

TOWNSHIP OF FREDON

COUNTY OF SUSSEX

REPORT OF AUDIT

2021

NISIVOCIA LLP
CERTIFIED PUBLIC ACCOUNTANTS

TOWNSHIP OF FREDON
COUNTY OF SUSSEX
REPORT OF AUDIT
2021

TOWNSHIP OF FREDON
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2021

<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	1-18
<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 2020 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, 2021
(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 Bonds Anticipation Notes Payable (Not Applicable)	C-7
Schedule of Serial Bonds Payable (Not Applicable)	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, 2021

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements – *regulatory basis* - of the various funds and account group of the Township of Fredon, in the County of Sussex (the "Township") as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, as listed in the table of contents.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of each fund and account group of the Township as of December 31, 2021 and 2020, and the results of operations and changes in fund balance, where applicable, of such funds and account group, thereof for the years then ended in accordance with the accounting practices prescribed or permitted, as described in Note 1, by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division").

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the accompanying 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, 2021 and 2020, or the changes in financial position thereof for the years then ended.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Township, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Township on the basis of the financial reporting provisions prescribed or permitted by the Division, which is a basis of accounting other than accounting principles generally accepted in the United State of America, to meet the requirements of the Division's regulatory basis of accounting and the budget laws of New Jersey.

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

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 and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of 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. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Supplementary Information

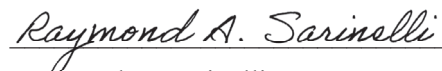
Our audit was conducted for the purpose of forming opinions on the financial statements of the various funds and account group that collectively comprise the Township's financial statements. The supplementary data schedules listed in the table of contents and the schedules of expenditures of federal 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the various fund and account group financial statements. The information has been subjected to the auditing procedures applied in the audit of the various fund and account group 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 and account group financial statements or to the various fund and account group 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 various fund and account group financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2022 on our consideration of the Township'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 or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
April 6, 2022

NISIVOCIA LLP



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

TOWNSHIP OF FREDON
COUNTY OF SUSSEX
2021
CURRENT FUND

TOWNSHIP OF FREDON
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	Ref.	2021	2020
<u>ASSETS</u>			
Cash and Cash Equivalents	A-4	\$ 4,761,857.32	\$ 4,357,922.57
Collector Cash	A-5	1,000.00	1,000.00
Petty Cash		150.00	150.00
		<u>4,763,007.32</u>	<u>4,359,072.57</u>
Due From State of New Jersey:			
Senior Citizens' and Veterans' Deductions		27,071.52	26,896.18
		<u>4,790,078.84</u>	<u>4,385,968.75</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	182,736.15	215,517.70
Tax Title Liens Receivable	A-8	90,109.10	276,625.90
Property Acquired for Taxes at Assessed Valuation		4,400.00	4,400.00
Revenue Accounts Receivable	A-9	103,317.94	77,590.09
Due From Other Trust Fund	B	1.23	
Due From Animal Control Fund	B	4,100.48	4,432.40
Total Receivables and Other Assets			
With Full Reserves	A	<u>384,664.90</u>	<u>578,566.09</u>
<u>TOTAL ASSETS</u>		<u>\$ 5,174,743.74</u>	<u>\$ 4,964,534.84</u>

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

	Ref.	December 31,	
		2021	2020
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Appropriation Reserves:			
Unencumbered	A-3;A-11	\$ 531,038.15	\$ 665,720.64
Encumbered	A-3;A-11	53,631.89	94,430.04
		<u>584,670.04</u>	<u>760,150.68</u>
Prepaid Taxes		68,350.64	82,759.18
Tax Overpayments		13,182.64	25,729.99
Due to:			
County of Sussex:			
Added and Omitted Taxes		2,675.93	7,698.16
General Capital Fund	C		159,956.56
Other Trust Funds	B		251,433.19
Local School Taxes Payable	A-12	126,081.50	75,833.00
Reserve for:			
Pending Tax Appeals		405,100.00	405,100.00
Premiums on Tax Sale		101,700.00	91,200.00
Revaluation		38,221.00	38,221.00
Planning, Comprehensive Development		4,516.25	4,516.25
Sale of Municipal Assets		122,800.00	122,800.00
Appropriated Grant Reserves:			
Clean Communities		9,576.06	2,167.92
Recycling Tonnage		24,395.36	20,141.99
American Rescue Plan Act		165,376.31	
New Jersey Department of Transportation Grant -			
Fredon-Springdale Road		38,707.64	38,707.64
Fredon-Greendale Road		145,000.00	145,000.00
Fredon-Anderson Hill Road		143,944.12	
Unappropriated Grant Reserves:			
Clean Communities		23,152.63	23,152.63
		<u>2,017,450.12</u>	<u>2,254,568.19</u>
Reserve for Receivables and Other Assets	A	384,664.90	578,566.09
Fund Balance	A-1	<u>2,772,628.72</u>	<u>2,131,400.56</u>
		\$ 5,174,743.74	\$ 4,964,534.84

