u>	<u>76</u>	<u>320,527</u>	<u>5,786,375</u>
EXPENDITURES					
Current:					
Regular Instruction	1,491,953	78,932			1,570,885
Special Education Instruction	212,716				212,716
Other Special Instruction	153,290				153,290
Support services and undistributed costs:					
Tuition	114,849				114,849
Student and Instruction Related Services	499,525	33,993			533,518
School Administrative Services	105,970				105,970
Other Administrative Services	416,040				416,040
Plant Operations and Maintenance	498,729				498,729
Pupil Transportation	285,884				285,884
Unallocated Benefits	1,177,782				1,177,782
Transfer to Charter School	81,403				81,403
Debt Service:					
Principal				125,000	125,000
Interest and Other Charges				195,527	195,527
Capital Outlay	76,726				76,726
Total Expenditures	<u>5,114,867</u>	<u>112,925</u>		<u>320,527</u>	<u>5,548,319</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>237,980</u>		76		238,056
OTHER FINANCING SOURCES (USES)					
Transfers from Enterprise Fund	-				-
Total Other Financing Sources and Uses	<u>-</u>				<u>-</u>
Net Change in Fund Balances	237,980		76		238,056
Fund Balance—July 1	517,394		38,135	1	555,530
Fund Balance—June 30	<u>\$ 755,374</u>		<u>\$ 38,211</u>	<u>\$ 1</u>	<u>\$ 793,586</u>

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Total Net Change in Fund Balances - Governmental Funds (from B-2)	\$ 238,056						
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p>							
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.</p>							
<table style="margin-left: auto; margin-right: 0;"> <tr> <td style="padding-right: 10px;">Depreciation Expense</td> <td style="text-align: right;">\$ (221,671)</td> <td></td> </tr> <tr> <td style="padding-right: 10px;">Capital Outlays</td> <td style="text-align: right; border-bottom: 1px solid black;">75,956</td> <td style="text-align: right; vertical-align: bottom;">(145,715)</td> </tr> </table>	Depreciation Expense	\$ (221,671)		Capital Outlays	75,956	(145,715)	
Depreciation Expense	\$ (221,671)						
Capital Outlays	75,956	(145,715)					
<p>Pension contributions are reported in governmental funds as expenditures. However, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns, and experience/assumption. This is the amount by which net pension liability and deferred inflows/outflows related to pension changed during the period.</p>							
	29,455						
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.</p>							
	125,000						
<p>In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. This is the amount by which current year's amount of interest accrual exceeds the prior year's amount.</p>							
	2,363						
<p>In the statement of activities, compensated absences is accrued regardless of when paid. In the governmental funds, compensated absences are reported when paid. This is the amount by which the current year's compensated absence payments exceed the current year's amount earned.</p>							
	(6,912)						
Change in Net Position of Governmental Activities	<u>\$ 242,247</u>						

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

FREDON TOWNSHIP SCHOOL DISTRICT

STATEMENT OF PROPRIETARY NET POSITION
 PROPRIETARY FUNDS

June 30, 2015

		Business-Type Activities - Enterprise Funds	
		Food Service	Totals
ASSETS			
Current assets:			
Cash and Cash Equivalents		\$ 9,895	\$ 9,895
Accounts Receivable		1,309	1,309
Inventories		2,522	2,522
Total Current Assets		<u>13,726</u>	<u>13,726</u>
Noncurrent Assets:			
Furniture, Machinery and Equipment		44,775	44,775
Less Accumulated Depreciation		(44,775)	(44,775)
Total Noncurrent Assets		<u> </u>	<u> </u>
Total Assets		<u>13,726</u>	<u>13,726</u>
LIABILITIES			
Current liabilities:			
Deferred Revenue		960	960
Total Liabilities		<u>960</u>	<u>960</u>
NET POSITION			
Unrestricted		12,766	12,766
Total Net Position		<u>\$ 12,766</u>	<u>\$ 12,766</u>

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Fund		
	Food Service	AM Program	Total Enterprise
Operating Revenues:			
Charges for Services:			
Daily Sales - Reimbursable Programs	\$ 45,094		\$ 45,094
Daily Sales - Non-reimb. Programs	2,899		2,899
Miscellaneous	1,006	\$ 2,000	3,006
Total Operating Revenues	48,999	2,000	50,999
 Operating Expenses:			
Cost of Sales	38,810		38,810
Salaries and Wages	19,152	2,000	21,152
Employee Benefits	5,129		5,129
Other Purchased Professional Services	6,696		6,696
Miscellaneous	5,598		5,598
Total Operating Expenses	75,385	2,000	77,385
Operating Income (Loss)	(26,386)		(26,386)
 Nonoperating Revenues (Expenses):			
State Sources:			
State School Lunch Program	688		688
Federal Sources:			
National School Lunch Program	14,078		14,078
Food Distribution Program	5,793		5,793
Total Nonoperating Revenues (Expenses)	20,559		20,559
Income (Loss) Before Contributions and Transfers	(5,827)		(5,827)
Transfers In (Out)	(5,827)		(5,827)
Change in Net Position	(5,827)		(5,827)
Total Net Position—Beginning	18,593		18,593
Total Net Position—Ending	\$ 12,766		- \$ 12,766

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

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit B-6

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2015

	Business-Type Activities - Enterprise Funds		
	Food Service	AM Program	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 49,000	\$ 2,000	\$ 51,000
Payments to Employees	(19,152)	(2,000)	(21,152)
Payments for Employee Benefits	(5,129)	-	(5,129)
Payments to Suppliers	(35,786)	-	(35,786)
Net Cash Provided by (used for) Operating Activities	(11,067)	-	(11,067)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Sources	799		799
Federal Sources	16,921		16,921
Operating Transfers between funds	(3,214)		(3,214)
Net Cash Provided by (used for) Non-Capital Financing Activities	14,506		14,506
Net Increase (Decrease) in Cash and Cash Equivalents	3,439	-	3,439
Balances—Beginning of Year	6,456	-	6,456
Balances—End of Year	9,895	-	9,895
Reconciliation of Operating Income (Loss) to Net Cash			
Provided (used) by Operating Activities:			
Operating Income (Loss)	(26,386)	-	(26,386)
Adjustments to Reconcile Operating Income (Loss) to Net Cash			
Provided by (used for) Operating Activities:			
Federal Commodities	5,793		5,793
(Increase) Decrease in Accounts Receivable, Net	11,361	-	11,361
(Increase) Decrease in Inventories	345		345
Increase (Decrease) in Accounts Payable	(2,180)		(2,180)
Total Adjustments	15,319	-	15,319
Net Cash Provided by (used for) Operating Activities	\$ (11,067)	-	\$ (11,067)

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

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit B-7

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2015

	Unemployment Compensation Trust	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 32,446	\$ 78,284
Total Assets	<u>\$ 32,446</u>	<u>\$ 78,284</u>
LIABILITIES		
Payable to Student Groups	-	\$ 21,011
Payroll Deductions and Withholdings		5,952
Accrued Salaries and Wages		51,321
Total Liabilities	<u>-</u>	<u>\$ 78,284</u>
NET POSITION		
Held in Trust for Unemployment Claims & Other Purposes	<u>\$ 32,446</u>	<u>-</u>

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

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

For the Year Ended June 30, 2015

	Unemployment Compensation <u>Trust</u>
ADDITIONS	
Contributions:	
Employer	\$ 47,121
Plan Member	<u>7,985</u>
Total Contributions	<u>55,106</u>
Investment Earnings:	
Interest	<u>43</u>
Net Investment Earnings	<u>43</u>
Total Additions	<u>55,149</u>
DEDUCTIONS	
Quarterly Contribution Reports	<u>43,220</u>
Total Deductions	<u>43,220</u>
Change in Net Position	11,929
Net Position—Beginning of the Year	<u>20,517</u>
Net Position—End of the Year	<u><u>\$ 32,446</u></u>

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

Notes to Financial Statements

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

In addition, the School District has implemented GASB Statement No.37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, Statement No.38, Certain Financial Statement Note Disclosures, Statement No.40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement No.3, and Statement 44, Economic Condition Reporting: The Statistical Section (GASB 44), an amendment of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles is found in the Introduction, a revised statistical section in the Outline of the CAFR, GASB Statement No. 45, Other Post-retirement Employee Benefits, GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and GASB No. 63 and 65, Deferred Outflows and Inflows and Net Position, and Items Previously Reported as Assets and Liabilities, and GAASB No. 68, Accounting for Pensions, an amendment of GASB No. 27. The implementation of these statements effected net position balances as previously reported for the fiscal year ended June 30, 2014 as noted in Note 17.

A. Reporting Entity:

The Fredon Township School District is a Type II district located in the County of Sussex, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of five members elected to three-year terms. The purpose of the district is to educate students in grades K-6. The Fredon Township School District had an approximate enrollment at June 30, 2015, of 250 students.

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

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

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

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting:

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

Basis of Presentation

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

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the School District.

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

GOVERNMENTAL FUNDS

The District reports the following governmental funds:

General Fund - The General Fund is the general operating fund of the District and is used to account for all expendable financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the Capital Outlay subfund.

FREDON TOWNSHIP SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

GOVERNMENTAL FUNDS (Continued)

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

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

PROPRIETARY FUNDS

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Basis of Accounting

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

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

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

C. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for approval and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue funds. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be approved by School Board resolution. In addition, transfers are also covered by changes in N.J.A.C. 6A:23A-2.3 that can require approval through the state department. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

FREDON TOWNSHIP SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

D. Encumbrance Accounting:

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

Open encumbrances in the special revenue fund, for which the District has received advances, are reflected in the balance sheet as deferred revenues at fiscal year end.

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

E. Assets, Liabilities and Equity:

Cash and Cash Equivalents:

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

Interfund Transactions:

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

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Inventories:

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

Allowance for Uncollectible Accounts:

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

Capital Assets:

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

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

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

E. Assets, Liabilities and Equity (Continued):

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

Compensated Absences:

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

FREDON TOWNSHIP SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations, have been recorded as deferred revenue. Grants and entitlement received before the eligible requirements are met are also recorded as deferred revenue.

Accrued Liabilities and Long-Term Obligations:

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

E. Assets, Liabilities and Equity (Continued):

Net Position:

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

FREDON TOWNSHIP SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Reserves:

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

Revenues—Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means within sixty days of the fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

E. Assets, Liabilities and Equity (Continued):

Operating Revenues and Expenses:

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

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allocation of Indirect Expenses:

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

Extraordinary and Special Items:

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

Management Estimates:

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

NOTE 2: CASH AND CASH EQUIVALENTS

Deposits:

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

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

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

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

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

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the district's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the municipality would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At June 30, 2015, all of the district's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The district does not have a policy for custodial credit risk.

As of June 30, 2015, cash and cash equivalents of the District consisted of the following:

	<u>Cash and Cash Equivalents (A-1)</u>	<u>Cash and Cash Equivalents (H-1)</u>	<u>Total</u>
Capital Reserve	\$530,497		\$530,497
Checking	<u>49,212</u>	<u>\$110,730</u>	<u>159,942</u>
	<u>\$579,709</u>	<u>\$110,730</u>	<u>\$690,439</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2015, was \$690,439 and the bank balance was \$1,283,420. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$250,000 was covered by federal depository insurances and \$1,033,420 was covered by collateral pool.

