

TOWNSHIP OF FREDON

COUNTY OF SUSSEX

REPORT OF AUDIT

2019

*NISIVOCCIA LLP
CERTIFIED PUBLIC ACCOUNTANTS*

TOWNSHIP OF FREDON
COUNTY OF SUSSEX
REPORT OF AUDIT
2019

TOWNSHIP OF FREDON
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2019

<u>PART I - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA</u>	<u>Page</u>
Independent Auditors' Report	1-3
<u>Financial Statements:</u>	<u>Exhibit</u>
<u>Current Fund:</u>	
Comparative Balance Sheet – Regulatory Basis	A
Comparative Statement of Operations and Change in Fund Balance – Regulatory Basis	A-1
Statement of Revenue – Regulatory Basis	A-2
Statement of Expenditures – Regulatory Basis	A-3
<u>Trust Funds:</u>	
Comparative Balance Sheet – Regulatory Basis	B
Statement of Fund Balance - Assessment Trust Fund – Regulatory Basis (Not Applicable)	B-1
Statement of Revenue - Assessment Trust Fund – Regulatory Basis (Not Applicable)	B-2
Statement of Expenditures - Assessment Trust Fund – Regulatory Basis (Not Applicable)	B-3
<u>General Capital Fund:</u>	
Comparative Balance Sheet – Regulatory Basis	C
Statement of Fund Balance – Regulatory Basis	C-1
<u>Water Utility Fund – Regulatory Basis (Not Applicable)</u>	
<u>Sewer Utility Fund – Regulatory Basis (Not Applicable)</u>	
<u>Public Assistance Fund – Regulatory Basis (Not Applicable)</u>	
<u>Bond and Interest – Regulatory Basis (Not Applicable)</u>	
<u>General Fixed Assets Account Group:</u>	
Comparative Balance Sheet – Regulatory Basis	G
	<u>Page</u>
Notes to Financial Statements	1-19
<u>Supplementary Data:</u>	<u>Schedule</u>
Schedule of Officials in Office and Surety Bonds	1
<u>Current Fund:</u>	
Schedule of Cash - Treasurer	A-4
Schedule of Cash - Collector	A-5
Schedule of Cash - Grant Funds (Not Applicable)	A-6
Schedule of Taxes Receivable and Analysis of Property Tax Levy	A-7
Schedule of Tax Title Liens	A-8
Schedule of Revenue Accounts Receivable	A-9
Schedule of Consumer Accounts Receivable (Not Applicable)	A-10
Schedule of 2018 Appropriation Reserves	A-11
Schedule of Local School District Taxes Payable	A-12
Schedule of Regional High School District Taxes Payable	A-13
<u>Trust Funds:</u>	
Schedule of Cash - Treasurer	B-4
Schedule of Cash - Animal Control Collector - Animal Control Fund	B-5
Schedule of Cash – Assessment Trust Fund (Not Applicable)	B-5a
Schedule of Reserve for Animal Control Fund Expenditures - Animal Control Fund	B-6

TOWNSHIP OF FREDON
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

<u>PART I (Cont'd)</u>	<u>Schedule</u>
<u>Supplementary Data (Cont'd):</u>	
<u>General Capital Fund:</u>	
Schedule of Cash	C-2
Analysis of Cash	C-3
Schedule of Deferred Charges to Future Taxation - Unfunded (Not Applicable)	C-4
Schedule of Improvement Authorizations	C-5
Schedule of Capital Improvement Fund	C-6
Schedule of Bond Anticipation Notes Payable (Not Applicable)	C-7
Schedule of Serial Bonds Payable	C-8
Schedule of Green Acres Loan Payable (Not Applicable)	C-9
Schedule of Bonds and Notes Authorized But Not Issued (Not Applicable)	C-10
<u>Water Utility Fund (Not Applicable)</u>	
<u>Sewer Utility Fund (Not Applicable)</u>	
<u>Public Assistance Fund (Not Applicable)</u>	
<u>Bond and Interest – Regulatory Basis (Not Applicable)</u>	
 <u>PART II – SINGLE AUDIT</u>	 <u>Page</u>
Schedule of Expenditures of Federal Awards	1
Schedule of Expenditures of State Awards	2
Notes to Schedules of Expenditures of Federal and State Awards	3
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4-5
Schedule of Findings and Responses	6-7
Summary Schedule of Prior Audit Findings	8
 <u>PART III – COMMENTS AND RECOMMENDATIONS</u>	
Comments and Recommendations	9-11
Summary of Recommendations	12

TOWNSHIP OF FREDON

PART I

FINANCIAL STATEMENTS AND

SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2019

Independent Auditors' Report

The Honorable Mayor and Members
of the Township Committee
Township of Fredon
Fredon, New Jersey

Report on the Financial Statements

We have audited the financial statements – *regulatory basis* - of the various funds of the Township of Fredon, in the County of Sussex (the "Township") as of and for the years ended December 31, 2019 and 2018, and the related notes to the 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 practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey; 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township'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 Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

The Honorable Mayor and Members
of the Township Committee
Township of Fredon
Page 2

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the Township on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for the Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly in accordance with accounting principles generally accepted in the United States of America the financial position of each fund and account group of the Township as of December 31, 2019 and 2018, or the changes in financial position where applicable, thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the various funds and account group of the Township of Fredon as of December 31, 2019 and 2018, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the years then ended on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the various funds that collectively comprise the Township's financial statements. The supplementary data schedules listed in the table of contents and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the financial statements.

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

The Honorable Mayor and Members
of the Township Committee
Township of Fredon
Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2020 on our consideration of the Township of Fredon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Fredon's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
March 16, 2020

NISIVOC CIA

Raymond A. Sarinelli

Raymond A. Sarinelli

Certified Public Accountant

Registered Municipal Accountant No. 563

TOWNSHIP OF FREDON
COUNTY OF SUSSEX
2019
CURRENT FUND

TOWNSHIP OF FREDON
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	<u>Ref.</u>	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>			
Cash and Cash Equivalents		\$ 2,713,169.59	\$ 3,779,571.77
Investments		1,000,000.00	
	A-4	3,713,169.59	3,779,571.77
Collector Cash	A-5	1,000.00	3,698.60
Petty Cash		150.00	150.00
		3,714,319.59	3,783,420.37
Due From State of New Jersey:			
Senior Citizens' and Veterans' Deductions		27,146.18	26,838.65
		3,741,465.77	3,810,259.02
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	268,084.81	221,219.67
Tax Title Liens Receivable	A-8	253,439.75	312,057.88
Property Acquired for Taxes at Assessed Valuation		4,400.00	4,400.00
Revenue Accounts Receivable	A-9	118,959.84	
Due From Animal Control Fund	B	3,515.04	920.41
Total Receivables and Other Assets			
With Full Reserves	A	648,399.44	538,597.96
<u>TOTAL ASSETS</u>		<u>\$ 4,389,865.21</u>	<u>\$ 4,348,856.98</u>

TOWNSHIP OF FREDON
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(Continued)

		December 31,	
	Ref.	2019	2018
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Appropriation Reserves:			
Unencumbered	A-3;A-11	\$ 658,807.52	\$ 424,788.11
Encumbered	A-3;A-11	2,900.00	77,439.00
		<u>661,707.52</u>	<u>502,227.11</u>
Prepaid Taxes		53,887.82	77,123.63
Tax Overpayments		3,074.56	18,828.88
Accounts Payable - Vendors			70,000.00
Due to:			
County of Sussex:			
Added and Omitted Taxes		5,347.62	1,250.06
General Capital Fund	C	394,324.43	329,400.33
Other Trust Funds	B	159,508.57	225,000.00
Open Space Trust Fund			0.35
Regional High School Taxes Payable			0.50
Reserve for:			
Pending Tax Appeals		305,100.00	305,100.00
Third Party Liens			
Premiums on Tax Sale		78,600.00	78,600.00
Revaluation		38,221.00	38,221.00
Planning, Comprehensive Development		4,516.25	4,516.25
Sale of Municipal Assets		147,800.00	92,800.00
Appropriated Grant Reserves:			
Clean Communities		5,951.14	
New Jersey Department of Transportation Grant - Fredon-Springdale Road			
Fredon-Springdale Road		38,822.64	
Unappropriated Grant Reserves:			
Clean Communities		11,866.35	
Recycling Tonnage		20,141.99	12,274.29
		<u>1,928,869.89</u>	<u>1,755,342.40</u>
Reserve for Receivables and Other Assets	A	648,399.44	538,597.96
Fund Balance	A-1	<u>1,812,595.88</u>	<u>2,054,916.62</u>
		<u>\$ 4,389,865.21</u>	<u>\$ 4,348,856.98</u>

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

TOWNSHIP OF FREDON
CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE - REGULATORY BASIS

		Year Ended December 31,	
	<u>Ref.</u>	2019	2018
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 648,348.00	\$ 586,357.00
Miscellaneous Revenue Anticipated		543,058.87	287,459.00
Receipts from:			
Delinquent Taxes		220,470.35	367,228.23
Current Taxes		12,466,697.18	12,268,058.20
Nonbudget Revenue		132,506.83	127,861.15
Other Credits to Income:			
Prior Year Accounts Payable Cancelled		70,000.00	
Interfund Returned		920.41	
Tax Overpayments Cancelled		18,828.88	
Unexpended Balance of Appropriation Reserves		11,061.23	176,242.96
Total Income		14,111,891.75	13,813,206.54
<u>Expenditures</u>			
Budget and Emergency Appropriations:			
Municipal Purposes		2,748,837.71	2,283,927.00
County Taxes		2,506,805.74	2,526,650.80
Local School District Taxes		4,441,686.00	4,504,215.00
Regional High School Taxes		4,005,020.00	3,731,603.00
Interfunds Advanced		3,515.04	920.41
Reserve for Pending Tax Appeals			100,000.00
Total Expenditures		13,705,864.49	13,147,316.21
Statutory Excess to Fund Balance		406,027.26	665,890.33
<u>Fund Balance</u>			
Balance January 1	A	2,054,916.62	1,975,383.29
		2,460,943.88	2,641,273.62
Decreased by:			
Utilized as Anticipated Revenue		648,348.00	586,357.00
Balance December 31	A	\$ 1,812,595.88	\$ 2,054,916.62