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

	Ref.	Year Ended December 31,	
		2021	2020
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 643,000.00	\$ 643,000.00
Miscellaneous Revenue Anticipated		582,977.63	434,136.99
Receipts from:			
Delinquent Taxes		419,593.68	314,712.07
Current Taxes		12,852,667.02	12,684,245.54
Nonbudget Revenue		238,804.49	221,633.74
Other Credits to Income:			
Interfund Returned		4,432.40	3,515.04
Tax Overpayments Cancelled			18.77
Unexpended Balance of Appropriation Reserves		470,379.76	432,782.37
Total Income		15,211,854.98	14,734,044.52
<u>Expenditures</u>			
Budget and Emergency Appropriations:			
Municipal Purposes		2,781,155.90	2,565,756.99
County Taxes		2,575,608.21	2,526,914.94
Local School District Taxes		4,370,515.00	4,441,576.00
Regional High School Taxes		4,195,746.00	4,132,528.00
Interfunds Advanced		4,101.71	4,432.40
Prior Year Senior Citizens Deductions Disallowed		500.00	1,031.51
Reserve for Pending Tax Appeals			100,000.00
Total Expenditures		13,927,626.82	13,772,239.84
Excess in Revenue		1,284,228.16	961,804.68
<u>Fund Balance</u>			
Balance January 1	A	2,131,400.56	1,812,595.88
		3,415,628.72	2,774,400.56
Decreased by:			
Utilized as Anticipated Revenue		643,000.00	643,000.00
Balance December 31	A	\$ 2,772,628.72	\$ 2,131,400.56

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, 2021

	Budget	Added by NJSA 40A:4-87	Realized	Excess or Deficit *
Fund Balance Anticipated	\$ 643,000.00		\$ 643,000.00	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	2,000.00		6,167.00	\$ 4,167.00
Energy Receipt Taxes	261,706.00		261,706.00	
Garden State Preservation Trust Fund	6,351.00		9,780.00	3,429.00
Recycling Tonnage Grant	4,253.37		4,253.37	
Clean Communities Program		\$ 12,004.22	12,004.22	
American Rescue Plan Act		165,376.31	165,376.31	
New Jersey Department of Transportation Grant:				
Fredon-Anderson Hill Road	181,200.00		123,690.73	57,509.27 *
	455,510.37	177,380.53	582,977.63	49,913.27 *
Receipts from Delinquent Taxes	125,000.00		419,593.68	294,593.68
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	1,892,265.00		2,222,797.81	330,532.81
Budget Totals	3,115,775.37	177,380.53	3,868,369.12	575,213.22
Nonbudget Revenue			238,804.49	238,804.49
	\$ 3,115,775.37	\$ 177,380.53	\$ 4,107,173.61	\$ 814,017.71

TOWNSHIP OF FREDON
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2021
(continued)

Analysis of Realized Revenue

Allocation of Current Tax Collections:

Revenue from Collections of Current Taxes		\$ 12,852,667.02
Allocated to:		
Local School District Taxes	\$ 4,370,515.00	
Regional High School Taxes	4,195,746.00	
County Taxes	<u>2,575,608.21</u>	
		<u>11,141,869.21</u>
Balance for Support of Municipal Budget Appropriations		1,710,797.81
Add: Appropriation "Reserve for Uncollected Taxes"		<u>512,000.00</u>
Realized for Support of Municipal Budget		<u><u>\$ 2,222,797.81</u></u>

Receipts from Delinquent Taxes:

Delinquent Tax Collections	\$ 216,017.70
Tax Title Lien Collections	<u>203,575.98</u>
	<u><u>\$ 419,593.68</u></u>

Analysis of Nonbudget Revenue:

Revenue Accounts Receivable:

Board of Health Fees and Permits	\$ 2,470.00	
Clerk - Other Fees and Permits	22,212.00	
Joint Municipal Court Fines and Costs	<u>1,142.58</u>	
		\$ 25,824.58

Treasurer:

Interest on Investments and Deposits	1,772.09	
Vendor Refunds	2,085.00	
Seniors & Veterans Deductions 2% Admin Fee	465.00	
Civic Center Fees	8,383.56	
Cable Franchise Fee	9,345.00	
FEMA Reimbursement	17,560.73	
PERS Excess	122.20	
Other Miscellaneous	<u>8,619.79</u>	
		48,353.37

TOWNSHIP OF FREDON
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2021
(continued)

<u>Analysis of Nonbudget Revenue (continued):</u>			
Tax Collector:			
Interest and Costs on Taxes	\$	128,241.63	
Interest on Investments		<u>500.98</u>	
	\$		128,742.61
Due From Other Trust Fund:			
Interest on Investments			1.23
Due From Animal Control Fund:			
Statutory Excess in Reserve for			
Animal Control Expenditures			4,090.52
Interest on Investments			10.76
Collection of Prior Year Receivable:			
Fredon-Greendale Road			<u>31,781.42</u>
	\$		<u><u>238,804.49</u></u>

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, 2021

	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	\$ 14,600.00	
Other Expenses	5,850.00	5,850.00	2,953.73	\$ 2,896.27
Administration:				
Salaries & Wages	119,963.00	119,963.00	114,634.63	5,328.37
Other Expenses	37,230.00	37,230.00	15,460.88	21,769.12
Financial Administration:				
Salaries & Wages	86,500.00	86,500.00	83,879.67	2,620.33
Other Expenses	29,765.00	29,765.00	24,538.78	5,226.22
Audit Services:				
Other Expenses	29,000.00	29,000.00	29,000.00	
Assessment of Taxes:				
Salaries & Wages	21,000.00	21,000.00	18,943.00	2,057.00
Other Expenses	21,250.00	21,250.00	9,662.30	11,587.70
Collection of Taxes:				
Salaries & Wages	43,000.00	43,000.00	33,099.87	9,900.13
Other Expenses	7,700.00	7,700.00	6,290.39	1,409.61
Legal Costs:				
Other Expenses	25,250.00	31,750.00	21,978.15	9,771.85
Joint Municipal Court:				
Salaries & Wages	20,875.00	20,875.00	20,400.00	475.00
Other Expenses	5,200.00	5,200.00	5,100.00	100.00
Engineering Services and Costs:				
Other Expenses	20,000.00	20,000.00	8,356.17	11,643.83
Public Buildings & Grounds:				
Salaries and Wages	32,513.00	32,513.00	18,488.65	14,024.35
Other Expenses - Miscellaneous	74,295.00	64,295.00	28,609.51	35,685.49

TOWNSHIP OF FREDON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2021
(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	\$ 19,750.00	\$ 19,750.00	\$ 18,029.22	\$ 1,720.78
Other Expenses	1,575.00	1,575.00	934.82	640.18
Planning Board:				
Salaries & Wages	11,691.00	11,691.00	5,258.30	6,432.70
Other Expenses	45,410.00	38,910.00	20,950.31	17,959.69
Environmental Commission:				
Salaries & Wages	1,850.00	1,850.00	1,066.00	784.00
Other Expenses	1,120.00	1,120.00		1,120.00
INSURANCE:				
Other Insurance Premiums	68,250.00	68,250.00	63,777.00	4,473.00
Workers Compensation Insurance	28,827.00	28,827.00	26,268.00	2,559.00
Employee Group Insurance	159,784.00	159,784.00	100,162.83	59,621.17
PUBLIC SAFETY:				
Aid to Volunteer Fire Company	43,629.00	43,629.00	43,628.90	0.10
Fire Company for Dispatch Services	13,500.00	13,500.00	12,095.00	1,405.00
Fire Department:				
Other Expenses - Equipment	12,511.00	12,511.00	12,511.00	
Emergency Management Service:				
Other Expenses	2,500.00	2,500.00	756.24	1,743.76
Fire Department (P.L. 1983, Ch.516):				
OSHA Required Turnout Gear	9,728.00	9,728.00	9,728.00	
STREET & ROADS:				
Road Repairs and Maintenance:				
Salaries & Wages	344,200.00	294,200.00	224,470.52	69,729.48
Other Expenses	354,564.00	354,564.00	246,185.90	108,378.10