Investments:

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

At June 30, 2015, the district's investment balance was \$73,478

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

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

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

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 3: RECEIVABLES

Receivables at June 30, 2015, consisted of intergovernmental accounts. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial Statements	Government-Wide Financial Statements
State Aid	\$10,796	\$10,859
Federal Aid	82,064	83,310
Tax Levy	51,093	51,093
Other Local	6,341	6,341
Gross Receivable	<u>\$150,294</u>	<u>\$151,603</u>
Less: Allow. for Uncollectibles	-	-
Total Receivables, Net	<u><u>\$150,294</u></u>	<u><u>\$151,603</u></u>

NOTE 4: INVENTORY

Inventory in the Food Service Fund at June 30, 2015, consisted of the following:

Food	\$813
Supplies	<u>1,709</u>
	<u><u>\$2,522</u></u>

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

NOTE 5: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
<i>Capital Assets Being Depreciated:</i>				
Land Improvements	\$ 116,985			\$ 116,985
Buildings and Building Improvements	6,385,692	\$ 75,956		6,461,648
Machinery and Equipment	290,807			290,807
Total at Historical Cost	<u>6,793,484</u>	<u>75,956</u>	-	<u>6,869,440</u>
Less Accumulated Depreciation for:				
Land Improvements	(116,985)			(116,985)
Building and Improvements	(1,487,755)	(185,138)		(1,672,893)
Equipment	(171,239)	(36,533)		(207,772)
Total Accumulated Depreciation	<u>(1,775,979)</u>	<u>(221,671)</u>		<u>(1,997,650)</u>
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	<u>5,017,505</u>	<u>(145,715)</u>		<u>4,871,790</u>
Government Activity Capital Assets, Net	<u><u>\$ 5,017,505</u></u>	<u><u>\$ (145,715)</u></u>		<u><u>\$ 4,871,790</u></u>

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 5: CAPITAL ASSETS (Continued)

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

Depreciation expense was charged to functions as follows:

Regular Instruction	\$ 199,504
Unallocated	<u>22,167</u>
Total	<u>\$ 221,671</u>

NOTE 6: LONG-TERM OBLIGATIONS

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

A. Long-Term Obligation Activity:

Changes in long-term obligations for the year ended June 30, 2015, are as follows:

	Balance <u>7/1/14</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/15</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Debt	\$4,715,000		\$ (125,000)	\$4,590,000	\$155,000
Other Liabilities:					
Compensated Absences Payable	\$159,704	\$6,912		\$166,616	
Total Other Liabilities	<u>\$5,001,142</u>	<u>\$6,912</u>	<u>(\$125,000)</u>	<u>\$4,756,616</u>	<u>\$155,000</u>

Compensated absences have been liquidated in the General Fund.

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

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

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 6: LONG-TERM OBLIGATIONS (Continued)

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

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

For the year ended June 30, 2015, it is not necessary for the Board to establish a liability for arbitrage rebate.

	Government Activities			Balance June 30, 2015
	Issue Dates	Interest Rates	Date of Maturity	
Bonds Payable	6/03/2008	4.125 to 4.35%	7/15/2033	\$ 4,590,000
Total Bonds				\$ 4,590,000

B. Debt Service Requirements:

Debt Service requirements on serial bonds payable at June 30, 2015, is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 155,000	\$ 189,752	\$ 344,752
2017	165,000	183,152	348,152
2018	170,000	176,242	346,242
2019	180,000	169,024	349,024
2020	190,000	161,393	351,393
Thereafter	3,730,000	1,229,639	4,959,639
	<u>\$4,590,000</u>	<u>\$ 2,109,202</u>	<u>\$ 6,699,202</u>

As of June 30, 2015, the District had no authorized but not issued bonds.

NOTE 7: PENSION PLANS

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

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 7: PENSION PLANS (Continued)

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

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

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

The employer contributions for the district are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the district (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the district (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the district. However, the state's portion of the net pension liability that was associated with the district was \$10,026,439 as measured on June 30, 2014 and \$10,770,506 as measured on June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$539,517 and revenue of \$539,517 for support provided by the State. The measurement period for the pension expense and revenue reported in the district's financial statements (A-2) at June 30, 2015 is based upon changes in the collective net pension liability with a measurement period of June 30, 2013 through June 30, 2014. Accordingly, the pension expense and the related revenue associated with the support provided by the State is based upon the changes in the collective net pension liability between July 1, 2013 and June 30, 2014.

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 7: PENSION PLANS (Continued)

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

	<u>6/30/2013</u>	<u>6/30/2014</u>
Collective deferred outflows of resources	-	\$2,306,623,861
Collective deferred inflows of resources	-	\$1,763,205,593
Collective net pension liability (Nonemployer-State of New Jersey)	\$50,539,213,484	\$53,446,745,367
State's portion of the net pension liability that was associated with the district	\$10,770,506	\$10,026,439
State's portion of the net pension liability that was associated with the district as a percentage of the collective net pension liability	0.021311%	0.018760%

Actuarial assumptions - The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation:	2.5%
Salary Increases:	Varies based on experience
Investment Rate of Return:	7.90%

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

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2014 are summarized in the following table:

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 7: PENSION PLANS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.50%
Core Fixed Income	0.00%	2.19%
Core Bonds	1.00%	1.38%
Short-Term Bonds	0.00%	1.00%
Intermediate-Term Bonds	11.20%	2.60%
Long-Term Bonds	0.00%	3.23%
Mortgages	2.50%	2.84%
High Yield Bonds	5.50%	4.15%
Non-US Fixed Income	0.00%	1.41%
Inflation-Indexed Bonds	2.50%	1.30%
Broad US Equities	25.90%	5.88%
Large Cap US Equities	0.00%	5.62%
Mid Cap US Equities	0.00%	6.39%
Small Cap US Equities	0.00%	7.39%
Developed Foreign Equities	12.70%	6.05%
Emerging Market Equities	6.50%	8.90%
Private Equity	8.25%	9.15%
Hedge Funds / Absolute Return	12.25%	3.85%
Real Estate (Property)	3.20%	4.43%
Real Estate (REITS)	0.00%	5.58%
Commodities	2.50%	3.60%
Long Credit Bonds	0.00%	3.74%

Discount rate. The discount rate used to measure the State's total pension liability was 4.68% and 4.95% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers (State of New Jersey) will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. Since the District's has no proportionate share of the net pension liability because of the special funding situation, the district would not be sensitive to any changes in the discount rate. Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/pdf/financial/gasb68-tpaf15.pdf>

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

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 7: PENSION PLANS (Continued)

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

Summary of Significant Accounting Policies - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

At June 30, 2015, the District reported a liability of \$1,267,804 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. The District's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2014 and 2013. At June 30, 2014, the District's proportion was 0.00677% which was a decrease of 0.00131% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$26,368. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	-	-
Changes of assumptions	\$ 39,867	
Net difference between projected and actual earnings on pension plan investments		\$ 75,554
Changes in proportion and differences between District contributions and proportionate share of contributions	-	211,143
District contributions subsequent to the measurement date	55,823	
Total	<u>\$ 95,690</u>	<u>\$ 286,697</u>

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 7: PENSION PLANS (Continued)

\$55,823 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2015, the plan measurement date is June 30, 2014) will be recognized as a reduction of the net pension liability measured as of June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Year Ended June 30:</u>
2015	(\$79,955)
2016	(\$79,955)
2017	(\$79,955)
2018	(\$79,955)
2019	\$50,686
Thereafter	<u>\$22,302</u>
Total	<u>(\$246,830)</u>

	<u>6/30/2013</u>	<u>6/30/2014</u>
Collective deferred outflows of resources	-	\$ 952,194,675
Collective deferred inflows of resources	-	1,479,224,662
Collective net pension liability (Non State - Local Group)	\$19,111,986,911	\$18,722,735,003
District's portion of net pension liability	\$1,544,118	\$1,267,804
District's proportion %	0.00807932%	0.00677147%

Actuarial assumptions. The total pension liability in the July 1, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	3.01%
Salary Increases:	
2012-2012	2.15%-4.40% based on age
Thereafter	3.15%-5.40% based on age
Investment Rate of Return:	7.90%

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

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2014 are summarized in the following table:

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 7: PENSION PLANS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad US Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds / Absolute	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%

Discount rate. The discount rate used to measure the total pension liability was 5.39% and 5.55% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions.

Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability measured as of June 30, 2014, calculated using the discount rate of 5.39%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.39%) or 1-percentage-point higher (6.39%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>(4.39%)</u>	<u>(5.39%)</u>	<u>(6.39%)</u>
District's proportionate share of the net pension liability	\$ 1,594,941	\$ 1,267,804	\$ 993,093

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 7: PENSION PLANS (Continued)

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

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

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

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

The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

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

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

□ New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65. □ The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members. □ The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. □ Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PES members will take place in July of each subsequent fiscal year.

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 7: PENSION PLANS (Continued)

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

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

Three-Year Trend Information for PERS

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2015	\$55,823	100 %	-0-
6/30/2014	\$60,876	100	-0-
6/30/2013	\$60,764	100	-0-

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

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2015	\$106,376	100 %	-0-
6/30/2014	\$79,362	100	-0-
6/30/2013	\$137,703	100	-0-

During the fiscal year ended June 30, 2015, the State of New Jersey did contribute \$275,247 to the TPAF for post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$126,667 during the year ended June 30, 2015, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. The PERS amounts have been included in the fund-based statements as pension expense and the TPAF on-behalf amounts have been included in fund-based statements as revenues and expenditures. The PERS and TPAF amounts have been modified and included in the District-wide financial statements in accordance with GASB Statement No. 68.

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8: POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2014, there were 103,432 retirees receiving post-retirement medical benefits, and the State contributed \$1.04 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in Fiscal Year 2014.

GASB Statement #45 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The District does not provide any post-employment benefits other than pension.

NOTE 9: DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

Equitable
Financial Planning

NOTE 10: COMPENSATED ABSENCES

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

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 10: COMPENSATED ABSENCES (continued)

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

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

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2015, no liability existed for compensated absences in the proprietary fund types.

NOTE 11: RISK MANAGEMENT

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

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

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2014-2015	\$47,164	\$7,985	\$43,220	\$32,446
2013-2014	\$20,032	\$8,694	\$29,059	\$20,517
2012-2013	\$20,011	\$11,701	\$22,552	\$20,850

NOTE 12: CONTINGENT LIABILITIES

GRANT PROGRAMS

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

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12: CONTINGENT LIABILITIES-(Continued)

LITIGATION

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

NOTE 13: FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1) - Of the \$755,374 General Fund fund balance at June 30, 2015, \$42,218 is reserved for encumbrances; \$530,497 has been reserved in the Capital Reserve Account; and, \$182,659 is unreserved and undesignated.

Capital Projects Fund - Of the \$38,211 Capital Fund fund balance at June 30, 2015, \$38,211 is unreserved and undesignated. The \$38,211 unreserved balance is maintained as an estimate of potential settlement on the Fredon School Renovation Project. Any balances remaining after settlement will be transferred to the current fund.

NOTE 14: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Township of Fredon Board of Education by inclusion in the FY 2000-2001 budget of \$30,000 and the transfer of an additional \$60,000 of undesignated general fund balance for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

The activity of the capital reserve for the July 1, 2014 to June 30, 2015 fiscal year is as follows:

Beginning Balance, July 1, 2014	\$ 180,497
Deposits (PL 2007 c.62 (A1)): Board Resolution 6/17/2015	350,000
Ending Balance, June 30, 2015	<u>\$ 530,497</u>

NOTE 15: CALCULATION OF EXCESS SURPLUS

The designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2015 is zero.