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

TOWNSHIP OF FREDON
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019

	Budget	Added by NJSA 40A:4-87	Realized	Excess or Deficit *
Fund Balance Anticipated	\$ 648,348.00		\$ 648,348.00	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	2,000.00		10,188.00	\$ 8,188.00
Energy Receipt Taxes	258,516.00		258,516.00	
Consolidated Municipal Property Tax Relief Act	3,190.00		3,190.00	
Garden State Preservation Trust Fund	6,351.00		6,351.00	
Clean Communities Program		\$ 12,518.71	12,518.71	
New Jersey Department of Transportation Grant:				
Fredon-Springdale Road	270,057.00	371,255.00	252,295.16	118,959.84 *
		383,773.71	543,058.87	110,771.84 *
Receipts from Delinquent Taxes	113,649.00		220,470.35	106,821.35
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	1,850,464.00		2,030,639.44	180,175.44
Budget Totals	2,882,518.00	383,773.71	3,442,516.66	176,224.95
Nonbudget Revenue			132,506.83	132,506.83
	\$ 2,882,518.00	\$ 383,773.71	\$ 3,575,023.49	\$ 308,731.78

TOWNSHIP OF FREDON
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019
(continued)

Analysis of Realized Revenue

Allocation of Current Tax Collections:

Revenue from Collections of Current Taxes		\$ 12,466,697.18
---	--	------------------

Allocated to:

Local School District Taxes	\$ 4,441,686.00	
Regional High School Taxes	4,005,020.00	
County Taxes	2,506,805.74	
		10,953,511.74

Balance for Support of Municipal Budget Appropriations		1,513,185.44
--	--	--------------

Add: Appropriation "Reserve for Uncollected Taxes"		517,454.00
--	--	------------

Realized for Support of Municipal Budget		\$ 2,030,639.44
--	--	-----------------

Receipts from Delinquent Taxes:

Delinquent Tax Collections		\$ 220,139.77
----------------------------	--	---------------

Tax Title Lien Collections		330.58
----------------------------	--	--------

		\$ 220,470.35
--	--	---------------

Analysis of Nonbudget Revenue:

Revenue Accounts Receivable:

Board of Health Fees and Permits	\$ 2,685.00	
Planning Board and Zoning Board Fees	9,871.00	
Clerk - Other Fees and Permits	25,565.15	
Joint Municipal Court Fines and Costs	2,804.08	
		\$ 40,925.23

Treasurer:

Interest on Investments and Deposits	\$ 1,458.41	
Vendor Refunds	3,922.38	
Seniors & Veterans Deductions 2% Admin Fee	503.85	
Civic Center Fees	10,286.43	
Other Miscellaneous	18,172.45	
		\$ 34,343.52

TOWNSHIP OF FREDON
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019
(continued)

Analysis of Nonbudget Revenue (continued):

Tax Collector:

Interest and Costs on Taxes

\$ 54,171.61

Interest on Investments

395.94

\$ 54,567.55

Due From General Capital Fund:

Interest on Investments

75.90

Due From Animal Control Fund:

Statutory Excess Surplus

2,594.63

\$ 132,506.83

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

TOWNSHIP OF FREDON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019

	Appropriations		Expended By	
	Budget	Budget After Modification	Paid or Charged	Reserved
GENERAL GOVERNMENT:				
Administrative and Executive				
Committee:				
Salaries & Wages	\$ 14,600.00	\$ 14,600.00	\$ 14,366.67	\$ 233.33
Other Expenses	5,825.00	5,825.00	1,912.05	3,912.95
Administration:				
Salaries & Wages	110,963.00	110,963.00	97,079.42	13,883.58
Other Expenses	27,250.00	27,250.00	17,769.76	9,480.24
Financial Administration:				
Salaries & Wages	80,641.00	80,641.00	64,695.73	15,945.27
Other Expenses	27,250.00	27,250.00	11,651.86	15,598.14
Audit Services:				
Other Expenses	27,237.00	27,237.00		27,237.00
Systems Coordinator:				
Salaries & Wages	5,360.00	5,360.00	5,360.00	
Assessment of Taxes:				
Salaries & Wages	20,000.00	20,000.00	18,440.42	1,559.58
Other Expenses	21,250.00	21,250.00	3,521.48	17,728.52
Collection of Taxes:				
Salaries & Wages	39,145.00	39,145.00	36,813.87	2,331.13
Other Expenses	6,625.00	6,625.00	3,748.80	2,876.20
Legal Costs:				
Other Expenses	25,250.00	25,250.00	12,658.57	12,591.43
Joint Municipal Court:				
Salaries & Wages	19,418.00	19,418.00	19,038.07	379.93
Other Expenses	5,476.00	5,476.00	5,369.71	106.29
Engineering Services and Costs:				
Other Expenses	18,195.00	18,195.00	6,131.00	12,064.00
Public Buildings & Grounds:				
Salaries and Wages	32,513.00	32,513.00	15,052.83	17,460.17
Other Expenses - Miscellaneous	70,205.00	70,205.00	42,687.23	27,517.77

TOWNSHIP OF FREDON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019
(Continued)

	Appropriations		Expended By	
	Budget	Budget After Modification	Paid or Charged	Reserved
LAND USE ADMINISTRATION:				
Municipal Land Use Law (N.J.S.A. 40:55D-1):				
Administrative Official - Code Enforcement:				
Salaries & Wages	\$ 19,354.00	\$ 19,354.00	\$ 19,229.54	\$ 124.46
Other Expenses	1,450.00	1,450.00	562.07	887.93
Environmental Commission:				
Salaries & Wages	1,810.00	1,810.00	1,006.00	804.00
Other Expenses	1,120.00	1,120.00	414.93	705.07
INSURANCE (NJSA 40A:4-45.3(00)):				
Other Insurance Premiums	66,731.00	66,731.00	62,522.00	4,209.00
Workers Compensation Insurance	27,067.00	27,067.00	25,751.00	1,316.00
Employee Group Insurance	159,784.00	159,784.00	101,833.14	57,950.86
PUBLIC SAFETY:				
Aid to Volunteer Fire Company	42,774.00	42,774.00	42,774.00	
Fire Company for Dispatch Services	13,500.00	13,500.00	11,625.00	1,875.00
Fire Department:				
Other Expenses - Equipment	12,266.00	12,266.00	12,266.00	
Emergency Management Service:				
Other Expenses	2,000.00	2,000.00	1,473.00	527.00
Fire Department (P.L. 1983, Ch.516):				
OSHA Required Turnout Gear	9,537.00	9,537.00		9,537.00
STREET & ROADS:				
Road Repairs and Maintenance:				
Salaries & Wages	328,476.00	328,476.00	225,915.25	102,560.75
Other Expenses	316,460.00	316,460.00	228,434.95	88,025.05
Other Expenses - Commercial Driver Licenses	1,500.00	1,500.00	220.00	1,280.00

TOWNSHIP OF FREDON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019
(Continued)

	Appropriations		Budget After Modification	Expended By	
	Budget			Paid or Charged	Reserved
STREET & ROADS (continued):					
Community Services Act:					
Other Expenses					
HEALTH & WELFARE:					
Board of Health:					
Salaries & Wages					
Other Expenses	4,065.00		4,065.00	\$ 2,436.80	1,628.20
Administrator - Public Assistance:	700.00		700.00		700.00
Other Expenses	70.00		70.00		70.00
Health And Safety Occupational Act:					
Hepatitis B Vaccine	1,200.00		1,200.00		1,200.00
Animal Control Services:					
Salaries & Wages	6,425.00		6,425.00	3,825.00	2,600.00
Other Expenses - Contractual	6,237.00		6,237.00		6,237.00
RECREATION & EDUCATION :					
Recreation:					
Salaries & Wages	1,501.00		1,501.00	1,250.00	251.00
Other Expenses	14,200.00		14,200.00	10,759.42	3,440.58
Celebration of Public Events:					
Other Expenses	5,500.00		5,500.00	4,565.49	934.51
UNCLASSIFIED:					
Trash Removal	75,781.00		75,781.00	64,887.70	10,893.30
Electricity	33,350.00		33,350.00	17,870.84	15,479.16
Telephone	11,300.00		11,300.00	10,751.63	548.37
Gas	32,125.00		32,125.00	17,977.35	14,147.65
Fuel Oil	500.00		500.00		500.00

TOWNSHIP OF FREDON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019
(Continued)

	Appropriations		Expended By	
	Budget	Budget After Modification	Paid or Charged	Reserved
Total Operations Within "CAPS"	\$ 1,822,614.00	\$ 1,822,614.00	\$ 1,254,054.78	\$ 568,559.22
Contingent	1,000.00	1,000.00		1,000.00
Total Operations including Contingent within "CAPS"	1,823,614.00	1,823,614.00	1,254,054.78	569,559.22
Detail:				
Salaries & Wages	695,962.00	695,962.00	529,613.80	166,348.20
Other Expenses (Including Contingent)	1,127,652.00	1,127,652.00	724,440.98	403,211.02
Deferred Charges and Statutory Expenditures -				
Statutory Expenditures:				
Contribution to:				
Public Employees' Retirement System	57,089.00	57,089.00	43,459.00	13,630.00
Social Security System (O.A.S.I.)	70,176.00	70,176.00	40,309.65	29,866.35
Defined Contribution Retirement System	1,128.00	1,128.00	272.17	855.83
Unemployment Compensation	5,792.00	5,792.00	4,925.88	866.12
Total Deferred Charges and Statutory Expenditures -				
Municipal Within "CAPS"	134,185.00	134,185.00	88,966.70	45,218.30
Total General Appropriations for Municipal Purposes				
Within "CAPS"	1,957,799.00	1,957,799.00	1,343,021.48	614,777.52
Operations Excluded from "CAPS":				
Length of Service Awards Program:				
Fire Department (P.L. 1983, CH 516)	28,140.00	28,140.00		28,140.00
Public and Private Programs Offset by Revenues:				
Clean Communities Grants (N.J.S.A. 40A:4-87 + \$12,518.71)		12,518.71	12,518.71	
New Jersey Department of Transportation Grant:				
Fredon-Springdale Road (N.J.S.A. 40A-87+\$371,255.00)		371,255.00	371,255.00	