TOWNSHIP OF FREDON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2021
(Continued)

	Appropriations		Expended By	
	Budget	Budget After Modification	Paid or Charged	Reserved
STREET & ROADS (continued):				
Community Services Act:				
Other Expenses	18,300.00	18,300.00	18,300.00	
HEALTH & WELFARE:				
Board of Health:				
Salaries & Wages	4,205.00	4,205.00		1,716.80
Other Expenses	700.00	700.00	2,488.20	700.00
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	8,150.00	8,150.00	7,140.00	1,010.00
Other Expenses - Contractual	5,000.00	5,000.00		5,000.00
RECREATION & EDUCATION :				
Recreation:				
Salaries & Wages	1,600.00	1,600.00	1,562.00	38.00
Other Expenses	13,000.00	13,000.00	10,759.77	2,240.23
Celebration of Public Events:				
Other Expenses	6,000.00	6,000.00	5,000.00	1,000.00
UNCLASSIFIED:				
Trash Removal	94,000.00	94,000.00	86,645.37	7,354.63
Electricity	78,975.00	78,975.00	47,154.84	31,820.16

TOWNSHIP OF FREDON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2021
(Continued)

	Appropriations		Expended By	
	Budget	Budget After Modification	Paid or Charged	Reserved
Total Operations Within "CAPS"	\$ 1,944,080.00	\$ 1,884,080.00	\$ 1,420,867.95	\$ 463,212.05
Contingent	1,000.00	1,000.00		1,000.00
Total Operations including Contingent within "CAPS"	1,945,080.00	1,885,080.00	1,420,867.95	464,212.05
Detail:				
Salaries & Wages	729,897.00	679,897.00	564,060.06	115,836.94
Other Expenses (Including Contingent)	1,215,183.00	1,205,183.00	856,807.89	348,375.11
Deferred Charges and Statutory Expenditures -				
Statutory Expenditures:				
Contribution to:				
Public Employees' Retirement System	58,388.00	58,388.00	55,397.03	2,990.97
Social Security System (O.A.S.I.)	75,000.00	75,000.00	41,073.37	33,926.63
Defined Contribution Retirement System	1,625.00	1,625.00	483.58	1,141.42
Unemployment Compensation	6,000.00	6,000.00	5,372.92	627.08
Total Deferred Charges and Statutory Expenditures -				
Municipal Within "CAPS"	141,013.00	141,013.00	102,326.90	38,686.10
Total General Appropriations for Municipal Purposes Within "CAPS"	2,086,093.00	2,026,093.00	1,523,194.85	502,898.15
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:				
Recycling Tonnage Grant	4,253.37	4,253.37	4,253.37	
New Jersey Department of Transportation - Fredon-Anderson Hill Road	181,200.00	181,200.00	181,200.00	
Clean Communities Other Expenses Control (40A:4-87 + \$12,004.22)		12,004.22	12,004.22	
American Rescue Plan Act (40A:4-87 + \$165,376.31)		165,376.31	165,376.31	

TOWNSHIP OF FREDON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2021
(Continued)

	Appropriations		Expended By	
	Budget	Budget After Modification	Paid or Charged	Reserved
Total Operations Excluded from "CAPS"	\$ 213,593.37	\$ 390,973.90	\$ 362,833.90	\$ 28,140.00
Detail:				
Other Expenses	213,593.37	390,973.90	362,833.90	28,140.00
Capital Improvements - Excluded from "CAPS":				
Capital Improvement Fund	227,989.00	287,989.00	287,989.00	
Reserve for Acquisition of Land	100.00	100.00	100.00	
Reserve for Computer Equipment	5,000.00	5,000.00	5,000.00	
Reserve for Fire Apparatus	50,000.00	50,000.00	50,000.00	
Reserve Recreation Improvements	1,000.00	1,000.00	1,000.00	
Reserve Building Improvements	10,000.00	10,000.00	10,000.00	
Capital Outlay - Road Improvements	10,000.00	10,000.00	10,000.00	
Total Capital Improvements - Excluded from "CAPS"	304,089.00	364,089.00	364,089.00	
Total General Appropriations - Excluded from "CAPS"	517,682.37	755,062.90	726,922.90	28,140.00
Subtotal General Appropriations	2,603,775.37	2,781,155.90	2,250,117.75	531,038.15
Reserve for Uncollected Taxes	512,000.00	512,000.00	512,000.00	
Total General Appropriations	\$ 3,115,775.37	\$ 3,293,155.90	\$ 2,762,117.75	\$ 531,038.15