FREDON TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 16: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2015:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 82,064	\$ -
Special Revenue Fund		82,064
Total	<u>\$ 82,064</u>	<u>\$ 82,064</u>

The special revenue fund owes the current fund for cash advances on federal grants not yet received.

NOTE 17: RETROACTIVE RESTATEMENT OF NET POSITION

Restatement of Prior Period:

The District adopted GASB No. 68 -*Accounting and Financial Reporting for Pensions - An amendment of GASB No. 27* during the 2015 fiscal year as required by the pronouncement. The pronouncement requires the district to record its proportional share of the State of New Jersey's net pension liability on the face of its financial statements as of June 30, 2015 and to record related pension expense in accordance with the pronouncement. In order to correctly reflect pension expense in accordance with GASB No. 68, the beginning Net Position of the district was adjusted to reflect the beginning balance of the net pension liability. Since the measurement date of the net pension liability is June 30, 2014 (as described in Note 8), the restatement adjustments to Net Position relate to the *beginning* net pension liability measured as of June 30, 2013. Also, in accordance with GASB No. 71 -*Pension Transition for Contributions Made Subsequent to the Measurement Date*, The district restated its Net Position for pension contributions made after the beginning net pension liability measurement date of June 30, 2013 (deferred outflows).

<u>Governmental Activities Net Position:</u>	
Net Position (per A-1), June 30, 2014	\$ 607,533
Restatement of Net Pension Liability	(1,544,118)
Restatement of Deferred Outflows-Pension	<u>55,852</u>
Net Position (per A-1), June 30, 2014, as Restated	<u>\$ (880,733)</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 4,409,628		\$ 4,409,628	\$ 4,409,628	
Miscellaneous				5,392	\$ 5,392
Total - Local Sources	4,409,628		4,409,628	4,415,020	5,392
State Sources:					
Special Education Aid	183,763		183,763	183,763	
Equalization Aid	277,211		277,211	277,211	
Transportation Aid	39,793		39,793	39,793	
Security Aid	25,900		25,900	25,900	
PARCC Readiness Aid	2,720		2,720	2,720	
Per Pupil Growth Rate	2,720		2,720	2,720	
Other State Aid - Non-public Transportation Aid				4,350	4,350
TPAF Pension (On-Behalf - Non-Budgeted)				106,376	106,376
TPAF Post Retirement Medical (On-Behalf - Non-Budgeted)				168,871	168,871
TPAF Social Security (Reimbursed - Non-Budgeted)				126,667	126,667
Total State Sources	532,107		532,107	938,371	406,264
TOTAL REVENUES	4,941,735		4,941,735	5,353,391	411,656

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Kindergarten - Salaries of Teachers	158,502	1,252	159,754	159,753	1
Grades 1-5 - Salaries of Teachers	660,812	(15,157)	645,655	645,654	1
Grades 6-8 - Salaries of Teachers	260,227	(36,260)	223,967	223,829	138
Regular Programs - Home Instruction					
Salaries of Teachers	5,000	(4,600)	400	326	74
Purchased Professional-Educational Services	100		100	34	66
Regular Programs - Undistributed Instruction					
Purchased Professional-Educational Services	44,345	6,621	50,966	50,624	342
Purchased Technical Services	34,000	(1,500)	32,500	32,431	69
Other Purchased Services (400-500 series)	62,839	26,780	89,619	89,619	
General Supplies	112,600	163,341	275,941	275,880	61
Textbooks	14,000	(11,521)	2,479	2,479	
Other Objects	18,457	(7,130)	11,327	11,324	3
TOTAL REGULAR PROGRAMS - INSTRUCTION	1,370,882	121,826	1,492,708	1,491,953	755
SPECIAL EDUCATION - INSTRUCTION					

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Resource Room/Resource Center:					
Salaries of Teachers	326,269	(65,000)	261,269	212,039	49,230
General Supplies	1,375		1,375	677	698
Total Resource Room/Resource Center	327,644	(65,000)	262,644	212,716	49,928
TOTAL SPECIAL EDUCATION - INSTRUCTION	327,644	(65,000)	262,644	212,716	49,928
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	177,316	(5,986)	171,330	120,785	50,545
General Supplies	750	5,986	6,736	6,736	
Total Basic Skills/Remedial - Instruction	178,066		178,066	127,521	50,545
Bilingual Education - Instruction:					
Salaries of Teachers	375		375		375
General Supplies	175		175		175
Total Bilingual Education - Instruction	550		550		550
School-Sponsored Co/Extra-Curr. Activities-Instruction:					
Salaries	28,512	(4,064)	24,448	13,021	11,427
Other Purchased Services (400-500 series)	7,000		7,000	6,484	516
General Supplies	5,700	564	6,264	6,264	
Other Objects	500		500		500
Total School-Sponsored Co/Extra-Curr. Act.-Instruction	41,712	(3,500)	38,212	25,769	12,443
TOTAL INSTRUCTION	1,918,854	53,326	1,972,180	1,857,959	114,221

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
UNDISTRIBUTED EXPENDITURES					
Instruction:					
Tuition to Other LEAs Within the State-Special	158,583	(14,200)	144,383	114,849	29,534
Total Instruction	158,583	(14,200)	144,383	114,849	29,534
Attendance and Social Work:					
Salaries	12,240		12,240	12,240	
Purchased Professional and Technical Services	2,000	(748)	1,252	750	502
General Supplies	150	748	898		898
Total Attendance and Social Work	14,390		14,390	12,990	1,400
Health Services:					
Salaries	59,107	1,190	60,297	60,297	
Purchased Professional and Technical Services	2,520	(1,190)	1,330	48	1,282
Other Purchased Services (400-500 series)	750		750		750
Supplies and Materials	2,000		2,000	1,381	619
Total Health Services	64,377		64,377	61,726	2,651
Other Supp. Services Students-Related Services:					
Salaries	48,214	3,617	51,831	51,831	
Purchased Professional - Educational Services	7,880	(3,617)	4,263	3,939	324
Supplies and Materials	500		500	431	69
Other Objects	300		300	211	89
Total Other Supp. Services Students-Related Services	56,894		56,894	56,412	482

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Other Supp. Services Students-Extra Services:					
Salaries	75,952		75,952	52,058	23,894
Purchased Professional - Educational Services	8,115		8,115	5,667	2,448
Supplies and Materials	6,796	3,468	10,264	6,020	4,244
Total Other Supp. Services Students-Extra Services	90,863	3,468	94,331	63,745	30,586
Other Supp. Services Students-Regular:					
Salaries of Other Professional Staff	69,616	(7,191)	62,425	60,937	1,488
Salaries of Secretarial and Clerical Assistants	15,030		15,030	14,139	891
Purchased Professional - Educational Services	5,398	5,213	10,611	10,610	1
Other Purchased Services (400-500 series)	895		895	379	516
Supplies and Materials	500	1,978	2,478	1,580	898
Total Other Supp. Services Students-Regular	91,439		91,439	87,645	3,794
Other Supp. Services Students-Special:					
Salaries of Other Professional Staff	75,000	(880)	74,120	68,064	6,056
Salaries of Secretarial and Clerical Assistants	35,356		35,356	17,799	17,557
Purchased Professional - Educational Services	152,897	(55,000)	97,897	31,417	66,480
Other Purchased Services (400-500 series)	11,495		11,495	7,713	3,782
Supplies and Materials	5,400	5,000	10,400	8,255	2,145
Other Objects	920		920	135	785
Total Other Supp. Services Students-Special	281,068	(50,880)	230,188	133,383	96,805
Improvement of Instruction Services:					
Purchased Professional - Educational Services	3,200	(75)	3,125	3,114	11
Supplies and Materials		75	75	75	
Total Improvement of Instruction Services	3,200		3,200	3,189	11

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Educational Media Services/School Library:					
Salaries	33,774		33,774	32,809	965
Salaries of Technolgy Coordinators	14,800		14,800	14,000	800
Purchased Professional and Technical Services	2,320		2,320	795	1,525
Other Purchased Services (400-500 series)	175	894	1,069	1,069	
Supplies and Materials	27,100	(578)	26,522	15,012	11,510
Total Educational Media Services/School Library	78,169	316	78,485	63,685	14,800
Instructional Staff Training Services:					
Purchased Professional - Educational Services	12,200	(863)	11,337	4,272	7,065
Other Purchased Services (400-500 series)	13,700	297	13,997	12,162	1,835
Supplies and Materials	500	2,229	2,729	316	2,413
Total Instructional Staff Training Services	26,400	1,663	28,063	16,750	11,313
Supp. Services - General Administration:					
Salaries	80,677	53,200	133,877	133,074	803
Legal Services	10,000	(6,573)	3,427	3,420	7
Audit Fees	16,200	10,250	26,450	19,740	6,710
Other Purchased Professional Services	14,788	6,905	21,693	19,193	2,500
Communications/Telephone	21,050		21,050	20,500	550
Board of Ed. Other Purchased Services	1,890	406	2,296	2,295	1
Other Purchased Services (400-500 series)	30,599	16,751	47,350	47,350	
General Supplies	5,820		5,820	4,117	1,703
Board of Ed. In-House Training/Meeting Supplies	500		500	500	
Miscellaneous Expenditures	3,121	(420)	2,701	2,431	270
Board of Ed. Dues and Fees	3,835	235	4,070	4,019	51
Total Supp. Services - General Administration	188,480	80,754	269,234	256,639	12,595

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	56,728	(3,919)	52,809	52,808	1
Salaries of Other Professional Staff	15,030	13,530	28,560	28,560	
Salaries of Secretarial and Clerical Assistants	10,647	5,992	16,639	16,639	
Other Purchased Services (400-500 series)	2,395	(1,216)	1,179	929	250
Supplies and Materials	6,361	1,216	7,577	6,090	1,487
Other Objects	1,202		1,202	944	258
Total Support Services - School Administration	92,363	15,603	107,966	105,970	1,996
Central Services:					
Salaries	129,503	(1,548)	127,955	127,954	1
Purchased Professional Services	14,400	(2,745)	11,655	10,997	658
Miscellaneous Purchased Services (400-500 series)	1,827		1,827	1,396	431
Supplies and Materials	2,405		2,405	1,802	603
Other Objects	2,650	904	3,554	3,554	
Total Central Services	150,785	(3,389)	147,396	145,703	1,693
Administrative Information Technology:					
Purchased Technical Services	7,646	1,152	8,798	8,798	
Other Purchased Services (400-500 series)	1,500	164	1,664	1,664	
Supplies and Materials	4,000		4,000	3,236	764
Total Administrative Information Technology	13,146	1,316	14,462	13,698	764

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Required Maintenance for School Facilities:					
Salaries	77,052	376	77,428	75,347	2,081
Cleaning, Repair and Maintenance Services	25,708	28,170	53,878	53,186	692
General Supplies	22,443	11,066	33,509	20,662	12,847
Total Required Maintenance for School Facilities	125,203	39,612	164,815	149,195	15,620
Other Operations and Maintenance of Plant:					
Salaries	89,163	(417)	88,746	86,618	2,128
Cleaning, Repair and Maintenance Services	11,418	6,178	17,596	9,231	8,365
Insurance	33,737	(5,725)	28,012	27,916	96
Miscellaneous Purchased Services	500	1,025	1,525	1,524	1
General Supplies	9,298	1,500	10,798	10,496	302
Energy (Electricity)	66,683	(28,593)	38,090	37,910	180
Energy (Oil)	73,102	(32,485)	40,617	40,223	394
Gasoline	520		520	423	97
Other Objects	1,345		1,345	1,337	8
Total Other Operations and Maintenance of Plant	285,766	(58,517)	227,249	215,678	11,571
Care and Upkeep of Grounds:					
Salaries	30,221	(7,394)	22,827	21,783	1,044
Cleaning, Repair and Maintenance Services	2,000	39,505	41,505	41,504	1
General Supplies	1,500	32,445	33,945	33,944	1
Total Care and Upkeep of Grounds	33,721	64,556	98,277	97,231	1,046
Undist. Expend. -Security					
Salaries		8,705	8,705	8,705	
Cleaning, Repair and Maintenance Services		8,600	8,600	8,600	
Supplies and Materials		19,325	19,325	19,320	5
Total Undist. Expend. -Security		36,630	36,630	36,625	5