TOWNSHIP OF FREDON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019
(Continued)

	Appropriations		Expended By	
	Budget	Budget After Modification	Paid or Charged	Reserved
Total Operations Excluded from "CAPS"	\$ 28,140.00	\$ 411,913.71	\$ 383,773.71	\$ 28,140.00
Detail:				
Other Expenses	28,140.00	411,913.71	383,773.71	28,140.00
Capital Improvements - Excluded from "CAPS":				
Capital Improvement Fund	145,000.00	145,000.00	145,000.00	100.00
Reserve for Acquisition of Land	100.00	100.00		2,765.00
Reserve for Computer Equipment	5,000.00	5,000.00	2,235.00	12,025.00
Reserve for Fire Apparatus	12,025.00	12,025.00		1,000.00
Reserve Recreation Improvements	2,000.00	2,000.00	1,000.00	
Total Capital Improvements - Excluded from "CAPS"	164,125.00	164,125.00	148,235.00	15,890.00
Municipal Debt Service - Excluded from "CAPS":				
Payment of Bond Principal	200,000.00	200,000.00	200,000.00	
Interest on Bonds	15,000.00	15,000.00	15,000.00	
Total Municipal Debt Service - Excluded from "CAPS"	215,000.00	215,000.00	215,000.00	
Total General Appropriations - Excluded from "CAPS"	407,265.00	791,038.71	747,008.71	44,030.00
Subtotal General Appropriations	2,365,064.00	2,748,837.71	2,090,030.19	658,807.52
Reserve for Uncollected Taxes	517,454.00	517,454.00	517,454.00	
Total General Appropriations	\$ 2,882,518.00	\$ 3,266,291.71	\$ 2,607,484.19	\$ 658,807.52

Ref:

A

TOWNSHIP OF FREDON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019
(Continued)

	<u>Ref</u>	<u>Analysis of</u>	
		<u>Budget After</u>	<u>Paid or</u>
		<u>Modification</u>	<u>Charged</u>
Adopted Budget		\$ 2,882,518.00	
Appropriation by NJSA 40A:4-87		<u>383,773.71</u>	
		<u>\$ 3,266,291.71</u>	
Reserve for Uncollected Taxes			\$ 517,454.00
Encumbrances	A		2,900.00
Transfer to Appropriated Grant Reserves:			
Clean Communities Grant			12,518.71
New Jersey Department of Transportation Grant -			
Fredon-Springdale Road			371,255.00
Due General Capital Fund:			
Capital Improvement Fund			145,000.00
Cash Disbursed			<u>1,568,057.27</u>
			2,617,184.98
Less: Appropriation Refunds			<u>9,700.79</u>
			<u>\$ 2,607,484.19</u>

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

TOWNSHIP OF FREDON
COUNTY OF SUSSEX
2019
TRUST FUNDS

TOWNSHIP OF FREDON
COMPARATIVE BALANCE SHEET - TRUST FUNDS - REGULATORY BASIS

		December 31,	
	<u>Ref.</u>	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents			
Treasurer	B-4	\$ 17,388.84	\$ 15,068.61
Due from State of New Jersey		3.00	3.00
		<u>17,391.84</u>	<u>15,071.61</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-4	438,345.10	422,013.22
Due from Current Fund	A	159,508.57	225,000.00
Due from Current Fund - Open Space			0.35
		<u>597,853.67</u>	<u>647,013.57</u>
Recreation Commission Trust Fund:			
Cash and Cash Equivalents	B-4	11,026.90	12,060.57
		<u>11,026.90</u>	<u>12,060.57</u>
TOTAL ASSETS		<u>\$ 626,272.41</u>	<u>\$ 674,145.75</u>

TOWNSHIP OF FREDON
COMPARATIVE BALANCE SHEET - TRUST FUNDS - REGULATORY BASIS

		December 31,	
	<u>Ref.</u>	<u>2019</u>	<u>2018</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Animal Control Fund:			
Due to Current Fund	A	\$ 3,515.04	\$ 920.41
Reserve for Animal Control Expenditures	B-6	13,876.80	14,151.20
		<u>17,391.84</u>	<u>15,071.61</u>
Other Trust Funds:			
Reserve for:			
Performance Bonds and Escrow		55,984.78	55,967.12
Open Space		28,539.27	120,406.01
Council on Affordable Housing		34,733.09	34,716.03
Storm Recovery		467,564.97	425,000.00
Accumulated Sick and Vacation Time		11,031.56	10,924.41
		<u>597,853.67</u>	<u>647,013.57</u>
Recreation Commission Trust Fund:			
Reserve for Recreation		11,026.90	12,060.57
		<u>11,026.90</u>	<u>12,060.57</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		\$ 626,272.41	\$ 674,145.75

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

TOWNSHIP OF FREDON
ASSESSMENT TRUST FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019

NOT APPLICABLE

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

TOWNSHIP OF FREDON
ASSESSMENT TRUST FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019

NOT APPLICABLE

ASSESSMENT TRUST FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019

NOT APPLICABLE

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

TOWNSHIP OF FREDON
COUNTY OF SUSSEX
2019
GENERAL CAPITAL FUND

TOWNSHIP OF FREDON
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	Ref.	2019	2018
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 5,002.24	\$ 456,653.34
Deferred Charges to Future Taxation:			
Funded		200,000.00	400,000.00
Due from State of New Jersey - Department of Transportation Grant		74,910.07	74,910.07
Due from Fredon Volunteer Fire Company			50,000.00
Due from Current Fund	A	394,324.43	329,400.33
TOTAL ASSETS		<u>\$ 674,236.74</u>	<u>\$ 1,310,963.74</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Serial Bonds Payable	C-8	\$ 200,000.00	\$ 400,000.00
Improvement Authorizations:			
Funded	C-5	201,032.73	632,759.73
Capital Improvement Fund	C-6	219,131.75	224,131.75
Reserve for:			
Purchase of Communication Equipment		9,000.00	9,000.00
Fire Department		10,000.00	10,000.00
Farmhouse Improvements		3,700.00	3,700.00
Acquisition of Land		3,100.00	3,100.00
Computer Equipment		10,000.00	10,000.00
Fire Apparatus		12,025.00	12,025.00
Recreation Improvements		6,000.00	6,000.00
Fund Balance	C-1	247.26	247.26
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 674,236.74</u>	<u>\$ 1,310,963.74</u>

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

TOWNSHIP OF FREDON
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref</u>		
Balance December 31, 2018	C	\$	247.26
Balance December 31, 2019	C	\$	<u>247.26</u>

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

TOWNSHIP OF FREDON
COUNTY OF SUSSEX
2019
WATER UTILITY FUND

NOT APPLICABLE

TOWNSHIP OF FREDON
COUNTY OF SUSSEX
2019
SEWER UTILITY FUND

NOT APPLICABLE

TOWNSHIP OF FREDON
COUNTY OF SUSSEX
2019
PUBLIC ASSISTANCE FUND

NOT APPLICABLE

TOWNSHIP OF FREDON
COUNTY OF SUSSEX
2019
BOND AND INTEREST FUND

NOT APPLICABLE

TOWNSHIP OF FREDON
COUNTY OF SUSSEX
2019
GENERAL FIXED ASSETS ACCOUNT GROUP

TOWNSHIP OF FREDON
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,	
	2019	2018
<u>ASSETS</u>		
Land	\$ 140,700.00	\$ 140,700.00
Buildings	2,748,700.00	2,748,700.00
Equipment and Vehicles	3,203,679.64	2,593,684.65
TOTAL ASSETS	<u>\$ 6,093,079.64</u>	<u>\$ 5,483,084.65</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Reserve for Fixed Assets	<u>\$ 6,093,079.64</u>	<u>\$ 5,483,084.65</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	<u>\$ 6,093,079.64</u>	<u>\$ 5,483,084.65</u>

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

TOWNSHIP OF FREDON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Except as noted below, the financial statements of the Township of Fredon include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township of Fredon, as required by N.J.S. 40A:5-5. Accordingly, the financial statements of the Township of Fredon do not include the operations of the Volunteer Fire Department.

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of GASB Codification Section 2100 were not followed and, accordingly, the reporting entity could be different from accounting principles generally accepted in the United States of America.

B. Description of Funds

The accounting policies of the Township of Fredon conform to the accounting practices applicable to municipalities which have been prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (The "Division"). Such practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Township of Fredon accounts for its financial transactions through the following separate funds:

Current Fund - Resources and expenditures for governmental operations of a general nature, including federal and state grant funds.

Trust Funds - Receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

TOWNSHIP OF FREDON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

B. Description of Funds (Cont'd)

General Capital Fund - Receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund.

General Fixed Assets Account Group - Estimated values of land, buildings and certain fixed assets of the Township as discussed in Note 1E.

C. Basis of Accounting

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The more significant policies in New Jersey follow.

Revenue is recorded when received in cash except for certain amounts which may be due from the State of New Jersey and for the prepayment of future years' revenue. Grant revenue is realized in the operating funds when it is received and in the capital funds when improvements are authorized. The amounts recorded as property taxes and consumer accounts receivable have not been included in revenue. Amounts that are due to the municipality which are susceptible of accrual are recorded as receivables with offsetting reserves in the Current Fund.

Expenditures are charged to operations generally based on budgeted amounts. Exceptions to this general rule include:

1. Accumulated unpaid vacation, sick pay and other employee amounts are not accrued.
2. Prepaid expenses, such as insurance premiums applicable to subsequent periods, are charged to current budget appropriations in total.
3. Principal and interest on long-term debt are recognized when due.