Ref:

A

TOWNSHIP OF FREDON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2021
(Continued)

	<u>Ref</u>	<u>Analysis of</u>	
		<u>Budget After</u>	<u>Paid or</u>
		<u>Modification</u>	<u>Charged</u>
Adopted Budget		\$ 3,115,775.37	
Appropriation by NJSA 40A:4-87		<u>177,380.53</u>	
		<u>\$ 3,293,155.90</u>	
Reserve for Uncollected Taxes			\$ 512,000.00
Encumbrances	A		53,631.89
Transfer to Appropriated Grant Reserves:			
Recycling Tonnage Grant			4,253.37
New Jersey Department of Transportation Grant -			
Fredon-Anderson Hill Road			181,200.00
Clean Communities			12,004.22
American Rescue Plan Act			165,376.31
Cash Disbursed			<u>1,862,325.26</u>
			2,790,791.05
Less: Appropriation Refunds			<u>28,673.30</u>
			<u>\$ 2,762,117.75</u>

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

TOWNSHIP OF FREDON
COUNTY OF SUSSEX
2021
TRUST FUNDS

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

		December 31,	
	Ref.	2021	2020
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents			
Treasurer	B-4	\$ 17,845.08	\$ 18,337.00
Due from State of New Jersey			3.00
		<u>17,845.08</u>	<u>18,340.00</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-4	555,846.86	411,991.91
Due from Current Fund	A		251,433.19
		<u>555,846.86</u>	<u>663,425.10</u>
Recreation Commission Trust Fund:			
Cash and Cash Equivalents	B-4	8,626.26	11,032.42
		<u>8,626.26</u>	<u>11,032.42</u>
TOTAL ASSETS		<u>\$ 582,318.20</u>	<u>\$ 692,797.52</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Animal Control Fund:			
Due to Current Fund	A	\$ 4,100.48	\$ 4,432.40
Due to State of New Jersey		3.60	
Reserve for Animal Control Expenditures	B-6	13,741.00	13,907.60
		<u>17,845.08</u>	<u>18,340.00</u>
Other Trust Funds:			
Due to General Capital Fund	C		75,000.00
Due to Current Fund		1.23	
Reserve for:			
Performance Bonds and Escrow		21,158.53	53,924.61
Open Space		28,576.14	28,561.77
Council on Affordable Housing		42,071.93	42,051.21
Storm Recovery		452,746.58	452,746.58
Accumulated Sick and Vacation Time		11,292.45	11,140.93
		<u>555,846.86</u>	<u>663,425.10</u>
Recreation Commission Trust Fund:			
Reserve for Recreation		8,626.26	11,032.42
		<u>8,626.26</u>	<u>11,032.42</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 582,318.20</u>	<u>\$ 692,797.52</u>