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Student Transportation Services					
Salaries for Pupil Transportation(Between Home & School)-Regular	22,075	1	22,076	22,075	1
Salaries for Pupil Transportation(Between Home & School)-Spec. Ed	22,075	1	22,076	22,076	
Management Fee - ESC & CTSA Trans. Program	11,021	(5,002)	6,019	4,301	1,718
Contracted Services (Between Home and School)-Vendors	197,449	(5,000)	192,449	191,875	574
Contracted Services (Other than Between Home and School)-Vendors	4,858	(3,000)	1,858	1,634	224
Contracted Services (Special Education Students)-Vendors	48,087	(4,000)	44,087	43,923	164
Total Student Transportation Services	305,565	(17,000)	288,565	285,884	2,681
UNALLOCATED BENEFITS					
Social Security Contributions	69,044	(13,000)	56,044	55,492	552
Other Retirement Contributions - Regular	69,430	(13,600)	55,830	55,823	7
Unemployment Compensation	20,000	15,000	35,000	35,000	
Workmen's Compensation	34,759	(3,522)	31,237	31,147	90
Health Benefits	591,705	(36,971)	554,734	554,641	93
Tuition Reimbursement	15,000	(7,000)	8,000	7,737	263
Other Employee Benefits	35,507	522	36,029	36,028	1
TOTAL UNALLOCATED BENEFITS	835,445	(58,571)	776,874	775,868	1,006
On-behalf TPAF pension Contrib. (non-budgeted)				106,376	(106,376)
On-behalf TPAF PRM Contrib. (non-budgeted)				168,871	(168,871)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				126,667	(126,667)
TOTAL ON-BEHALF CONTRIBUTIONS				401,914	(401,914)
TOTAL PERSONAL SERVICES-EMPLOYEE BENEFITS	835,445	(58,571)	776,874	1,177,782	(400,908)
TOTAL UNDISTRIBUTED EXPENDITURES	2,895,857	41,361	2,937,218	3,098,779	(161,561)

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
TOTAL GENERAL CURRENT EXPENSE	4,814,711	94,687	4,909,398	4,956,738	(47,340)
CAPITAL OUTLAY					
Equipment:					
Grades 1-5	25,000	9,590	34,590	34,590	
Undistributed Expenditures-Operation and Maint. Of Plant Serv.		18,286	18,286	18,286	
Undistributed Expenditures-Security	25,000	(1,920)	23,080	23,080	
Total Equipment	50,000	25,956	75,956	75,956	
Facilities Acquisition and Construction Serv.:					
Assessment for Debt Service on SDA Funding	770		770	770	
Total Facilities Acquisition and Construction Serv.	770		770	770	
TOTAL CAPITAL OUTLAY	50,770	25,956	76,726	76,726	
Transfer of Funds to Charter Schools	84,023	(2,620)	81,403	81,403	
TOTAL EXPENDITURES	4,949,504	118,023	5,067,527	5,114,867	(47,340)

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,769)	(118,023)	(125,792)	238,524	364,316
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(7,769)	(118,023)	(125,792)	238,524	364,316
Fund Balance, July 1	569,981		569,981	569,981	
Fund Balance, June 30	\$ 562,212	\$ (118,023)	\$ 444,189	\$ 808,505	\$ 364,316
Recapitulation:					
Restricted for:					
Capital Reserve				\$ 530,497	
Assigned to:					
Year-End Encumbrances				42,218	
Designated for Subsequent Year's Expenditures				-	
Unassigned:					
Unrestricted Fund Balance				235,790	
Fund Balance per Governmental Funds(Budgetary Basis)				<u>808,505</u>	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				<u>(53,131)</u>	
Fund Balance per Governmental Funds(GAAP Basis)				<u>\$ 755,374</u>	

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Federal Sources	\$ 40,000	\$ 71,515	\$ 111,515	\$ 111,515	-
Total Revenues	40,000	71,515	111,515	111,515	
EXPENDITURES:					
Instruction					
Tuition	30,000	16,975	46,975	46,975	
Purchased Prof. & Tech. Services	5,000	11,137	16,137	16,137	
General Supplies	5,000	10,820	15,820	15,820	
Total Instruction	40,000	38,932	78,932	78,932	
Support Services					
Salaries of Secretarial and Clerical		8,840	8,840	8,840	
Personal Services - Employee Bene.		676	676	676	
Other Purchased Serv. (400-500 Series)		18,779	18,779	18,779	
Supplies and Materials		4,288	4,288	4,288	
Total Support Services		32,583	32,583	32,583	
Total Expenditures	40,000	71,515	111,515	111,515	
Total Outflows	\$ 40,000	\$ 71,515	\$ 111,515	\$ 111,515	-
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)					
Fund Balance per Governmental Funds(Budgetary Basis)					None
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis					<u>None</u>
Fund Balance per Governmental Funds(GAAP Basis)					<u>None</u>

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

For the Fiscal Year Ended June 30, 2015

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$ 5,353,391	\$ 111,515
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year Encumbrances	N/A	1,410
Current Year Encumbrances	N/A	
Adjustment for: Prior year Final State Aid Payment excluded in State Source Revenues that is considered a revenue for GAAP reporting purposes	52,587	
Adjustment for: Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	<u>(53,131)</u>	<u>N/A</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	<u>\$ 5,352,847</u>	<u>\$ 112,925</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$ 5,114,867	\$ 111,515
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
Prior Year Encumbrances	N/A	1,410
Current Year Encumbrances	N/A	
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	N/A	N/A
Net transfers (outflows) to general fund	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<u>\$ 5,114,867</u>	<u>\$ 112,925</u>

**Fredon School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years ***

Teachers' Pension and Annuity Fund (TPAF)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
District's proportion of the net pension liability (asset) **	N/A	N/A								
District's proportionate share of the net pension liability (asset) **	N/A	N/A								
State's proportionate share of the net pension liability (asset) associated with the District	<u>\$ 10,026,439</u>	<u>\$ 10,770,506</u>								
Total	<u>\$ 10,026,439</u>	<u>\$ 10,770,506</u>								
District's covered employee payroll	\$ 1,950,081	\$ 1,942,764								
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A								
Plan fiduciary net position as a percentage of the total pension liability	33.64%	33.76%								

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

Public Employees' Retirement System (PERS)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
District's proportion of the net pension liability (asset)	#####	0.008079317%								
District's proportionate share of the net pension liability (asset)	<u>\$ 1,267,804</u>	<u>\$ 1,544,118</u>								
District's covered employee payroll	\$ 692,770	\$ 902,207								
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	183.01%	171.15%								
Plan fiduciary net position as a percentage of the total pension liability (Local)	52.08%	48.72%								

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

**Fredon School District
Schedule of District Contributions
Last Ten Fiscal Years ***

Teachers' Pension and Annuity Fund (TPAF)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Contractually required contribution **	N/A	N/A								
Contributions in relation to the contractually required contribution **	N/A	N/A								
Contribution deficiency (excess)	N/A	N/A								
District's covered employee payroll	\$ 1,950,081	\$ 1,942,764								
Contributions as a percentage of covered-employee payroll	N/A	N/A								

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

Public Employees' Retirement System (PERS)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Contractually required contribution	\$ 60,876	\$ 60,764								
Contributions in relation to the contractually required contribution	<u>(60,876)</u>	<u>(60,764)</u>								
Contribution deficiency (excess)	<u>-</u>	<u>-</u>								
District's covered employee payroll	\$ 692,770	\$ 902,207								
Contributions as a percentage of covered-employee payroll	8.79%	6.74%								

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Pension Schedules

For the Fiscal Year Ended June 30, 2015

Teachers' Pension and Annuity Fund (TPAF)

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

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

Public Employees' Retirement System (PERS)

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

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

OTHER SUPPLEMENTARY INFORMATION

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

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

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit E-1

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

For the Fiscal Year Ended June 30, 2015

	Title I	Title II Part A	IDEA Basic	IDEA Preschool	REAP	Totals
REVENUES						
Federal Sources	\$12,587	\$ 6,192	\$60,779	\$ 2,506	\$ 29,451	\$ 111,515
TOTAL REVENUES	12,587	6,192	60,779	2,506	29,451	111,515
EXPENDITURES:						
Instruction:						
Tuition			46,975			46,975
Purchased Prof. & Tech. Services				2,506	13,631	16,137
General Supplies					15,820	15,820
Total Instruction			46,975	2,506	29,451	78,932
Support Services:						
Salaries of Secretarial and Clerical			8,840			8,840
Personal Services - Employee Bene.			676			676
Other Purchased Serv. (400-500 Series)	12,587	6,192				18,779
Supplies and Materials			4,288			4,288
Total Support Services	12,587	6,192	13,804			32,583
TOTAL EXPENDITURES	12,587	6,192	60,779	2,506	29,451	111,515
Total Outflows	12,587	6,192	60,779	2,506	29,451	111,515
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)						

**CAPITAL PROJECTS FUND
DETAIL STATEMENTS**

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

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit F-1

**CAPITAL PROJECTS FUND
SUMMARY STATEMENT OF PROJECT EXPENDITURES**

For the Fiscal Year Ended June 30, 2015

	<u>Approval</u>	<u>Original Date</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance June 30, 2015</u>
				<u>Prior Years</u>	<u>Current Year</u>	
Construction of Additions, Renovations, and Alterations of Fredon Township School Totals	Board of Education	5/12/2008	\$ 5,000,000	\$ 4,995,428		\$ 4,572
			\$ 5,000,000	\$ 4,995,428	-	4,572
					Cumulative Interest Income	33,639
					Fund Balance	\$ 38,211

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit F-2

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

For the Fiscal Year Ended June 30, 2015

Revenues and Other Financing

Sources

Interest Income	\$ 76
Total Revenues	<u>76</u>

Expenditures and Other Financing

Sources

Construction services	-
Total Expenditures	<u>-</u>

Excess(deficiency) of revenues over(under) expenditures	76
---	----

Fund Balance - Beginning	<u>38,135</u>
--------------------------	---------------

Fund Balance - Ending	<u><u>\$ 38,211</u></u>
-----------------------	-------------------------

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit F-2a

**CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,
AND PROJECT STATUS-BUDGETARY BASIS
CONSTRUCTION OF ADDITIONS, RENOVATION AND ALTERATIONS OF FREDON TOWNSHIP SCHOOL**

From Inception and for the Fiscal Year Ended June 30, 2015

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Costs</u>
Revenues and Other Financing Sources				
Bond Proceeds	\$ 5,000,000		\$ 5,000,000	\$5,000,000
Total Revenues	<u>5,000,000</u>		<u>5,000,000</u>	<u>5,000,000</u>
Expenditures and Other Financing Sources				
Purchased professional and technical services	552,645		552,645	552,645
Legal Services	35,150		35,150	35,150
Construction services	4,331,664		4,331,664	4,336,236
Supplies	75,969		75,969	75,969
Total Expenditures	<u>4,995,428</u>		<u>4,995,428</u>	<u>5,000,000</u>
Excess(deficiency) of revenues over(under) expenditures	<u>\$ 4,572</u>	<u>\$ -</u>	<u>\$ 4,572</u>	