Expenditures, if any, in excess of appropriations, appropriation reserves or ordinances become deferred charges which must be raised by future taxes. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the statutory appropriation reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31 of each year and recorded as liabilities, except for amounts which may be cancelled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

TOWNSHIP OF FREDON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

C. Basis of Accounting (Cont'd)

Had the Township's financial statements been prepared under accounting principles generally accepted in the United States of America, encumbrances would not be considered as expenditures; appropriation reserves would not be recorded; revenue susceptible to accrual would have been reflected without offsetting reserves; federal and state grants and assistance would be recognized when earned, not when received; inventories would not be reflected as expenditures at the time of purchase, investments would generally be stated at fair value and the Township's net pension liability and related deferred inflows and outflows, where applicable, would be recorded.

The cash basis of accounting is followed in the Trust and General Capital Funds.

D. Deferred Charges to Future Taxation

The Capital Fund balance sheet includes both funded and unfunded deferred charges. Funded means that bonds have been issued and are being paid off on a serial basis. Unfunded means that debt has been authorized but not permanently financed. A municipality can eliminate an unfunded deferred charge by raising it in the budget or collecting a grant. The unfunded deferred charge may also be funded by selling bonds, by loans, or by capital leases.

E. Other Significant Accounting Policies Include:

Management Estimates – The preparation of financial statements 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.

Cash and Cash Equivalents – Amounts include petty cash, change funds, amounts on deposit, and short – term investments with original maturities of three months or less.

Investments - Investments are stated at cost.

Foreclosed Property - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

Grants Receivable - Grants receivable represent the total grant awards less amounts collected to date. Because the amount of grant funds to be collected are dependent on the total costs eligible for reimbursement, the actual amount collected may be less than the total amount awarded.

TOWNSHIP OF FREDON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

E. Other significant accounting policies include (Cont'd):

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories are not included on the various balance sheets.

Compensated Absences – Expenditures relating to unused vested accumulated vacation and sick pay are not recorded until paid.

Allowance for Uncollectible Accounts – No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

General Fixed Assets - In accordance with New Jersey Administrative Code accounting requirements, as promulgated by the Division of Local Government Services, the Township has developed a fixed assets accounting and reporting system based on the following:

General fixed assets are recorded at cost except for certain land and buildings, which are recorded at estimated historical cost. Infrastructure assets are not included in general fixed assets. Maintenance and minor parts and replacements, which do not improve or extend the lives of the respective assets, are expensed currently. Donated fixed assets are valued at their fair market value on the date donated. No depreciation has been provided on general fixed assets. The total value recorded for general fixed assets is offset by a "Reserve for Fixed Assets". When properties are retired or otherwise disposed of, the asset and the reserve are adjusted accordingly. Assets recorded in the General Fixed Assets Account Group may also be recorded in the Current Fund and General Capital Fund. The values recorded in the General Fixed Assets Account Group and the Current and Capital Funds may not always agree due to differences in valuation methods, timing or recognition of assets and the recognition of infrastructures. Fixed assets are reviewed for impairment.

F. Budget/Budgetary Control

Annual appropriated budgets are usually prepared in the first quarter for current operating and open space trust funds. The budgets are submitted to the governing body and the State Division of Local Government Services. Budgets are prepared using the cash basis of accounting. The legal level of budgetary control is established at the line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the flexible chart of accounts referenced in NJSA 40A. All budget amendments/transfers must be approved by the Township during the year.

Note 2: Long-Term Debt

Summary of Municipal Debt

The Local Bond Law governs the issuance of bonds to finance general Township capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. All bonds issued by the Township are general obligation bonds. The Township's full faith and credit and taxing power have been pledged to the payment of the general obligation debt principal and interest.

TOWNSHIP OF FREDON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 2: Long-Term Debt (Cont'd)

Summary of Municipal Debt (Cont'd)

	December 31,		
	2019	2018	2017
<u>Issued</u>			
General:			
Bonds, Loans and Notes	\$ 200,000.00	\$ 400,000.00	\$ 600,000.00
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes			115,900.00
Net Bonds and Notes Issued and Authorized but not Issued	<u>\$ 200,000.00</u>	<u>\$ 400,000.00</u>	<u>\$ 715,900.00</u>

Summary of Statutory Debt Condition – Annual Debt Statement

The summarized statement of debt condition, which follows, is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.046%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 3,805,000.00	\$ 3,805,000.00	
Regional School District Debt	104,276.25	104,276.25	
General Debt	<u>200,000.00</u>		<u>\$ 200,000.00</u>
	<u>\$ 4,109,276.25</u>	<u>\$ 3,909,276.25</u>	<u>\$ 200,000.00</u>

Net Debt \$200,000.00 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$430,949,182.00 = 0.046%.

3-1/2% Average Equalized Valuation of Real Property	\$ 15,083,221.37
Net Debt	<u>200,000.00</u>
Remaining Borrowing Power	<u>\$ 14,883,221.37</u>

TOWNSHIP OF FREDON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 2: Long-Term Debt (Cont'd)

The foregoing information is in agreement with the Annual Debt Statement as filed by the Chief Financial Officer.

Summary of Municipal Debt Issued and Outstanding - Prior Year

<u>Fund</u>	<u>Balance 12/31/2017</u>	<u>Retirements</u>	<u>Balance 12/31/2018</u>
Serial Bonds:			
General Capital Fund	\$ 600,000.00	\$ 200,000.00	\$ 400,000.00
	<u>\$ 600,000.00</u>	<u>\$ 200,000.00</u>	<u>\$ 400,000.00</u>

Summary of Municipal Debt Issued and Outstanding - Current Year

<u>Fund</u>	<u>Balance 12/31/2018</u>	<u>Retirements</u>	<u>Balance 12/31/2019</u>
Serial Bonds:			
General Capital Fund	\$ 400,000.00	\$ 200,000.00	\$ 200,000.00
	<u>\$ 400,000.00</u>	<u>\$ 200,000.00</u>	<u>\$ 200,000.00</u>

At December 31, 2019, the Township had capital debt issued and outstanding described as follows:

<u>Type</u>	<u>Final Maturity</u>	<u>General Capital Serial Bonds Interest Rate</u>	
General Improvement Bonds	7/15/2020	3.75%	<u>\$200,000.00</u>
Total Debt Issued and Outstanding			<u>\$ 200,000.00</u>

Schedule of Annual Debt Service for Principal and Interest for the Next Five Years and Thereafter for Bonds Issued and Outstanding

<u>Year</u>	<u>Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2020	\$ 200,000.00	\$ 7,500.00	\$ 207,500.00
Total	<u>\$ 200,000.00</u>	<u>\$ 7,500.00</u>	<u>\$ 207,500.00</u>

TOWNSHIP OF FREDON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 2: Long-Term Debt (Cont'd)

Net Pension Liability

The State of New Jersey Public Employees' Retirement System's (PERS) net pension liability was calculated to be \$853,139 at June 30, 2018. See Note 5 for further information on the PERS.

Note 3: Fund Balance Appropriated

As of the date of this report, the budget for 2020 has not been introduced. Thus, the amount of fund balance at December 31, 2019, which will be included in the Current Fund budget for the year ending December 31, 2020 is not known at this time.

Note 4: Local School District Taxes

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district.

The Township of Fredon has elected not to defer school taxes.

Note 5: Pension Plans

Township employees participate in a contributory, defined benefit public employee retirement systems: the State of New Jersey Public Employee's Retirement System (PERS); or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.nj.gov/treasury/pensions/financial-reports.shtml.

Benefits Provided

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

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

TOWNSHIP OF FREDON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 5: Pension Plans (Cont'd)

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

Benefits Provided (Cont'd)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A: 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual payments over a period of 15 years, which began with the payments due in the fiscal year ended June 30, 2012 and are adjusted by the rate of return on the actuarial value of assets. Township contributions to PERS amounted to \$43,459 for 2019.

The employee contribution rate was 7.50% effective July 1, 2018. Subsequent increases after October 1, 2011 were phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Pension Liabilities and Pension Expense

At June 30, 2018, the Township's liability was \$853,139 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2018, the Township's proportion was 0.0043%, which was a decrease of 0.001% from its proportion measured as of June 30, 2017. For the year ended December 31, 2019, the Township recognized actual pension expense in the amount of \$43,459.

TOWNSHIP OF FREDON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 5: Pension Plans (Cont'd)

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

Pension Liabilities and Pension Expense (Cont'd)

The Township has rolled forward the net pension liability to December 31, 2018 with no adjustments. The State of New Jersey Public Employees' Retirement System (PERS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities to include the June 30, 2018 pension information in the Notes to the Financial Statements as the June 30, 2019 pension information has not been released as of the date of this audit.

Actuarial Assumptions

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

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

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using the Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

TOWNSHIP OF FREDON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 5: Pension Plans (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2018 are summarized in the following table:

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

TOWNSHIP OF FREDON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 5: Pension Plans (Cont'd)

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

Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 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 upon the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Township's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Township's proportionate share of the collective net pension liability as of June 30, 2018 calculated using the discount rate as disclosed below, as well as what the Township's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(4.66%)	(5.66%)	(6.66%)
Township's proportionate share of the			
Net Pension Liability	\$ 1,072,723	\$ 853,139	\$ 668,921
<u>Pension Plan Fiduciary Net Position</u>			

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

TOWNSHIP OF FREDON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 5: Pension Plans (Cont'd)

B. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the Township recognized pension expense of \$272.17 for the year ended December 31, 2019. Employee contributions to DCRP amounted to \$369.58 for the year ended December 31, 2019.

Note 6: Accrued Sick and Vacation Benefits

The Township has permitted employees to accrue unused sick pay, which may be taken as time off or paid upon retirement or separation at the employee's current rate. It is estimated that the current cost of such compensation would approximate \$5,829.85. This amount is not reported either as an expenditure or liability. It is expected that the cost of such unpaid compensation would be included in the Township's budget operating expenditures in the year in which it is used. The Township has \$11,031.56 in a Reserve for Accumulated Sick and Vacation Time on the Other Trust Funds balance sheet at December 31, 2019.