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, 2021

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, 2021

NOT APPLICABLE

ASSESSMENT TRUST FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2021

NOT APPLICABLE

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

TOWNSHIP OF FREDON
COUNTY OF SUSSEX
2021
GENERAL CAPITAL FUND

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

		December 31,	
	Ref.	2021	2020
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 534,189.84	\$ 9,101.45
Due from Other Trust Fund	B		75,000.00
Due from Current Fund	A		159,956.56
TOTAL ASSETS		<u>\$ 534,189.84</u>	<u>\$ 244,058.01</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Improvement Authorizations:			
Funded	C-5	\$ 374,555.21	\$ 136,778.21
Capital Improvement Fund	C-6	68,325.08	5,216.75
Reserve for:			
Purchase of Communication Equipment		3,000.00	9,000.00
Fire Department		10,000.00	10,000.00
Farmhouse Improvements		3,700.00	3,700.00
Acquisition of Land		3,400.00	3,300.00
Computer Equipment		22,765.00	17,765.00
Fire Apparatus		27,899.57	49,050.00
Recreation Improvements		10,000.00	9,000.00
Building Improvements		10,000.00	
Fund Balance	C-1	<u>544.98</u>	<u>248.05</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 534,189.84</u>	<u>\$ 244,058.01</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, 2020	C	\$	248.05
Increased by:			
Improvement Authorizations Cancelled			40,296.93
			<u>40,544.98</u>
Decreased by:			
Appropriated to Finance Improvement Authorizations			40,000.00
			<u>40,000.00</u>
Balance December 31, 2021	C	\$	<u><u>544.98</u></u>

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

TOWNSHIP OF FREDON
COUNTY OF SUSSEX
2021
GENERAL FIXED ASSETS ACCOUNT GROUP

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

	December 31,	
	2021	2020
<u>ASSETS</u>		
Land	\$ 140,700.00	\$ 140,700.00
Buildings	2,748,700.00	2,748,700.00
Equipment and Vehicles	3,348,168.22	3,298,872.22
TOTAL ASSETS	<u>\$ 6,237,568.22</u>	<u>\$ 6,188,272.22</u>
<u>RESERVES</u>		
Reserve for Fixed Assets	<u>\$ 6,237,568.22</u>	<u>\$ 6,188,272.22</u>
TOTAL RESERVES	<u>\$ 6,237,568.22</u>	<u>\$ 6,188,272.22</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, 2021

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, 2021
(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, 2021
(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 only funded deferred charges and no 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, 2021
(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, 2021
(Continued)

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

Summary of Municipal Debt (Cont'd)

	December 31,		
	2021	2020	2019
<u>Issued</u>			
General:			
Bonds, Loans and Notes			\$ 200,000.00
Net Bonds and Notes Issued and			
Authorized but not Issued	\$ -0-	\$ -0-	\$ 200,000.00

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 0.00%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 3,340,000.00	\$ 3,340,000.00	
	<u>\$ 3,340,000.00</u>	<u>\$ 3,340,000.00</u>	<u>\$ -0-</u>

Net Debt \$-0- divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended,
\$439,687,327 = 0.00%.

3-1/2% Average Equalized Valuation of Real Property	\$ 15,389,056.45
Net Debt	<u>-0-</u>
Remaining Borrowing Power	<u>\$ 15,389,056.45</u>

TOWNSHIP OF FREDON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(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 12/31/2019</u>	<u>Retirements</u>
Serial Bonds:		
General Capital Fund	<u>\$ 200,000.00</u>	<u>\$ 200,000.00</u>
	<u><u>\$ 200,000.00</u></u>	<u><u>\$ 200,000.00</u></u>

At December 31, 2021, the Township had no outstanding debt.

Note 3: Fund Balance Appropriated

As of the date of this report, the budget for 2021 has not been introduced. Thus, the amount of fund balance at December 31, 2020, which will be included in the Current Fund budget for the year ending December 31, 2021 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 annual financial statements which can be found at www.nj.gov/treasury/pensions/annual-reports.shtml.

TOWNSHIP OF FREDON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 5: Pension Plans (Cont'd)

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

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. The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to 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 will be paid by the employer in level annual payments over a period of 15 years beginning 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 \$55,397 for 2021.

The employee contribution rate was 7.50% effective July 1, 2018.

TOWNSHIP OF FREDON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 5: Pension Plans (Cont'd)

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

Pension Liabilities and Pension Expense

At June 30, 2020, the Township's liability was \$772,147 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 which was rolled forward to June 30, 2020. 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, 2020, the Township's proportion was 0.0047%, which was a decrease of 0.0002% from its proportion measured as of June 30, 2019. The Township has rolled forward the net pension liability to December 31, 2020 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, 2020 pension information in the Notes to the Financial Statements as the June 30, 2021 pension information has not been released as of the date of this audit.

For the year ended December 31, 2021, the Township recognized actual pension expense in the amount of \$55,397.