Additional project information:

Project number	N/A
Grant Date	N/A
Bond Authorization Date	5/12/2008
Bonds Authorized	\$5,000,000
Bonds Issued	\$5,000,000
Original Authorized Cost	\$5,000,000
Additional Authorized Cost	
Revised Authorized Cost	\$5,000,000
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	95%
Original Target Completion Date	8/30/2011
Revised Target Completion Date	8/30/2014

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

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

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

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

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

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

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

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

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

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit H-1

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2015**

	UNEMPLOYMENT COMPENSATION INSURANCE TRUST	AGENCY FUNDS		
		STUDENT ACTIVITY	PAYROLL AGENCY	TOTALS
ASSETS:				
Cash and Cash Equivalents	\$ 32,446	\$ 21,011	\$ 57,273	\$ 110,730
TOTAL ASSETS	<u>\$ 32,446</u>	<u>\$ 21,011</u>	<u>\$ 57,273</u>	<u>\$ 110,730</u>
LIABILITIES:				
Liabilities:				
Payable to Student Groups		\$ 21,011		\$ 21,011
Summer Pay			\$ 51,321	51,321
Payroll Deductions and Withholdings		-	5,952	5,952
Total Liabilities		<u>21,011</u>	<u>57,273</u>	<u>78,284</u>
NET POSITION				
Held in Trust for Unemployment Claims and Other Purposes	\$ 32,446			32,446
TOTAL LIABILITIES AND NET POSITION	<u>\$ 32,446</u>	<u>\$ 21,011</u>	<u>\$ 57,273</u>	<u>\$ 110,730</u>

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015**

	UNEMPLOYMENT COMPENSATION INSURANCE <u>TRUST</u>	<u>TOTALS</u>
ADDITIONS		
Contributions:		
Plan Member	\$ 7,985	\$ 7,985
Employer	<u>47,121</u>	<u>47,121</u>
Total Contributions	<u>55,106</u>	<u>55,106</u>
Investment Earnings:		
Interest	<u>43</u>	<u>43</u>
Net Investment Earnings	<u>43</u>	<u>43</u>
Total Additions	<u>55,149</u>	<u>55,149</u>
DEDUCTIONS		
Claims/Quarterly Contribution Reports	<u>43,220</u>	<u>43,220</u>
Total Deductions	<u>43,220</u>	<u>43,220</u>
Change in Net Position	11,929	11,929
Net Position—Beginning of the Year	<u>20,517</u>	<u>20,517</u>
Net Position—End of the Year	<u>\$ 32,446</u>	<u>\$ 32,446</u>

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit H-3

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITY AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<u>ACTIVITY</u>	<u>BALANCE</u> <u>July 1, 2014</u>	<u>TRANSFERS</u>	<u>CASH</u> <u>RECEIPTS</u>	<u>CASH</u> <u>DISBURSEMENTS</u>	<u>BALANCE</u> <u>June 30, 2015</u>
Administrative Account	\$ 3,207	\$ 14	\$ 280	\$ 78	\$ 3,423
Beautification	705			459	246
Drama			117		117
Field Day	33				33
Materials Recess	2				2
Graduation	73				73
Preschool	34				34
Kindergarten Trips	811		903	534	1,180
First Grade Trips	434		483	220	697
Second Grade Trips	45		862	500	407
Third Grade Trips	710		1,005	451	1,264
Fourth Grade Trips	2,517		1,265	1,734	2,048
Fifth Grade Trips	78		1,585	117	1,546
Sixth Grade Trips	110		294		404
Music Band	302		16		318
ELP Account	309				309
Symphony Trip	506				506
Wash. DC Trip			1,109		1,109
Nutcracker Account	4,824		1,763		6,587
Student Council	790			106	684
Interest		(14)	38		24
Total	\$ 15,490	-	\$ 9,720	\$ 4,199	\$ 21,011

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit H-4

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
PAYROLL AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>BALANCE</u> <u>July 1, 2014</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>June 30, 2015</u>
ASSETS:				
Cash and Cash Equivalents	\$ 76,053	\$ 1,227,192	\$ 1,245,972	\$ 57,273
Total Assets	<u>\$ 76,053</u>	<u>\$ 1,227,192</u>	<u>\$ 1,245,972</u>	<u>\$ 57,273</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 4,783	\$ 1,176,484	\$ 1,175,315	\$ 5,952
Accrued Salaries and Wages-Summer Pay Plan	71,270	50,708	70,657	51,321
Total Liabilities	<u>\$ 76,053</u>	<u>\$ 1,227,192</u>	<u>\$ 1,245,972</u>	<u>\$ 57,273</u>

LONG-TERM DEBT SCHEDULES

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

FREDON TOWNSHIP SCHOOL DISTRICT

Exhibit I-1

**SCHEDULE OF SERIAL BONDS
AS OF ENDED JUNE 30, 2015**

<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, 2014</u>	<u>ISSUED</u>	<u>RETIRED</u>	<u>BALANCE June 30, 2015</u>
Construction of Additions, Renovations, and Alterations for Fredon Township School	6/3/08	\$ 5,000,000	7/15/15	\$ 155,000	4.125%	\$ 4,715,000		\$ 125,000	\$ 4,590,000
			7/15/16	165,000	4.125%				
			7/15/17	170,000	4.125%				
			7/15/18	180,000	4.125%				
			7/15/19	190,000	4.125%				
			7/15/20	195,000	4.125%				
			7/15/21	205,000	4.125%				
			7/15/22	215,000	4.125%				
			7/15/23	225,000	4.125%				
			7/15/24	235,000	4.125%				
			7/15/25	245,000	4.125%				
			7/15/26	255,000	4.125%				
			7/15/27	270,000	4.125%				
			7/15/28	280,000	4.125%				
			7/15/29	295,000	4.350%				
			7/15/30	305,000	4.350%				
			7/15/31	320,000	4.350%				
			7/15/32	335,000	4.350%				
			7/15/33	350,000	4.350%				
Total						4,715,000	- \$	125,000 \$	4,590,000

FREDON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND

Exhibit I-3

For the Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive/ (Negative) Final to Actual
REVENUES:					
Local Sources:					
Tax Levy	\$ 247,526		\$ 247,526	\$ 247,526	
Total - Local Sources	<u>247,526</u>	-	<u>247,526</u>	<u>247,526</u>	-
State Sources:					
Debt Service Aid Type II	73,001		73,001	73,001	
Total - State Sources	<u>73,001</u>		<u>73,001</u>	<u>73,001</u>	
TOTAL REVENUES	<u>320,527</u>	-	<u>320,527</u>	<u>320,527</u>	-
EXPENDITURES:					
Regular Debt Service:					
Interest	195,527		195,527	195,527	
Redemption of Principal	125,000		125,000	125,000	
Total Regular Debt Service	<u>320,527</u>		<u>320,527</u>	<u>320,527</u>	
TOTAL EXPENDITURES	<u>320,527</u>		<u>320,527</u>	<u>320,527</u>	
Excess (Deficiency) of Revenues Over Expenditures	-	-	-	-	
Fund Balance, July 1	\$ 1		\$ 1	\$ 1	
Fund Balance, June 30	<u>\$ 1</u>	-	<u>\$ 1</u>	<u>\$ 1</u>	-
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance					-

Fredon Township School District
Statistical Section

<u>Contents</u>	<u>Page</u>
Financial Trends (J-1 thru J-5) These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	93-98
Revenue Capacity (J-6 thru J-9) These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	99-102
Debt Capacity (J-10 thru J-13) These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	103-106
Demographic and Economic Information (J-14 and J-15) These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	107-108
Operating Information (J-16 thru J-20) These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	109-113

Sources:

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

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

Exhibit J-1

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Invested in capital assets, net of related debt	\$ 362,045	\$ 309,247	\$ 532,625	\$ (2,813,812)	\$ 98,632	\$ 134,750	\$ 405,174	\$ 335,985	\$ 302,505	\$ 281,790
Restricted	127,719	87,883	100,488	3,665,458	406,199	155,842	121,103	166,255	226,402	568,709
Unrestricted	54,021	182,712	232,259	34,268	172,221	157,782	66,362	64,872	78,626	(1,488,985)
Total governmental activities net position	\$ 543,785	\$ 579,842	\$ 865,372	\$ 885,914	\$ 677,052	\$ 448,374	\$ 592,639	\$ 567,112	\$ 607,533	\$ (638,486)
Business-type activities										
Invested in capital assets, net of related debt									\$ -	\$ -
Restricted									-	-
Unrestricted	25,720	31,758	32,538	28,292	28,726	26,840	23,137	24,462	18,593	12,766
Total business-type activities net position	\$ 25,720	\$ 31,758	\$ 32,538	\$ 28,292	\$ 28,726	\$ 26,840	\$ 23,137	\$ 24,462	\$ 18,593	\$ 12,766
District-wide										
Invested in capital assets, net of related debt	\$ 362,045	\$ 309,247	\$ 532,625	\$ (2,813,812)	\$ 98,632	\$ 134,750	\$ 405,174	\$ 335,985	\$ 302,505	\$ 281,790
Restricted	127,719	87,883	100,488	3,665,458	406,199	155,842	121,103	166,255	226,402	568,709
Unrestricted	79,741	214,470	264,797	62,560	200,947	184,622	89,499	89,334	97,219	(1,476,219)
Total district net position	\$ 569,505	\$ 611,600	\$ 897,910	\$ 914,206	\$ 705,778	\$ 475,214	\$ 615,776	\$ 591,574	\$ 626,126	\$ (625,720)