Note 7: Selected Tax Information

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and the imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the prior year may be placed in lien at a tax sale held after December 10.

TOWNSHIP OF FREDON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 7: Selected Tax Information (Cont'd)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Tax Rate</u>	\$ 2.938	\$ 2.888	\$ 2.783
<u>Apportionment of Tax Rate</u>			
Municipal	.424	.416	.408
County	.576	.582	.563
Regional High School	.919	.856	.833
Local School	1.019	1.034	1.096
<u>Assessed Valuations</u>			
2019	<u>\$ 435,681,469.00</u>		
2018		<u>\$ 435,462,549.00</u>	
2017			<u>\$ 435,557,797.00</u>

Comparison of Tax Levies and Collection Currently

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2019	\$ 12,827,516.96	\$ 12,466,697.18	97.18%
2018	12,582,364.12	12,268,058.20	97.50%
2017	12,657,078.63	12,228,127.11	96.61%

Also, increases in future tax levies can also be warranted if revenue sources outside of those directly generated by the municipality, such as federal or state aid, should decline without corresponding decreases in budgeted expenditures.

Note 8: Cash and Cash Equivalents

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

Investments are stated at cost. The Township classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

TOWNSHIP OF FREDON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 8: Cash and Cash Equivalents (Cont'd)

GASB requires disclosure of the level of custodial credit risk assumed by the Township in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the Township ensures that any deposit or investment matures within the time period that approximated the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Township limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed below and on the following page.

Custodial Risk Credit – The Township's policy with respect to custodial credit risk requires that the Township ensures that Township funds are only deposited in financial institutions in which NJ municipalities are permitted to invest their funds.

Deposits

New Jersey statutes require that municipalities deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Municipalities 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 insurance limits as follows:

The market value of the collateral must equal 5% of the average daily balance of public funds; and in addition if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.

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

Investments

New Jersey statutes permit the Township to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;

TOWNSHIP OF FREDON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 8: Cash and Cash Equivalents (Cont'd)

Investments (Cont'd)

New Jersey statutes permit the Township to purchase the following types of securities:

- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law" P.L. 1983, c. 313 (C.40A:5A-1 et seq.) Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) (the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983 c.313 (C.40A:5A-1 et seq.);
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

TOWNSHIP OF FREDON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 8: Cash and Cash Equivalents (Cont'd)

As of December 31, 2019, cash and cash equivalents and investments of the Township of Fredon consisted of the following:

<u>Fund</u>	<u>Cash on Hand</u>	<u>Checking Account</u>	<u>Investments Certificate of Deposit</u>	<u>Total</u>
Current	\$ 150.00	\$ 2,714,169.59	\$ 1,000,000.00	\$ 3,714,319.59
Animal Control		17,388.84		17,388.84
Trust		438,345.10		438,345.10
Recreation		11,026.90		11,026.90
General Capital		5,002.24		5,002.24
	<u>\$ 150.00</u>	<u>\$ 3,185,932.67</u>	<u>\$ 1,000,000.00</u>	<u>\$ 4,186,082.67</u>

The carrying amount of the Township's cash and cash equivalents and investments at year end was \$4,186,082.67 and the bank balance was \$4,288,597.75. As of December 31, 2018 the carrying amount of the Township's cash and cash equivalents was \$4,689,216.11 and the bank balance was \$4,797,044.17. There were no other investments other than in certificates of deposit during 2019.

Note 9: Risk Management

The Township 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. Health Benefits are provided to employees through the State of New Jersey health benefits plan.

The Township of Fredon is currently a member of the Statewide Insurance Fund (the "Fund"). The Fund provides its members with Liability, Property and Workers' Compensation and Employer Liability Insurance.

The Fund is a risk-sharing public entity risk pool that is both an insured and self-administered group of governmental entities established for the purpose of providing low-cost insurance coverage for their respective members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Fund are elected.

As a member of the Fund, the Township could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities.

The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body.

The December 31, 2019 audit report of the Statewide Insurance Fund has not been filed as of the date of this audit. Selected, summarized financial information for the Fund as of December 31, 2018, is as follows:

TOWNSHIP OF FREDON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 9: Risk Management (Cont'd)

	<u>Statewide Insurance Fund</u>
Total Assets	\$ 48,828,931
Net Position	\$ 13,407,234
Total Revenue	\$ 25,364,220
Total Expenses	\$ 25,296,289
Change in Net Position	\$ 67,931
Members Dividends	\$ 47,282

Financial statements for the Fund are available at the offices of the Fund's Executive Directors:

Statewide Insurance Fund

Statewide Insurance Fund
One Sylvan Way
Parsippany, New Jersey 07054

New Jersey Unemployment Compensation Insurance

The Township has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the Township is required to remit employee withholdings to the State on a quarterly basis. All of the Township's claims are paid by the State.

Note 10: Interfund Receivables and Payables

The following interfund balances remained on the balance sheet at December 31, 2019:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current	\$ 3,515.04	\$ 553,833.00
General Capital	394,324.93	
Animal Control		3,515.04
Other Trust	159,508.57	
	<u>\$ 557,348.54</u>	<u>\$ 557,348.04</u>

The interfund receivable in the Other Trust Fund and the interfund payable in the Current Fund is due to a prior year interfund that has not been cleared in the current year. The interfund receivable in General Capital Fund is due to grants received in Current Fund that have not been turned over to General Capital Fund by December 31. The interfund receivable in the Current Fund is due to statutory excess surplus in the Animal Control Fund.

TOWNSHIP OF FREDON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(Continued)

Note 11: Contingencies

The Township is periodically involved in various lawsuits arising in the normal course of business, including claims for property damage, personal injury and various contract disputes. The Township vigorously contests these lawsuits and believes the ultimate resolution will not have a material adverse effect on its financial position as of December 31, 2019.

Amounts received or receivable from grantors, principally the federal and state governments are subject to regulatory requirements and adjustments by the agencies. Any disallowed claims, including amounts previously recognized by the Township as revenue would constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although Township officials expect such amounts, if any, to be immaterial.

Various tax appeals on assessed valuations have been filed against the Township and are awaiting tax court decisions. The ultimate outcome and effect of such appeals have not been determined; however, the Township Tax Assessor will aggressively defend the Township's assessments. The Township has established a reserve, which it feels is sufficient, for this contingency in the amount of \$305,100.

Note 12: Open Space Trust Fund

On January 17, 2001, the Township created an Open Space Trust Fund with a tax levy of up to \$.01 per \$100 of assessed valuation. The funds collected are used to acquire and maintain open space property in the Township. As of December 31, 2019, and 2018 the balances in the Open Space Trust Fund were \$28,539.27, and \$120,406.01, respectively.

Note 13: Economic Dependency

The Township receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Township's programs and activities.

Note 14: Fixed Assets

The following schedule is a summarization of general fixed assets for the year ended December 31, 2019 and 2018:

	Balance Dec. 31, 2017	Additions	Disposals	Balance Dec. 31, 2018
Land and Site Improvements	\$ 140,700			\$ 140,700
Buildings	2,748,700			2,748,700
Equipment and Vehicles	2,775,864	\$ 70,793	\$ 252,972	2,593,685
	<u>\$ 5,665,264</u>	<u>\$ 70,793</u>	<u>\$ 252,972</u>	<u>\$ 5,483,085</u>

TOWNSHIP OF FREDON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
 (Continued)

Note 14: Fixed Assets (Cont'd)

	Balance Dec. 31, 2018	Additions	Disposals	Balance Dec. 31, 2019
Land and Site Improvements	\$ 140,700			\$ 140,700
Buildings	2,748,700			2,748,700
Equipment and Vehicles	<u>2,593,685</u>	<u>\$ 628,585</u>	<u>\$ 18,590</u>	<u>3,203,680</u>
	<u>\$ 5,483,085</u>	<u>\$ 628,585</u>	<u>\$ 18,590</u>	<u>\$ 6,093,080</u>

Note 15: Subsequent Event

The COVID-19 outbreak in the United States and specifically in New Jersey had caused disruption of the Township's normal financial operations with the municipal office closed to the public and minimal staff working on site. Though the impact on the Township's operations cannot be reasonably estimated at this date, it is likely that there will be an impact on tax collections as well as other revenue in the Current Fund.

TOWNSHIP OF FREDON

SUPPLEMENTARY DATA

TOWNSHIP OF FREDON
SCHEDULE OF OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2019

The following officials were in office during the period under audit:

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name of Corporate Surety</u>
Keith Smith	Mayor		
George Green	Vice Chairman		
John Flora	Committeeperson		
Guy Masi	Committeeperson		
John Richardson, Sr.	Committeeperson		
Debra Prommel	Clerk	\$ 1,000,000.00	(A)
Deborah Bonanno	Chief Financial Officer	1,000,000.00	(A)
William Liverance	Treasurer	1,000,000.00	(A)
Gisela Rutnik	Tax Collector and Tax		
(1/1/19 - 10/10/19)	Search Officer	1,000,000.00	(A)
Kerri Womack	Tax Collector and Tax		
(From 10/10/19)	Search Officer	1,000,000.00	(A)
Kristen Umansky	Tax Assessor	1,000,000.00	(A)
Arlene Fisher	Zoning Officer	1,000,000.00	(A)
Harold E. Pellow	Engineer		
William Hinkes	Attorney		

(A) A faithful performance blanket bond for \$1,000,000.00, issued by the Statewide Insurance Company, was in effect for all employees.

All surety bonds were examined and appeared to be properly executed.