Actuarial Assumptions

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019 which was rolled forward to June 30, 2020. This actuarial valuation used the following actuarial assumptions:

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00 – 6.00% based on years of service
Thereafter	3.00 – 7.00% based on years of service
Investment Rate of Return	7.00%

TOWNSHIP OF FREDON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 5: Pension Plans (Cont'd)

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

Actuarial Assumptions (Cont'd)

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

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, 2020) 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, 2020 are summarized in the following table:

TOWNSHIP OF FREDON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 5: Pension Plans (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Market Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk Management Strategies	3.00%	3.40%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. 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 and the nonemployer contributing entity will be based upon 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

TOWNSHIP OF FREDON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 5: Pension Plans (Cont'd)

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

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, 2020 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, 2020		
	At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
Township's proportionate share of the Net Pension Liability	\$ 969,851	\$ 772,147	\$ 601,228

Pension Plan Fiduciary Net Position

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

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 \$483.58 for the year ended December 31, 2021. Employee contributions to DCRP amounted to \$1,255.66 for the year ended December 31, 2021.

TOWNSHIP OF FREDON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

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 \$7,422.25. 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 \$11,292.45 in a Reserve for Accumulated Sick and Vacation Time on the Other Trust Funds balance sheet at December 31, 2021.

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.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>Tax Rate</u>	\$ 2.991	\$ 2.975	\$ 2.938
<u>Apportionment of Tax Rate</u>			
Municipal	.434	.424	.424
County	.592	.580	.576
Regional High School	.962	.950	.919
Local School	1.003	1.021	1.019
<u>Assessed Valuations</u>			
2021	<u>\$ 435,738,400.00</u>		
2020		<u>\$ 434,945,400.00</u>	
2019			<u>\$ 435,681,469.00</u>

TOWNSHIP OF FREDON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 7: Selected Tax Information (Cont'd)

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>
2021	\$ 13,046,457.83	\$ 12,852,667.02	98.51%
2020	12,979,067.58	12,684,245.54	97.72%
2019	12,827,516.96	12,466,697.18	97.19%

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.

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.

TOWNSHIP OF FREDON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

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

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;
- (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;

TOWNSHIP OF FREDON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

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

Investments (Cont'd)

- (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.

As of December 31, 2021, cash and cash equivalents of the Township of Fredon consisted of the following:

<u>Fund</u>	<u>Cash on Hand</u>	<u>Checking Account</u>	<u>Total</u>
Current	\$ 150.00	\$ 4,762,857.32	\$ 4,763,007.32
Animal Control		17,845.08	17,845.08
Trust		555,846.86	555,846.86
Recreation		8,626.26	8,626.26
General Capital		534,189.84	534,189.84
	<u>\$ 150.00</u>	<u>\$ 5,879,365.36</u>	<u>\$ 5,879,515.36</u>

The carrying amount of the Township's cash and cash equivalents at year end was \$5,879,515.36 and the bank balance was \$5,898,178.21. As of December 31, 2020 the carrying amount of the Township's cash and cash equivalents was \$4,809,535.35 and the bank balance was \$4,823,879.05.

TOWNSHIP OF FREDON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

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, 2021 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, 2020, is as follows:

	<u>Statewide Insurance Fund</u>
Total Assets	<u>\$ 50,426,242</u>
Net Position	<u>\$ 17,737,333</u>
Total Revenue	<u>\$ 25,411,881</u>
Total Expenses	<u>\$ 22,716,618</u>
Change in Net Position	<u>\$ 2,695,263</u>
Members Dividends	<u>\$ -0-</u>

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

TOWNSHIP OF FREDON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 9: Risk Management (Cont'd)

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, 2021:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current	\$ 4,101.71	
Animal Control		\$ 4,100.48
Other Trust		1.23
	<u>\$ 4,101.71</u>	<u>\$ 4,101.71</u>

Most of the interfund receivable in the Current Fund is due to statutory excess in the Reserve for Animal Control Expenditures and interest earned in the Animal Control Fund. The interfund payable from the Other Trust Fund to the Current Fund is for interest earned that has not been yet turned over.

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, 2021.

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 \$405,100.