Source: CAFR Schedule A-1

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

Exhibit J-2

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities										
Instruction										
Regular	\$ 1,676,898	\$ 1,942,991	\$ 2,065,712	\$ 2,182,779	\$ 2,309,187	\$ 2,377,617	\$ 2,216,047	\$ 2,520,020	\$ 2,226,475	\$ 2,571,376
Special education	111,277	122,742	125,560	136,930	191,555	276,557	291,839	290,364	306,357	308,956
Other special education	100,798	114,020	135,512	162,036	169,226	205,841	216,631	209,149	273,836	222,644
Support Services:										
Tuition	164,021	164,170	256,594	254,072	171,328	212,696	169,583	85,075	140,134	114,849
Student & instruction related services	616,970	728,193	731,804	749,214	819,984	747,397	729,172	718,968	921,016	774,901
General administrative services	480,084	552,474	545,970	553,370	601,515	523,531	528,195	519,108	488,227	604,271
School administrative services	121,462	130,340	99,524	91,205	91,592	107,352	111,860	113,411	160,925	153,915
Business administrative services		-	-	-	-	-	-	-	-	-
Plant operations and maintenance	348,378	450,529	507,552	406,975	464,351	505,543	479,796	555,516	534,314	724,372
Pupil transportation	348,007	370,787	387,561	447,814	399,667	334,287	333,310	270,514	324,490	285,884
Interest Expense			8,594	208,846	209,861	207,884	205,427	203,129	199,047	193,934
Unallocated depreciation	4,001	6,394	6,617	12,408	15,761	18,503	19,152	20,118	21,167	22,167
Total governmental activities expenses	<u>3,971,896</u>	<u>4,582,640</u>	<u>4,871,000</u>	<u>5,205,649</u>	<u>5,444,027</u>	<u>5,517,208</u>	<u>5,301,012</u>	<u>5,505,372</u>	<u>5,595,988</u>	<u>5,977,269</u>
Business-type activities:										
Food service	88,834	92,243	95,980	94,513	95,382	87,995	87,663	82,485	79,306	75,385
AM Program	2,316	1,938	2,257	3,624	3,129	3,306	4,320	1,810	1,800	2,000
Total business-type activities expense	<u>91,150</u>	<u>94,181</u>	<u>98,237</u>	<u>98,137</u>	<u>98,511</u>	<u>91,301</u>	<u>91,983</u>	<u>84,295</u>	<u>81,106</u>	<u>77,385</u>
Total district expenses	<u>\$ 4,063,046</u>	<u>\$ 4,676,821</u>	<u>\$ 4,969,237</u>	<u>\$ 5,303,786</u>	<u>\$ 5,542,538</u>	<u>\$ 5,608,509</u>	<u>\$ 5,392,995</u>	<u>\$ 5,589,667</u>	<u>\$ 5,677,094</u>	<u>\$ 6,054,654</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Tuition	\$ 863	\$ 10,138						\$ -	\$ -	\$ -
Operating grants and contributions	985,420	1,149,711	1,202,678	1,085,254	1,125,012	963,792	1,055,785	1,020,757	1,079,723	1,556,894
Capital grants and contributions										
Total governmental activities program revenues	<u>986,283</u>	<u>1,159,849</u>	<u>1,202,678</u>	<u>1,085,254</u>	<u>1,125,012</u>	<u>963,792</u>	<u>1,055,785</u>	<u>1,020,757</u>	<u>1,079,723</u>	<u>1,556,894</u>
Business-type activities:										
Charges for services										
Food service	74,037	76,204	76,472	68,269	64,475	58,151	51,393	47,678	42,569	47,993
AM Program	2,185	1,467	2,703	3,178	3,129	3,306	4,422	2,249	1,361	2,000
Operating grants and contributions	20,375	20,355	18,989	21,326	26,720	24,159	23,242	30,029	27,705	20,559
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business type activities program revenues	<u>96,597</u>	<u>98,026</u>	<u>98,164</u>	<u>92,773</u>	<u>94,324</u>	<u>85,616</u>	<u>79,057</u>	<u>79,956</u>	<u>71,635</u>	<u>70,552</u>
Total district program revenues	<u>\$ 1,082,880</u>	<u>\$ 1,257,875</u>	<u>\$ 1,300,842</u>	<u>\$ 1,178,027</u>	<u>\$ 1,219,336</u>	<u>\$ 1,049,408</u>	<u>\$ 1,134,842</u>	<u>\$ 1,100,713</u>	<u>\$ 1,151,358</u>	<u>\$ 1,627,446</u>

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

Exhibit J-2

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net (Expense)/Revenue										
Governmental activities	\$ (2,985,613)	\$(3,422,791)	\$(3,668,322)	\$(4,120,395)	\$(4,319,015)	\$(4,553,416)	\$(4,245,227)	\$(4,484,615)	\$(4,516,265)	\$(4,420,375)
Business-type activities	5,447	3,845	(73)	(5,364)	(4,187)	(5,685)	(12,926)	(4,339)	(9,471)	(6,833)
Total district-wide net expense	<u>\$ (2,980,166)</u>	<u>\$(3,418,946)</u>	<u>\$(3,668,395)</u>	<u>\$(4,125,759)</u>	<u>\$(4,323,202)</u>	<u>\$(4,559,101)</u>	<u>\$(4,258,153)</u>	<u>\$(4,488,954)</u>	<u>\$(4,525,736)</u>	<u>\$(4,427,208)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 2,941,361	\$ 3,438,700	\$ 3,924,224	\$ 4,061,965	\$ 4,183,762	\$ 4,098,800	\$ 4,180,776	\$ 4,238,465	\$ 4,323,165	\$ 4,409,628
Property taxes levied for debt service, net					55,000	199,881	205,851	215,285	231,804	247,526
Federal and State Aid for Capital Assets Projects	-	(16,312)	-	-	-	-	-	-	-	-
Investment earnings	12,923	19,065	10,661	37,828	12,771	1,059	1,761	1,451	1,506	1,996
Miscellaneous income	8,515	17,866	18,967	41,144	32,202	24,998	1,104	3,785	211	3,472
Transfers	(131)	(471)	-	-	-	-	-	-	-	-
Total governmental activities	<u>2,962,668</u>	<u>3,458,848</u>	<u>3,953,852</u>	<u>4,140,937</u>	<u>4,283,735</u>	<u>4,324,738</u>	<u>4,389,492</u>	<u>4,458,986</u>	<u>4,556,686</u>	<u>4,662,622</u>
Business-type activities:										
Investment earnings	407	767	396	661	4,164	3,342	8,766	5,309	3,602	1,006
Miscellaneous income		955	457	457	457	457	457	457	-	-
Transfers	131	471	-	-	-	-	-	-	-	-
Total business-type activities	<u>538</u>	<u>2,193</u>	<u>853</u>	<u>1,118</u>	<u>4,621</u>	<u>3,799</u>	<u>9,223</u>	<u>5,766</u>	<u>3,602</u>	<u>1,006</u>
Total district-wide	<u>\$ 2,963,206</u>	<u>\$ 3,461,041</u>	<u>\$ 3,954,705</u>	<u>\$ 4,142,055</u>	<u>\$ 4,288,356</u>	<u>\$ 4,328,537</u>	<u>\$ 4,398,715</u>	<u>\$ 4,464,752</u>	<u>\$ 4,560,288</u>	<u>\$ 4,663,628</u>
Change in Net Position										
Governmental activities	\$ (22,945)	\$ 36,057	\$ 285,530	\$ 20,542	\$ (35,280)	\$ (228,678)	\$ 144,265	\$ (25,629)	\$ 40,421	\$ 242,247
Business-type activities	5,985	6,038	780	(4,246)	434	(1,886)	(3,703)	1,427	(5,869)	(5,827)
Total district	<u>\$ (16,960)</u>	<u>\$ 42,095</u>	<u>\$ 286,310</u>	<u>\$ 16,296</u>	<u>\$ (34,846)</u>	<u>\$ (230,564)</u>	<u>\$ 140,562</u>	<u>\$ (24,202)</u>	<u>\$ 34,552</u>	<u>\$ 236,420</u>

Source: CAFR Schedule A-2

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

(modified accrual basis of accounting)

Exhibit J-3

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Reserved	\$ 152,560	\$ 139,123	\$ 213,416	\$ 284,600	\$ 347,467	\$ 159,392	\$ 131,948	\$ 226,560	\$ 306,289	\$ 572,715
Unreserved	89,754	238,257	225,356	179,617	183,043	258,857	247,029	222,934	211,105	182,659
Total general fund	<u>\$ 242,314</u>	<u>\$ 377,380</u>	<u>\$ 438,772</u>	<u>\$ 464,217</u>	<u>\$ 530,510</u>	<u>\$ 418,249</u>	<u>\$ 378,977</u>	<u>\$ 449,494</u>	<u>\$ 517,394</u>	<u>\$ 755,374</u>
All Other Governmental Funds										
Reserved				\$ 3,000,784	\$ 4,260	\$ 82,250	\$ 50,000	\$ 50,000	\$ -	\$ -
Unreserved, reported in:										
Special revenue fund			\$ 10,496							
Capital projects fund	\$ 42,380		5,000,000	448,367	272,527	48,304	(12,017)	(11,941)	38,135	38,211
Debt service fund					1	1	1	1	1	1
Permanent fund	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 42,380</u>	<u>\$ -</u>	<u>\$ 5,010,496</u>	<u>\$ 3,449,151</u>	<u>\$ 276,788</u>	<u>\$ 130,555</u>	<u>\$ 37,984</u>	<u>\$ 38,060</u>	<u>\$ 38,136</u>	<u>\$ 38,212</u>

Source: CAFR Schedule B-1

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

Exhibit J-4

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues										
Tax levy	\$ 2,941,361	\$ 3,438,700	\$ 3,924,224	\$ 4,061,965	\$ 4,238,762	\$ 4,298,681	\$ 4,386,627	\$ 4,453,750	\$ 4,554,969	\$ 4,657,154
Tuition charges	863	10,138	-	-	-	-	-	-	-	-
Interest earnings	328	393	165	38	287	1,059	1,761	1,451	1,506	1,996
Miscellaneous	21,110	36,538	29,463	78,934	44,686	24,998	1,104	3,785	211	3,472
State sources	867,801	1,013,058	1,088,573	954,123	909,805	806,873	913,866	1,045,594	964,013	1,010,828
Federal sources	117,619	120,341	114,105	131,131	215,207	156,919	141,919	114,550	115,710	112,925
Total revenue	3,949,082	4,619,168	5,156,530	5,226,191	5,408,747	5,288,530	5,445,277	5,619,130	5,636,409	5,786,375
Expenditures										
Instruction										
Regular Instruction	1,287,027	1,450,844	1,501,377	1,640,602	1,648,832	1,538,433	1,514,204	1,743,027	1,537,398	1,570,885
Special education instruction	87,795	95,288	96,477	109,924	152,435	216,898	222,111	226,093	237,754	212,716
Other special instruction	79,528	88,517	104,124	130,078	134,666	161,437	164,872	162,855	212,516	153,290
Support Services:										
Tuition	164,021	164,170	256,594	254,072	171,328	212,696	169,583	85,075	140,134	114,849
Student & instruction related services	486,777	565,315	562,300	601,449	652,524	586,168	554,953	559,828	714,772	533,518
General administrative services										
School Administrative services	95,831	101,186	76,472	73,217	72,887	84,194	85,134	88,308	124,889	105,970
Business administrative services	378,777	428,900	419,510	444,231	478,672	410,595	401,995	404,206	378,898	416,040
Plant operations and maintenance	274,863	323,839	389,990	326,709	369,520	396,487	365,160	398,792	412,575	498,729
Pupil transportation	348,007	370,787	387,561	447,814	399,667	334,287	333,310	270,514	324,490	285,884
Unallocated employee benefits	712,522	888,233	961,806	826,169	886,701	972,258	1,060,617	1,162,265	1,051,549	1,177,782
Special Revenue										
Charter Schools	11,565	11,869	12,571	8,928	47,172	43,836	36,675	39,239	52,242	81,403
Capital outlay		37,063	315,860	1,777,645	3,290,552	330,905	401,945	129,660	81,048	76,726
Debt service				121,253	209,861	258,830	266,561	278,777	300,168	320,527
Total expenditures	3,926,713	4,526,011	5,084,642	6,762,091	8,514,817	5,547,024	5,577,120	5,548,639	5,568,433	5,548,319
Excess (Deficiency) of revenues over (under) expenditures	22,369	93,157	71,888	(1,535,900)	(3,106,070)	(258,494)	(131,843)	70,491	67,976	238,056
Other Financing Sources (uses)										
Transfers in				63,714	98,626	-	-	-	-	-
Transfers out	(131)	(471)		(63,714)	(98,626)	-	-	-	-	-
Total other financing sources (uses)	(131)	(471)	-	-	-	-	-	-	-	-
Net change in fund balances	\$ 22,238	\$ 92,686	\$ 71,888	\$ (1,535,900)	\$ (3,106,070)	\$ (258,494)	\$ (131,843)	\$ 70,491	\$ 67,976	\$ 238,056
Debt service as a percentage of noncapital expenditures	0.0%	0.0%	0.0%	2.4%	4.0%	5.0%	5.2%	5.1%	5.5%	5.9%