TOWNSHIP OF FREDON
COUNTY OF SUSSEX
2019
CURRENT FUND

TOWNSHIP OF FREDON
CURRENT FUND
SCHEDULE OF CASH AND INVESTMENTS - TREASURER

	<u>Ref.</u>		
Balance December 31, 2018	A	\$	3,779,571.77
Increased by Receipts:			
Tax Collector	\$ 12,723,145.94		
Revenue Accounts Receivable	583,984.10		
Miscellaneous Revenue Not Anticipated	34,343.52		
Reserve for Sale of Municipal Assets	55,000.00		
Recycling Tonnage Grant	7,867.70		
Clean Communities Grant	11,866.35		
Appropriation Refunds	9,700.79		
Due from/to State of New Jersey:			
Veterans' and Senior Citizens' Deductions	25,192.47		
Marriage Licenses	600.00		
			<u>13,451,700.87</u>
			17,231,272.64
Decreased by Disbursements:			
2019 Budget Appropriations	1,568,057.27		
2018 Appropriation Reserves	464,730.71		
Third Party Lien Refund	24,373.51		
Clean Communities Grant - Appropriated	6,567.57		
New Jersey Department of Transportation Grant -			
Appropriated: Fredon-Springdale Road	332,432.36		
Due to Other Trust Fund -			
Payments on Behalf of Open Space Trust	91,926.95		
Due to General Capital Fund	80,000.00		
Due to State of New Jersey:			
Marriage License Fees	600.00		
Local School District Taxes	4,441,686.00		
Regional High School Taxes	4,005,020.50		
County Taxes	2,502,708.18		
			<u>13,518,103.05</u>
Balance December 31, 2019	A	\$	<u><u>3,713,169.59</u></u>

TOWNSHIP OF FREDON
CURRENT FUND
SCHEDULE OF CASH - COLLECTOR

	<u>Ref.</u>	
Balance December 31, 2018	A	\$ 3,698.60
Increased by Receipts:		
Taxes Receivable		\$ 12,584,213.32
Interest and Costs on Taxes		54,171.61
2020 Prepaid Taxes		53,887.82
Tax Overpayments		3,074.56
Third Party Lien Redemption		24,373.51
Township Tax Title Lien Redemption		330.58
Interest on Investments		395.94
		<hr/> 12,720,447.34
		<hr/> 12,724,145.94
Decreased by:		
Disbursed to Municipal Treasurer		<hr/> 12,723,145.94
Balance December 31, 2019	A	<hr/> <hr/> \$ 1,000.00

TOWNSHIP OF FREDON
CURRENT FUND
SCHEDULE OF CASH - GRANT FUNDS
YEAR ENDED DECEMBER 31, 2019

NOT APPLICABLE

TOWNSHIP OF FREDON
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

	<u>Ref.</u>	
Balance December 31, 2018	A	\$ 312,057.88
Increased by:		
Transfer from Taxes Receivable	\$ 63,492.38	
Interest and Costs	3,053.74	
		<u>66,546.12</u>
		378,604.00
Decreased by:		
Transfer to Foreclosed Property	\$ 119,515.99	
Tax Title Lien Redemptions	330.58	
Cancellation	5,317.68	
		<u>125,164.25</u>
Balance December 31, 2019	A	<u><u>\$ 253,439.75</u></u>

TOWNSHIP OF FREDON
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2019

	Accrued In 2019	Collected By Treasurer	Balance Dec. 31, 2019
Clerk:			
Licenses:			
Alcoholic Beverages	\$ 10,188.00	\$ 10,188.00	
Fees and Permits	25,565.15	25,565.15	
Board of Health:			
Fees and Permits	2,685.00	2,685.00	
Planning Board and Board of Adjustments:			
Fees	9,871.00	9,871.00	
Joint Municipal Court:			
Fines and Costs	2,804.08	2,804.08	
Energy Receipts Tax	258,516.00	258,516.00	
Consolidated Municipal Property Tax Relief	3,190.00	3,190.00	
Garden State Preservation Trust	6,351.00	6,351.00	
New Jersey Department of Transportation Grant:			
Fredon-Springdale Road	371,255.00	252,295.16	\$ 118,959.84
Clean Communities Grant	12,518.71	12,518.71	
	<u>\$ 702,943.94</u>	<u>\$ 583,984.10</u>	<u>\$ 118,959.84</u>

TOWNSHIP OF FREDON
CURRENT FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2019

NOT APPLICABLE

TOWNSHIP OF FREDON
CURRENT FUND
SCHEDULE OF 2018 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2019

	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
GENERAL GOVERNMENT:				
Administrative and Executive:				
Committee:				
Salaries & Wages	\$ 330.62	\$ 330.62	\$ 330.62	
Other Expenses	3,352.16	2.16		\$ 2.16
Administration:				
Salaries & Wages	4,793.80	93.80		93.80
Other Expenses	9,040.70	540.70	540.20	0.50
Financial Administration:				
Salaries & Wages	1,107.79	207.79	207.29	0.50
Other Expenses	728.60	728.60	678.04	50.56
Audit Services:				
Other Expenses	26,189.00	26,189.00	26,189.00	
Assessment of Taxes:				
Salaries & Wages	1,147.77	1,147.77	1,147.77	
Other Expenses	16,978.37	478.37	478.37	
Collection of Taxes:				
Salaries & Wages	1,077.12	1,077.12	1,077.12	
Other Expenses	68.54	68.54	68.54	
Legal Costs:				
Other Expenses	11,078.75	578.75	578.75	
Joint Municipal Court:				
Salaries & Wages	374.04	374.04	374.04	
Other Expenses	103.76	103.76	103.76	
Engineering Services & Costs:				
Other Expenses	4,359.01	59.01		59.01
Public Buildings and Grounds:				
Salaries & Wages	16,657.18	57.18		57.18
Other Expenses	16,366.18	1,866.18	1,848.95	17.23
Municipal Land Use Law:				
Administrative Official - Code Enforcement:				
Other Expenses	1,215.00	1,215.00	1,215.00	
Board of Adjustment:				
Salaries & Wages	5,943.50	5,943.50	5,943.50	
Other Expenses	35,343.55	343.55	343.55	
Environmental Commission:				
Salaries and Wages	832.96	832.96	832.96	
Other Expenses	745.00	745.00	745.00	

TOWNSHIP OF FREDON
CURRENT FUND
SCHEDULE OF 2018 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2019
(Continued)

	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
GENERAL GOVERNMENT:				
Insurance (NJSA 40A:4-45.3(00)):				
Other Insurance Premiums	\$ 3,530.21	\$ 80.21		\$ 80.21
Workers Compensation Insurance	420.79	420.79	420.79	
Employee Group Insurance	28,654.20	4.20		4.20
PUBLIC SAFETY:				
Fire Company for Dispatch Services	2,012.00	2,012.00	2,012.00	
Emergency Management Services:				
Other Expenses	664.72	664.72	664.72	
STREET & ROADS:				
Road Repairs and Maintenance:				
Salaries & Wages	72,093.54	93.54		93.54
Other Expenses	98,162.04	51,662.04	51,662.04	
Other Expenses - Commercial Driver License	1,296.00	1,296.00	1,296.00	
Community Services Act				
Other Expenses	11,777.00	27.00	27.00	
HEALTH & WELFARE:				
Board of Health:				
Salaries & Wages	1,602.50	1,602.50	1,602.50	
Other Expenses	588.05	588.05	588.05	
Administrator - Public Assistance:				
Other Expenses	70.00	70.00		70.00
Health and Safety Occupational Act:				
Hepatitis B Vaccine	1,200.00	1,200.00	1,200.00	
Animal Control Services:				
Salaries & Wages	3,194.00	3,194.00	3,194.00	
Other Expenses - Contractual	5,587.00	87.00		87.00
RECREATION & EDUCATION:				
Recreation:				
Salaries & Wages	893.90	893.90	893.90	
Other Expenses	4,871.35	71.35	13.16	58.19
Celebration of Public Events:				
Other Expense	400.00	400.00	400.00	

TOWNSHIP OF FREDON
CURRENT FUND
SCHEDULE OF 2018 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2019
 (Continued)

	Balance Dec. 31, 2018	Balance After Modification	Paid or Charged	Balance Lapsed
UNCLASSIFIED:				
Trash Removal	\$ 13,599.93	\$ 599.93	\$ 599.93	
Electricity	14,015.66	1,015.66	1,015.66	
Telephone	1,690.44	790.44	773.18	\$ 17.26
Gas	10,908.44	1,308.44	1,300.22	8.22
Fuel Oil	500.00			
Contingent	1,000.00	1,000.00		1,000.00
Deferred Charges and Statutory Expenditures:				
Statutory Expenditures:				
Contributions to:				
Public Employees' Retirement System	2,758.41	50.41		50.41
Social Security System (O.A.S.I.)	22,799.95	7.95		7.95
Defined Contribution Retirement System	151.63	151.63		151.63
Unemployment Compensation Insurance	1,149.95	1,149.95	1,149.95	
Operations Excluded from "CAPS":				
Length of Service Awards Program:				
Fire Department (P.L. 1983, CH 516)	27,588.00	27,588.00	18,436.32	9,151.68
Public and Private Programs Offset by Revenues:				
Clean Communities Grant	11,214.00	11,214.00	11,214.00	
Capital Improvements - Excluded form "CAPS":				
Capital Improvement Fund		350,000.00	350,000.00	
	<u>\$ 502,227.11</u>	<u>\$ 502,227.11</u>	<u>\$ 491,165.88</u>	<u>\$ 11,061.23</u>

	<u>Ref.</u>	
<u>Balance December 31, 2018:</u>		
Unencumbered	A	\$ 424,788.11
Encumbered	A	<u>77,439.00</u>
		<u>\$ 502,227.11</u>

Due to Other Trust	\$ 26,435.17
Cash Disbursed	<u>464,730.71</u>
Total	<u>\$ 491,165.88</u>

TOWNSHIP OF FREDON
CURRENT FUND
SCHEDULE OF LOCAL SCHOOL DISTRICT TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2019

Ref.

Increased by:

Levy - Calendar Year 2019	\$	4,441,686.00
		4,441,686.00

Decreased by:

Payments to Local School District		4,441,686.00
		4,441,686.00

CURRENT FUND
SCHEDULE OF REGIONAL HIGH SCHOOL DISTRICT TAXES PAYABLE/PREPAID
YEAR ENDED DECEMBER 31, 2019

Ref.

Balance December 31, 2018	A	\$	0.50
---------------------------	---	----	------

Increased by:

Levy - Calendar Year 2019		4,005,020.00
		4,005,020.00

Decreased by:

Payments to Regional High School District		4,005,020.50
		4,005,020.50

TOWNSHIP OF FREDON
COUNTY OF SUSSEX
2019
TRUST FUNDS

TOWNSHIP OF FREDON
TRUST FUNDS
SCHEDULE OF CASH - TREASURER

	<u>Animal Control Fund</u>	<u>Other Trust Funds</u>	<u>Recreation Commission Trust</u>
<u>Ref.</u>			
Balance December 31, 2018	B \$ 15,068.61	\$ 422,013.22	\$ 12,060.57
Increased by Receipts:			
Dog License Collector	\$ 9,474.00		
Other Income	30.00		
Interest Earned on Deposits	9.61		
Accumulated Sick and Vacation Deposits		\$ 107.15	
Snow Removal Trust Deposits		16,129.80	
Performance Bonds and Escrow:			
Interest Earned on Deposits		17.75	
Deposits		18,915.42	
Open Space:			
Interest Earned on Deposits		60.21	
Council on Affordable Housing:			
Interest Earned on Deposits		17.06	
Recreation Donations			\$ 2,175.69
	<u>9,513.61</u>	<u>35,247.39</u>	<u>2,175.69</u>
	24,582.22	457,260.61	14,236.26
Decreased by Disbursements:			
Administrative Expenses (R.S. 4:19-15.11)	6,145.77		
State Dog License Fees	1,038.00		
Interest - Due Current Fund	9.61		
Performance Bonds and Escrow Expenses		18,915.51	
Recreation Expenses			3,209.36
	<u>7,193.38</u>	<u>18,915.51</u>	<u>3,209.36</u>
Balance December 31, 2019	B \$ 17,388.84	\$ 438,345.10	\$ 11,026.90

TOWNSHIP OF FREDON
ANIMAL CONTROL FUND
SCHEDULE OF CASH - ANIMAL CONTROL COLLECTOR
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Ref.</u>		
Balance December 31, 2018	B	\$	-0-
Increased by:			
Dog License Fees Collected		\$	6,881.00
State Dog License Fees			1,038.00
Other Fees			<u>1,555.00</u>
			<u>9,474.00</u>
			<u>9,474.00</u>
Decreased by:			
Payments to Treasurer:			
Township Dog License Fees			<u>9,474.00</u>
Balance December 31, 2019	B	\$	<u><u>-0-</u></u>

TOWNSHIP OF FREDON
ASSESSMENT TRUST FUND
ANALYSIS OF CASH
YEAR ENDED DECEMBER 31, 2019

NOT APPLICABLE

TOWNSHIP OF FREDON
ANIMAL CONTROL FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

	<u>Ref.</u>		
Balance December 31, 2018	B		\$ 14,151.20
Increased by:			
Dog License Fees Collected	B-5	\$ 6,881.00	
Other Fees	B-5	1,555.00	
Other Income		30.00	
		<hr/>	8,466.00
			<hr/> 22,617.20
Decreased by:			
Expenditures Under R.S. 4:19-15.11:			
Cash Disbursements	B-4	6,145.77	
Statutory Excess Surplus Due to Current Fund		2,594.63	
		<hr/>	8,740.40
			<hr/>
Balance December 31, 2019	B		<u><u>\$ 13,876.80</u></u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2017	\$ 6,850.20
2018	7,026.60
	<hr/>
Maximum Allowable Reserve	<u><u>\$ 13,876.80</u></u>

TOWNSHIP OF FREDON
COUNTY OF SUSSEX
2019
GENERAL CAPITAL FUND

TOWNSHIP OF FREDON
GENERAL CAPITAL FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2018	C	\$ 456,653.34
Increased by:		
2018 Appropriation Reserves:		
Capital Improvement Fund	\$ 350,000.00	
Due Current Fund:		
Interest Earned	75.90	
Interfund Returned	80,000.00	
Fredon Volunteer Fire Company Grant	50,000.00	
	<hr/>	<hr/>
		480,075.90
		<hr/>
		936,729.24
Decreased by:		
Improvement Authorization Expenditures		<hr/>
		931,727.00
Balance December 31, 2019	C	<hr/> <hr/> \$ 5,002.24

TOWNSHIP OF FREDON
GENERAL CAPITAL FUND
ANALYSIS OF CASH

	Balance (Deficit) Dec. 31, 2018	Receipts		Disbursements Improvement Authorizations	Transfers		Balance (Deficit) Dec. 31, 2019
		Budget Appropriation	Miscellaneous		From	To	
Fund Balance	\$ 247.26						\$ 247.26
Capital Improvement Fund	224,131.75		350,000.00		\$ 500,000.00	\$ 145,000.00	\$ 219,131.75
Due from State of New Jersey- Department of Transportation Grant -							
Phil Hardin Road	(47,253.40)						(47,253.40)
Springdale Road	(27,656.67)						(27,656.67)
Due to/(from) Current Fund	(329,400.33)	\$ 80,075.90			145,000.00		(394,324.43)
Due to/(from) Fredon Volunteer Fire Company	(50,000.00)		50,000.00				
Reserve for Purchase of Communication Equipment	9,000.00						9,000.00
Reserve for Farmhouse Improvements	3,700.00						3,700.00
Reserve for Fire Department	10,000.00						10,000.00
Reserve for Acquisition of Land	3,100.00						3,100.00
Reserve for Computer Equipment	10,000.00						10,000.00
Reserve for Fire Apparatus	12,025.00						12,025.00
Reserve for Recreation Improvements	6,000.00						6,000.00
Ord. No.	Improvement Description						
07-08	Civic Center Improvements						16,493.11
6-10	Resurfacing Phil Hardin Road						47,253.40
05-13	PSE&G Transmission System Upgrade Project						
	\$ 135,000.00						
05-14	Purchase of Fire Apparatus						
04-15	Improvements to Fairview Hill Road						12,025.00
04-16	Improvements to Springdale Road						40,296.93
06-16	Micro Surfacing Program for Certain Roads						20,603.02
03-17	Purchase of Computer Equipment						0.32
	3,405.65						
07-17	Purchase of Kubota Skid Steer - DPW Truck						2,500.00
09-17	Purchase of a Pumper Truck						355,000.00
03-18	Purchase of a DPW Truck						182.30
04-19	Various Capital Improvements						368,823.01
07-19	Various Capital Improvements						68,046.60
	\$ 480,075.90						\$ 931,727.00
	\$ -0-						\$ 645,000.00
	\$ 456,653.34						\$ 5,002.24

TOWNSHIP OF FREDON
GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

NOT APPLICABLE

TOWNSHIP OF FREDON
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance		Balance December 31, 2018		2019 Authorizations		Paid or Charged	Balance December 31, 2019	
		Date	Amount	Funded	Funded	Capital Improvement Fund	Funded			
07-08	Civic Center Improvements	04/25/08	107,373.36	\$	16,493.11			\$	16,493.11	
06-10	Resurfacing Phil Hardin Road	06/10/10	187,000.00		47,253.40				47,253.40	
05-13	PSE&G Transmission System Upgrade Project	10/10/13	360,742.50		135,000.00		\$	135,000.00		
05-14	Purchase of Fire Apparatus	06/12/14	12,025.00		12,025.00				12,025.00	
04-15	Improvements to Fairview Hill Road	05/28/15	229,343.34		40,296.93				40,296.93	
04-16	Improvements to Springdale Road	04/28/16	435,755.00		20,603.02			5,712.56	14,890.46	
06-16	Micro Surfacing Program of Certain Roads	06/09/16	56,944.00		0.32				0.32	
03-17	Purchase of Computer Equipment	03/23/17	10,000.00		3,405.65			391.83	3,013.82	
07-17	Purchase of Kubota Skid Steer - DPW Truck	06/08/17	52,550.00		2,500.00				2,500.00	
09-17	Purchase of a Pumper Truck	09/14/17	490,000.00		355,000.00			353,753.00	1,247.00	
03-18	Purchase of a DPW Truck	06/28/18	77,000.00		182.30				182.30	
04-19	Various Capital Improvements	05/09/19	416,900.00			\$	416,900.00	368,823.01	48,076.99	
07-19	Various Capital Improvements	09/12/19	83,100.00				83,100.00	68,046.60	15,053.40	
				\$	632,759.73	\$	500,000.00	\$	201,032.73	

Ref. C Cash Disbursed \$ 931,727.00 C

TOWNSHIP OF FREDON
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>		
Balance December 31, 2018	C	\$	224,131.75
Increased by:			
2018 Appropriation Reserves		\$	350,000.00
2019 Budget Appropriation			145,000.00
			<u>495,000.00</u>
			719,131.75
Decreased by:			
Appropriated to Fund Improvement Authorizations			<u>500,000.00</u>
Balance December 31, 2019	C	\$	<u><u>219,131.75</u></u>

TOWNSHIP OF FREDON
GENERAL CAPITAL FUND
SCHEDULE OF BONDS ANTICIPATION NOTES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2019

NOT APPLICABLE

TOWNSHIP OF FREDON
GENERAL CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE

Purpose	Date of Issue	Maturities of Bonds			Interest Rate	Balance		Matured	Balance Dec. 31, 2019
		Outstanding Dec. 31, 2019		Dec. 31, 2018					
		Date	Amount						
General Improvement Bonds	07/15/03	07/15/20	\$ 200,000.00	3.75%	\$ 400,000.00	\$ 200,000.00	\$ 200,000.00		
					\$ 400,000.00	\$ 200,000.00	\$ 200,000.00		
Ref.					C	C			