Source: CAFR Schedule B-2

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

Exhibit J-5

<u>Fiscal Year Ended June 30.</u>	<u>Interest on Investments</u>	<u>Refund Prior Year Expenditures</u>	<u>Interest on Cap.Reserve Funds</u>	<u>Tuition</u>	<u>Miscellaneous</u>	<u>Total</u>
2006	\$ 12,595	\$ 6,249	\$ 328	\$ 863	\$ 2,266	\$ 22,301
2007	18,672	15,335	393	10,138	2,531	47,069
2008	10,496	8,282	166		188	19,132
2009	1,391	8,113	38	12,888	20,163	42,593
2010	1,398	23,205	287	6,412	2,584	33,886
2011	1,059	-	-	24,702	10	25,771
2012	1,563			-	1,104	2,667
2013	1,375	3,709	76	-	102	5,262
2014	1,430	211				1,641
2015	1,861	68	59		3,404	5,392

Note: Interest transferred to Debt Service Fund in 2015.
SOURCE: District Records

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

Exhibit J-6

Fiscal Year Ended June 30.	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax-Exempt Property	Public Utilities <u>a</u>	Net Valuation Taxable	Total Direct School Tax Rate <u>b</u>	Estimated Actual (County Equalized Value)
2006	\$7,003,300	\$212,702,400	\$25,193,400	\$1,939,800	\$12,114,600	\$3,912,700	\$0	\$275,426,328	\$11,796,000	\$764,128	\$263,630,328	1.082	\$375,840,125
2007	5,878,900	221,034,700	26,872,100	1,994,800	12,183,200	3,912,700	-	284,283,687	11,796,000	611,287	272,487,687	1.171	402,488,855
2008	4,738,000	227,203,400	27,565,100	1,967,300	12,813,100	3,912,700	-	290,672,130	11,944,000	528,530	278,728,130	1.321	516,366,933
2009	9,779,500	458,629,100	59,564,800	1,945,400	22,934,800	7,028,300	-	587,307,097	26,459,000	966,197	560,848,097	0.712	558,965,857
2010	9,719,800	455,995,100	61,120,500	2,291,500	22,934,800	7,002,600	-	586,290,717	26,479,500	746,917	559,811,217	0.742	556,324,174
2011	9,559,600	454,453,300	61,934,100	1,982,200	23,068,200	7,002,600	-	584,731,465	26,487,100	244,365	558,244,365	0.765	531,329,855
2012	9,533,400	452,433,840	61,856,300	1,989,000	22,996,700	6,477,600	-	581,460,781	25,899,300	274,641	555,561,481	0.781	495,256,704
2013	6,625,800	361,504,600	49,443,000	1,951,900	20,661,700	6,092,300	-	471,060,673	24,485,600	295,773	446,575,073	0.990	468,903,446
2014	6,625,800	361,504,600	49,443,000	1,951,900	20,661,700	6,092,300	-	471,060,673	24,485,600	295,773	446,575,073	1.020	468,903,446
2015	6,664,400	356,619,800	52,873,500	1,947,100	16,768,600	5,900,500	-	465,758,262	24,660,500	323,862	441,097,762	1.044	450,932,164

Source: District records Tax list summary & Municipal Tax Assessor

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation.

Reassessment occurs when ordered by the County Board of Taxation

a Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies:

b Tax rates are per \$100

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

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Fredon Township Board of Education			Overlapping Rates				Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Regional High School District	Fredon Township	Library	Sussex County	
2006	\$1.082	\$0.000	\$1.082	\$0.854	\$0.440	\$0.052	\$0.652	\$3.080
2007	\$1.171	\$0.000	\$1.171	\$0.866	\$0.468	\$0.055	\$0.710	\$3.270
2008	\$1.321	\$0.000	\$1.321	\$0.912	\$0.490	\$0.054	\$0.703	\$3.480
2009	\$0.712	\$0.000	\$0.712	\$0.483	\$0.253	\$0.028	\$0.357	\$1.833
2010	\$0.732	\$0.010	\$0.742	\$0.504	\$0.265	\$0.027	\$0.352	\$1.890
2011	\$0.729	\$0.036	\$0.765	\$0.524	\$0.272	\$0.025	\$0.359	\$1.945
2012	\$0.744	\$0.037	\$0.781	\$0.543	\$0.284	\$0.026	\$0.361	\$1.995
2013	\$0.942	\$0.048	\$0.990	\$0.705	\$0.365	\$0.032	\$0.454	\$2.546
2014	\$0.968	\$0.052	\$1.020	\$0.749	\$0.379	\$0.032	\$0.523	\$2.703
2015	\$0.988	\$0.056	\$1.044	\$0.774	\$0.383	\$0.036	\$0.498	\$2.735

Source: District Records and Municipal Tax Collector

Note:

NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculated as follows: the prebudget year net budget increased by the cost of living or 2.5 percent, whichever is greater, plus any spending growth adjustments.

a The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net valuation taxable.

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

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

Exhibit J-8

Taxpayer	2014			2002		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Individual Taxpayer #1	\$ 4,748,800	1	1.08%	\$ 744,500	5	0.39%
Mira Plastics	1,784,600	2	0.40%	1,485,500	1	0.77%
Individual Taxpayer #2	1,410,200	3	0.32%	740,100	6	0.38%
Amlø Enterprises	1,098,800	4	0.25%	1,098,000	3	0.57%
Individual Taxpayer #3	1,062,800	5	0.24%	633,200	8	0.33%
Individual Taxpayer #4	953,100	6	0.22%	580,400	9	0.30%
Individual Taxpayer #5	910,000	7	0.21%	572,900	10	0.30%
Individual Taxpayer #6	774,000	8	0.18%			
Individual Taxpayer #7	726,200	9	0.16%			
RPM Homes, LLC	711,400	10	0.16%			
United Telephone of New Jersey				1,186,649	2	0.61%
Schneider and Marguard				773,100	4	0.40%
Model Craftsman				666,700	7	0.34%
Total	\$ 14,179,900		3.21%	\$ 8,481,049		4.39%

Source: District CAFR & Municipal Tax Assessor

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

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2006	\$2,941,361	\$2,941,361	100.00%	-
2007	\$3,438,700	\$3,438,700	100.00%	-
2008	\$3,924,224	\$3,924,224	100.00%	-
2009	\$4,061,965	\$4,061,965	100.00%	-
2010	\$4,238,762	\$4,238,762	100.00%	-
2011	\$4,298,681	\$4,298,681	100.00%	-
2012	\$4,386,627	\$4,386,627	100.00%	-
2013	\$4,453,750	\$4,453,750	100.00%	-
2014	\$4,554,969	\$4,554,969	100.00%	-
2015	\$4,657,154	\$4,657,154	100.00%	-

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

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

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

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2006	-0-	-0-	-0-	-0-	-0-	-0-	N/A	N/A
2007	-0-	-0-	-0-	-0-	-0-	-0-	N/A	N/A
2008	\$ 5,000,000	-0-	-0-	-0-	-0-	\$ 5,000,000	2.99%	\$ 1,489
2009	\$ 5,000,000	-0-	-0-	-0-	-0-	\$ 5,000,000	3.10%	\$ 1,497
2010	\$ 5,000,000	-0-	-0-	-0-	-0-	\$ 5,000,000	3.06%	\$ 1,502
2011	\$ 4,950,000	-0-	-0-	-0-	-0-	\$ 4,950,000	2.87%	\$ 1,458
2012	\$ 4,890,000	-0-	-0-	-0-	-0-	\$ 4,890,000	2.76%	\$ 1,450
2013	\$ 4,815,000	-0-	-0-	-0-	-0-	\$ 4,815,000	2.72%	\$ 1,438
2014	\$ 4,715,000	-0-	-0-	-0-	-0-	\$ 4,715,000	2.69%	\$ 1,423
2015	\$ 4,590,000	-0-	-0-	-0-	-0-	\$ 4,590,000	2.63%	\$ 1,394

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

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

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

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

Exhibit J-11

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		
2006	-0-	-0-	-0-	-0-	-0-
2007	-0-	-0-	-0-	-0-	-0-
2008	\$ 5,000,000	-0-	\$ 5,000,000	1.8%	\$ 1,489
2009	\$ 5,000,000	-0-	\$ 5,000,000	0.9%	\$ 1,497
2010	\$ 5,000,000	-0-	\$ 5,000,000	0.9%	\$ 1,502
2011	\$ 4,950,000	-0-	\$ 4,950,000	0.9%	\$ 1,458
2012	\$ 4,890,000	-0-	\$ 4,890,000	0.9%	\$ 1,450
2013	\$ 4,815,000	-0-	\$ 4,815,000	1.1%	\$ 1,438
2014	\$ 4,715,000	-0-	\$ 4,715,000	1.1%	\$ 1,423
2015	\$ 4,590,000	-0-	\$ 4,590,000	1.0%	\$ 1,394

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

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

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

R Revised

* Current data unavailable

**Fredon Township School District
Ratios of Overlapping Governmental Activities Debt
As of June 30, 2015**

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Fredon Township	\$ 1,134,189	100.000%	\$ 1,134,189
Other debt			
Sussex County	68,100,067	2.608%	<u>1,776,199</u>
Subtotal, overlapping debt			2,910,388
Fredon Township School District Direct Debt			<u>4,590,000</u>
Total direct and overlapping debt			<u><u>\$ 7,500,388</u></u>

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

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

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

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

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2015

	Equalized valuation basis
	2012 478,071,023
	2013 449,919,393
	2014 441,215,115
	[A] <u>\$ 1,369,205,531</u>
Average equalized valuation of taxable property	[A/3] \$ 456,401,844
Debt limit (2.5 % of average equalization value)	[B] 11,410,046
Net bonded school debt	[C] 4,590,000
Legal debt margin	[B-C] <u>\$ 6,820,046</u>

	Fiscal Year									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Debt limit	\$9,719,531	\$11,135,814	\$12,567,456	\$13,401,252	\$13,634,207	\$13,169,301	\$12,639,229	\$12,204,651	\$11,823,583	\$11,410,046
Total net debt applicable to limit	-	-	5,000,000	5,000,000	5,000,000	4,950,000	4,890,000	4,815,000	4,715,000	4,590,000
Legal debt margin	<u>\$9,719,531</u>	<u>\$11,135,814</u>	<u>\$7,567,456</u>	<u>\$8,401,252</u>	<u>\$8,634,207</u>	<u>\$8,219,301</u>	<u>\$7,749,229</u>	<u>\$7,389,651</u>	<u>\$7,108,583</u>	<u>\$6,820,046</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	39.79%	37.31%	36.67%	37.59%	38.69%	39.45%	39.88%	40.23%

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

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

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

Exhibit J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income (thousands of dollars) ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2006	3,277	\$151,397,400	\$46,200 R	1.6%
2007	3,324	\$162,536,952	\$48,898 R	1.5%
2008	3,359	\$167,110,250	\$49,750 R	2.0%
2009	3,341	\$161,240,001	\$48,261 R	3.4%
2010	3,330	\$163,309,860	\$49,042 R	3.6%
2011	3,395	\$172,466,000	\$50,800 R	3.5%
2012	3,372	\$177,340,224	\$52,592 R	3.5%
2013	3,348	\$177,303,384	\$52,958 R	4.1%
2014	3,314	\$175,502,812	\$52,958 *	4.9%
2015	3,293	\$174,390,694	\$52,958 *	*

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Per Capita information provided by U.S. Dept of Commerce.