TOWNSHIP OF FREDON
GENERAL CAPITAL FUND
SCHEDULE OF GREEN ACRES LOAN PAYABLE

NOT APPLICABLE

TOWNSHIP OF FREDON
GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

NOT APPLICABLE

TOWNSHIP OF FREDON
COUNTY OF SUSSEX
2019
WATER UTILITY FUND

NOT APPLICABLE

TOWNSHIP OF FREDON
COUNTY OF SUSSEX
2019
SEWER UTILITY FUND

NOT APPLICABLE

TOWNSHIP OF FREDON
COUNTY OF SUSSEX
2019
PUBLIC ASSISTANCE FUND

NOT APPLICABLE

TOWNSHIP OF FREDON
COUNTY OF SUSSEX
2019
BOND AND INTEREST FUND

NOT APPLICABLE

TOWNSHIP OF FREDON

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2019

TOWNSHIP OF FREDON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2019

Agency or Department/Cluster Title	Name of Program	C.F.D.A. Number	State Grant Award Number	Grant Period		Grant Award Amount	Amount Received	Amount of Expenditures	Cumulative Expenditures	Amounts Provided to Subrecipients
				From	To					
U.S. Department of Transportation Highway Planning and Construction Cluster	Municipal Aid Program -									
	Springdale Road (Section 3)	20.205	480-078-6320-AMQ-605177	01/01/17	12/31/19	\$ 146,255.00	\$ 146,255.00	\$ 146,255.00	\$ 146,255.00	
	Springdale Road (Section 4)	20.205	480-078-6320-AM2-605178	01/01/18	12/31/20	165,000.00	106,040.16	126,177.36	126,177.36	
	Springdale Road (Section 3a)	20.205	480-078-6320-ANS-6010	01/01/19	12/31/20	60,000.00		60,000.00	60,000.00	
							252,295.16	332,432.36	332,432.36	
TOTAL FEDERAL AWARDS							\$ 252,295.16	\$ 332,432.36	\$ 332,432.36	\$ -0-

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

TOWNSHIP OF FREDON
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 YEAR ENDED DECEMBER 31, 2019

New Jersey Agency or Department	Name of Program	State Grant Award Number	Grant Period		Grant Award	Amount Received	Amount of Expenditures	Cumulative Expenditures
			From	To				
Department of Environmental Protection	Clean Communities Act	765-042-4900-004-178910	01/01/18	12/31/20	\$ 11,866.35	\$ 11,866.35		
		765-042-4900-004-178910	01/01/19	12/31/20	12,518.71	12,518.71	\$ 6,567.57	\$ 6,567.57
						24,385.06	6,567.57	6,567.57
Total Department of Environmental Protection	Recycling Tonnage Grant	100-042-4910-224-238490	01/01/18	12/31/20	3,415.78	3,415.78		
		100-042-4910-224-238490	01/01/19	12/31/19	4,451.92	4,451.92		
					7,867.70			
						32,252.76	6,567.57	6,567.57
TOTAL STATE AWARDS						\$ 32,252.76	\$ 6,567.57	\$ 6,567.57

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

TOWNSHIP OF FREDON
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2019

A. BASIS OF PRESENTATION

The accompanying Schedules of Expenditures of federal and state awards (the “Schedules”) include the federal and state grant activity of the Township of Fredon. Under programs of the federal and state governments for the year ended December 31, 2019. The information in these schedules is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey’s OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the Township, they are not intended to and do not present the financial position, changes in fund balance or cash flows of the Township.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through identifying numbers are presented where available. The Township has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

C. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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



200 Valley Road, Suite 300
Mt. Arlington, NJ 07856
973.298.8500

11 Lawrence Road
Newton, NJ 07860
973.383.6699

nisivoccia.com

Independent Member
BKR International

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

Independent Auditors' Report

The Honorable Mayor and Members
of the Township Committee
Township of Fredon
Fredon, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements – *Regulatory Basis* – of the various funds of the Township of Fredon, in the County of Sussex (the "Township") as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, and have issued our report thereon dated March 16, 2020. These financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township'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 Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township'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 Township's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

The Honorable Mayor and Members
of the Township Committee
Township of Fredon
Page 2

We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as Finding 2019-01 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township'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*.

The Township's Response to the Finding

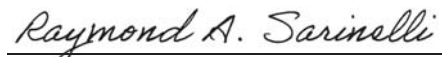
The Township's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Township's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Township'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 Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

March 16, 2020
Mount Arlington, New Jersey

NISIVOCCIA



Raymond A. Sarinelli
Certified Public Accountant
Registered Municipal Accountant No. 563

TOWNSHIP OF FREDON
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2019

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the Township prepared in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey.
- A significant deficiency was disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. No material weaknesses are reported.
- No instances of noncompliance material to the financial statements of the Township which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- The Township was not subject to the single audit provisions of the Uniform Guidance and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* for 2019 as grant expenditures were less than the single audit thresholds of \$750,000 identified in the Uniform Guidance and New Jersey OMB Circular 15-08.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit disclosed the following significant deficiency required to be reported under Generally Accepted Government Auditing Standards:

Finding 2019-01:

Segregation of Duties

Criteria

Concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

Condition

The Township does not maintain an adequate segregation of duties with respect to the recording and treasury functions. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to misappropriate funds and prevent detection within a reasonable period of time. The various departments/offices of the Township are responsible for the issuance of permits and licenses; collection of taxes, and permit and license fees; and recording of collections. Also, in most cases, the disbursement of funds and reconciliation of bank accounts are performed by one person. This is due, in part, to the limited number of personnel of the Township and the decentralized nature of governmental collection procedures. Accordingly, management and the Township Committee should be aware of this situation and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

TOWNSHIP OF FREDON
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2019
(Continued)

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards: (Cont'd)

Finding 2019-01:

Cause

This is due, in part, to the limited number of personnel of the Township and the decentralized nature of governmental collection procedures.

Effect or Potential Effect

Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to perpetuate errors and prevent detection within a reasonable period of time.

Recommendation

It is recommended that adequate segregation of duties where possible be maintained with respect to the recording and treasury functions.

Management's Response

The finding was evaluated; however, due to budgetary constraints no resolution can be made at this time.

Findings and Questioned Costs for Federal Awards:

- Not applicable since Federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- Not applicable since State expenditures were below the single audit threshold.

TOWNSHIP OF FREDON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

The finding 2018-01 included in the December 31, 2018 audit report regarding segregation of duties has not been resolved due to budgetary constraints and is included as Finding 2019-01 in the December 31, 2019 audit report.

TOWNSHIP OF FREDON

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2019

TOWNSHIP OF FREDON
COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required to be Advertised for N.J.S. 40A:11-4

N.J.S. 40A:11-3 states:

a. " When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (36A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

b. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to subparagraph (i) of paragraph (a) of subsection (1) of section 5 of P.L. 1971, c.198 (40A:11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.

c. The Governor, in consultation with the Department of the Treasury, shall, no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L.1999, c.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L.1971, c.198 (40A:11-2), and shall round the adjustment to the nearest \$1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. The adjustment shall become effective on July 1 of the year in which it is made."

N.J.S.A. 40A:11-4 states: "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder."

Effective July 1, 2015 and thereafter, the bid threshold in accordance with N.J.S.A 40A:11-3 and 40A-4 (as amended) is \$17,500, and with a qualified purchasing agent the threshold may be up to \$40,000.

The governing body of the Township of Fredon has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year and where question arises as to whether any contract or agreement might result in violation of the statute, the Township Attorney's opinion should be sought before a commitment is made.

TOWNSHIP OF FREDON
COMMENTS AND RECOMMENDATIONS
(Continued)

Contracts and Agreements Required to be Advertised for N.J.S. 40A:11-4 (Cont'd)

The minutes indicated that bids were requested by public advertising per N.J.S. 40A:11-4. The minutes also indicated that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per N.J.S. 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. None were noted.

Collection of Interest on Delinquent Taxes and Assessments

The statute provides the method for authorizing interest and the maximum rate to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent. On January 3, 2019, the governing body adopted a resolution authorizing interest to be charged at the rate of 8% per annum on the first \$1,500.00 of delinquent taxes and 18% per annum for delinquent taxes in excess of \$1,500.00. Interest to be waived on current taxes paid within the first 10 days after due dates. An additional penalty of 6% on delinquencies in excess of \$10,000.00 at December 31.

Delinquent Taxes and Tax Title Liens

A tax sale was held on December 21, 2019 and all eligible properties were included. Inspection of tax sale certificates revealed that tax sale certificates were available for audit.

The following comparison is made of the number of tax title liens receivable on December 31, of the last three years:

<u>Year</u>	<u>Number of Liens</u>
2019	14
2018	13
2017	6

Management Suggestion:

During our review of the Tax Collector records we noted that there was a great improvement in the recording of tax title liens, and the Tax Collector's bank reconciliation. We suggest the Tax Collector continue to monitor these accounts to ensure all accounts are accurately reported.

TOWNSHIP OF FREDON
COMMENTS AND RECOMMENDATIONS
(Continued)

Verification of Delinquent Taxes and Other Charges

A test verification of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services, consisting of verification notices as follows:

<u>Type</u>	<u>Number Mailed</u>
Payments of 2019 Taxes	20
Delinquent Taxes Receivable	15
Tax Title Liens Receivable	6

Verification notices were mailed to confirm balances receivable as of December 31, 2019. The items that were returned were compared to, and are in agreement with, the Township's records. For receivable items not returned, alternative procedures were performed.

New Jersey Administrative Code Accounting Requirements

The Division of Local Government Services has established three (3) accounting requirements which are prescribed in the New Jersey Administrative Code. They are as follows:

1. Maintenance of an encumbrance accounting system.
2. Fixed asset accounting and reporting system.
3. General ledger accounting system.

The Township is currently in compliance with all three accounting requirements.

Status of Prior Year Recommendations

Recommendation #2 in the December 31, 2018 audit report regarding tax collector has been resolved in the current year. Recommendation #1 included in the December 31, 2018 audit report regarding segregation of duties has not been resolved and is included in the December 31, 2019 audit report.

TOWNSHIP OF FREDON
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. Adequate segregation of duties where possible be maintained with respect to the recording and treasury functions.

* * * * *