^c Per Capita information provided by U.S. Dept of Commerce.

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

R Revised

P Projected

* Current data unavailable

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

Exhibit J-16

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Instruction										
Regular	23	24	24	25	25	25	25	25	24	24
Special education	6	6	6	6	7	8	8	8	7	7
Other special education	2	2	2	2	2	2	2	2	2	2
Support Services:										
General administrative services	1	1	2	2	2	2	2	2	2	2
School administrative services	1	1	3	3	3	3	3	3	3	3
Central services	1	1	2	2	2	2	2	2	2	2
Total	<u>34</u>	<u>35</u>	<u>39</u>	<u>40</u>	<u>41</u>	<u>42</u>	<u>42</u>	<u>42</u>	<u>40</u>	<u>40</u>

Source: District Personnel Records

Fredon Township School District
 Operating Statistics
 Last Ten Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary					
2006	339	\$3,926,713	11,583	7.73%	33	1:10.3		333.0	316.4	0.00%	95.0%
2007	338	4,488,948	13,281	14.66%	34	1:9.9		332.0	319.4	-0.30%	96.2%
2008	355	4,768,782	13,433	1.15%	39	1:9.1		347.4	326.1	4.64%	93.9%
2009	347	4,863,193	14,015	4.33%	40	1:8.7		335.5	329.2	-3.43%	98.1%
2010	345	5,014,404	14,535	3.71%	41	1:8.4		339.7	334.2	1.25%	98.4%
2011	334	4,957,289	14,842	2.12%	42	1:8.0		332.6	326.4	-2.09%	98.1%
2012	324	4,908,614	15,150	2.07%	42	1:7.7		323.1	311.4	-2.86%	96.4%
2013	326	5,140,202	15,767	4.08%	42	1:7.8		326.0	317.4	0.90%	97.4%
2014	280	5,187,217	18,526	17.49%	40	1:7.0		276.5	267.5	-15.18%	96.7%
2015	250	5,151,066	20,604	11.22%	40	1:6.3		245.7	237.8	-11.14%	96.8%

Sources: District records, ASSA and Schedule J-4

Note: Enrollment based on annual June 30 district count.

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

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

Exhibit J-18

<u>District Building</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>Fredon Township Elementary School - K-6</u>										
Square Feet - 1929 Building	4,062	4,062	4,062	4,062	4,062	4,062	4,062	4,062	4,062	4,062
Square Feet - 1951 Building	2,403	2,403	2,403	2,403	2,403	2,403	2,403	2,403	2,403	2,403
Square Feet - 1957 Building	4,969	4,969	4,969	4,969	4,969	4,969	4,969	4,969	4,969	4,969
Square Feet - 1969 Building	22,625	22,625	22,625	22,625	22,625	22,625	22,625	22,625	22,625	22,625
Square Feet - 2009 Addition					5,332	5,332	5,332	5,332	5,332	5,332
Square Feet - Total	34,059	34,059	34,059	34,059	39,391	39,391	39,391	39,391	39,391	39,391
Capacity (students) FES	263	263	263	263	330	330	330	330	330	330
Pre-School					17	17	18	14	-	-
Kindergarten	43	43	57	40	43	43	39	34	21	26
Grades 1 - 5	247	254	239	259	233	233	230	229	202	180
Grades 6 - 8	41	41	59	48	52	52	37	49	57	44
Enrollment - Total	331	338	355	347	345	345	324	326	280	250

Number of Schools at June 30, 2015
Elementary = 1

Source: District records, ASSA

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

FES = Functional Educational Space

FREDON TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
Last Ten Fiscal Years Ending June 30, 2015

Exhibit J-19

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

<u>School Facilities</u>	<u>Project #</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u>
Elementary School	N/A	\$ 39,934	\$ 71,713	\$ 134,723	\$ 102,641	\$ 116,315	\$ 127,661	\$ 107,380	\$ 135,607	\$ 139,675	\$ 149,195	\$ 1,124,844
Total School Facilities		39,934	71,713	134,723	102,641	116,315	127,661	107,380	135,607	139,675	149,195	349,011
Other Facilities												
Grand Total		\$ 39,934	\$ 71,713	\$ 134,723	\$ 102,641	\$ 116,315	\$ 127,661	\$ 107,380	\$ 135,607	\$ 139,675	\$ 149,195	\$ 349,011

FREDON TOWNSHIP SCHOOL DISTRICT

INSURANCE SCHEDULE
JUNE 30, 2015
UNAUDITED

Exhibit J-20

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
COMPREHENSIVE PACKAGE POLICY - School Alliance Insurance Fund		
Property-Blanket Building and Contents Sussex Insurance Pool Limit	\$ 250,000,000	\$ 1,000
Comprehensive Crime Coverage:		
Theft Disappearance	50,000	1,000
Employee Dishonesty	500,000	1,000
Computer Fraud	50,000	
Forgery	50,000	
Extra Expense	100,000	
Comprehensive Casualty Coverage:		
Includes General Liability, Auto, Employee Benefits	5,000,000	
School Board Legal Liability	5,000,000	
Excess Liability	5,000,000	
PUBLIC EMPLOYEES' FAITHFUL PERFORMANCE		
BLANKET POSITION BOND - Selective Insurance Company		
Treasurer	150,000	
Board Secretary	89,000	
Public Employee Dishonesty	500,000	1,000

SOURCE: District Records

Single Audit Section



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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard*s issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fredon Township School District Board of Education in the County of Sussex, State of New Jersey, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Fredon Township School District Board of Education's basic financial statements, and have issued our report thereon dated November 16, 2015.

Internal Control Over Financial Reporting

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

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

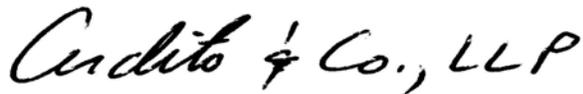
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



ARDITO & CO., LLP
November 16, 2015



Licensed Public School Accountant No.2369



ARDITO & Co., LLP

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

Report on Compliance For Each Major Program and Report on Internal Control Over Compliance Required by New Jersey OMB circulars 04-04 and 15-08

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the Fredon Township School District Board of Education's compliance with the types of compliance requirements described in the New Jersey OMB circulars 04-04 and 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2015. The Fredon Township School District Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and New Jersey OMB's Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB Circulars 04-04 and 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred.

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

-Continued-

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

Opinion on Each Major State Program

In our opinion, the Fredon Township School District Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Fredon Township School District Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey OMB Circulars 04-04 and 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Fredon Township School District Board of Education's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of New Jersey OMB circulars 04-04 and 15-08, and for New Jersey Department of Education use. Accordingly, this report is not suitable for any other purpose.

ARDITO & Co., LLP

ARDITO & CO., LLP
November 16, 2015

Carmen Cordero

Licensed Public School Accountant No.2369

FREDON TOWNSHIP SCHOOL DISTRICT

K-4

Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2015

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE 6/30/2014	CARRY- OVER AMOUNT	CASH RECEIVED	BUDGET. EXPEND.	ADJUST.	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2015			MEMO		
										(ACCTS. RECEIV.)	DEFER. REVENUE/ INTERFUND PAYABLE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPEND.	
State Department of Education															
General Fund:															
Special Education Aid	15-495-034-5120-089	7/1/14-6/30/15	\$ 183,763			\$ 183,763	\$ (183,763)							\$ 18,349	\$ 183,763
Equalization Aid	15-495-034-5120-078	7/1/14-6/30/15	277,211			277,211	(277,211)							27,680	277,211
Security Aid	15-495-034-5120-084	7/1/14-6/30/15	25,900			25,900	(25,900)							2,586	25,900
Transportion Aid	15-495-034-5120-014	7/1/14-6/30/15	39,793			39,793	(39,793)							3,974	39,793
PARCC Readiness Aid	15-495-034-5120-014	7/1/14-6/30/15	2,720			2,720	(2,720)							271	2,720
Per Pupil Growth Aid	15-495-034-5120-014	7/1/14-6/30/15	2,720			2,720	(2,720)							271	2,720
Extraordinary Aid	14-495-034-5120-044	7/1/13-6/30/14		\$ (13,422)		13,422									
Non-Public Transportation Aid	15-100-034-5120-068	7/1/14-6/30/15	4,350				(4,350)			(4,350)					4,350
Non-Public Transportation Aid	14-100-034-5120-068	7/1/13-6/30/14		(3,264)		3,264	-								
On-behalf TPAF Pension Contrib.	15-495-034-5094-006	7/1/14-6/30/15	106,376			106,376	(106,376)								106,376
Reimbursed TPAF Soc.Secur.Contrib.	15-495-034-5094-003	7/1/14-6/30/15	126,667			-	120,221	(126,667)		(6,446)					126,667
Total General Fund				(16,686)		775,390	(769,500)			(10,796)				53,131	769,500
Debt Service Fund															
Debt Service Aid Type 2	15-100-034-5120-124	7/1/14-6/30/15	73,001			73,001	(73,001)								73,001
Total Debt Service						73,001	(73,001)								73,001
State Department of Agriculture:															
Enterprise Fund:															
Nat.School Lunch Prog.(State Share)	14-100-010-3350-023	7/1/13-6/30/14		(174)		174									
Nat.School Lunch Prog.(State Share)	15-100-010-3350-023	7/1/14-6/30/15	688			625	(688)			(63)					688
Total Enterprise Fund				(174)		799	(688)			(63)					688
Total State Financial Assistance				\$ (16,860)		\$ 849,190	\$ (843,189)			\$ (10,859)				\$ 53,131	\$ 843,189

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

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
JUNE 30, 2015

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$544) for the general fund and \$1,410 for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
 JUNE 30, 2015

NOTE 3. (Continued)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	-	\$ 937,827	\$ 937,827
Special Revenue Fund	\$ 112,925	-	112,925
Debt Service Fund		73,001	73,001
Food Service Fund	<u>19,871</u>	<u>688</u>	<u>20,559</u>
Total Financial Assistance	<u>\$ 132,796</u>	<u>\$ 1,011,516</u>	<u>\$ 1,144,312</u>

NOTE 4. RELATIONSHIP TO STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2015. TPAF Social Security Contributions represents the amount reimbursed by the state for employer's share of social security contributions for TPAF members for the year ended June 30, 2015.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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 deficiencies identified that were not considered to be material weaknesses?
___ Yes
x None Reported
- C) Noncompliance material to financial statements noted? ___ Yes x No

Federal Awards Section

N/A

- D) Dollar threshold used to determine Type A programs: N/A
- E) Auditee qualified as low-risk auditee? ___ Yes ___ No
- F) Type of auditor's report on compliance for major programs: N/A
- G) Internal Control over compliance:
 1) Material weakness(es) identified? ___ Yes ___ No
 2) Were significant deficiencies identified that were not considered to be material weaknesses? ___ Yes ___ No
- H) Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133(Section .510(a))? ___ Yes ___ No
- I) Identification of major programs:

CFDA NUMBER(S)

NAME OF FEDERAL PROGRAM OR CLUSTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Section II-Financial Statement Findings

There were no matters of noncompliance or reportable conditions noted, that are required to be reported in accordance with *Government Auditing Standards*.

Section III - State Financial Assistance Findings and Questioned Costs

STATE FINANCIAL ASSISTANCE-There were no state financial assistance findings or questioned costs noted, that are required to be reported in accordance with NJOMB Circular 04-04 or 15-08.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. There were no prior year findings.