TOWNSHIP OF FREDON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

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, 2021, and 2020 the balances in the Open Space Trust Fund were \$28,576.14, and \$28,561.77, 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 years ended December 31, 2021 and 2020:

	Balance Dec. 31, 2019	Additions	Disposals	Balance Dec. 31, 2020
Land	\$ 140,700			\$ 140,700
Buildings	2,748,700			2,748,700
Equipment and Vehicles	3,203,680	\$ 95,192		3,298,872
	<u>\$ 6,093,080</u>	<u>\$ 95,192</u>	<u>\$ -0-</u>	<u>\$ 6,188,272</u>
	Balance Dec. 31, 2020	Additions	Disposals	Balance Dec. 31, 2021
Land	\$ 140,700			\$ 140,700
Buildings	2,748,700			2,748,700
Equipment and Vehicles	3,298,872	\$ 51,015		3,349,887
	<u>\$ 6,188,272</u>	<u>\$ 51,015</u>	<u>\$ -0-</u>	<u>\$ 6,239,287</u>

TOWNSHIP OF FREDON

SUPPLEMENTARY DATA

TOWNSHIP OF FREDON
SCHEDULE OF OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2021

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>
John Flora	Mayor		
Glenn Deitz	Vice Chairman		
Chris Nichols	Committeeperson		
Carl Lazarro	Committeeperson		
George Plock	Committeeperson		
Suzanne Boland	Clerk	\$ 1,000,000.00	(A)
Patrick Bailey	Chief Financial Officer	1,000,000.00	(A)
William Liverance	Treasurer	1,000,000.00	(A)
Kerri Womack	Tax Collector and Tax Search Officer	1,000,000.00	(A)
Kristen Umansky	Tax Assessor	1,000,000.00	(A)
Allison LaRocca	Zoning Officer	1,000,000.00	(A)
Harold E. Pellow	Engineer		
Robert McBriar	Attorney		

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

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

TOWNSHIP OF FREDON
COUNTY OF SUSSEX
2021
CURRENT FUND

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

	<u>Ref.</u>		
Balance December 31, 2020	A	\$	4,357,922.57
Increased by Receipts:			
Tax Collector	\$ 13,411,226.28		
Revenue Accounts Receivable	640,583.63		
Miscellaneous Revenue Not Anticipated	48,353.37		
Due to Animal Control Fund	4,433.20		
Appropriation Refunds	28,673.30		
Due from/to State of New Jersey:			
Veterans' and Senior Citizens' Deductions	23,250.00		
Marriage Licenses	625.00		
			<u>14,157,144.78</u>
			18,515,067.35
Decreased by Disbursements:			
2021 Budget Appropriations	1,862,325.26		
2020 Appropriation Reserves	189,770.92		
Tax Overpayments Refunded	7,087.16		
Third Party Liens Receivable	43,517.04		
Clean Communities Grant - Appropriated	4,596.08		
New Jersey Department of Transportation Grant -			
Fredon Anderson Hill Road	37,255.88		
Due to Other Trust Fund	251,433.19		
Due to General Capital Fund	259,956.56		
Due to State of New Jersey:			
Marriage License Fees	625.00		
Local School District Taxes	4,320,266.50		
Regional High School Taxes	4,195,746.00		
County Taxes	2,580,630.44		
			<u>13,753,210.03</u>
Balance December 31, 2021	A	\$	<u><u>4,761,857.32</u></u>

TOWNSHIP OF FREDON
CURRENT FUND
SCHEDULE OF CASH - COLLECTOR

	<u>Ref.</u>	
Balance December 31, 2020	A	\$ 1,000.00
Increased by Receipts:		
Taxes Receivable	\$ 12,939,811.23	
Interest and Costs on Taxes	128,241.63	
2022 Prepaid Taxes	68,350.64	
Tax Overpayments	16,728.78	
Third Party Lien Redemption	43,517.04	
Township Tax Title Lien Redemption	203,575.98	
Interest on Investments	500.98	
Tax Sale Premiums	10,500.00	
		<u>13,411,226.28</u>
		13,412,226.28
Decreased by:		
Disbursed to Municipal Treasurer		<u>13,411,226.28</u>
Balance December 31, 2021	A	<u>\$ 1,000.00</u>

TOWNSHIP OF FREDON
CURRENT FUND
SCHEDULE OF CASH - GRANT FUNDS
YEAR ENDED DECEMBER 31, 2021

NOT APPLICABLE

TOWNSHIP OF FREDON
CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance Dec. 31, 2020	2021 Levy	Collections		Overpayments Applied	State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Transferred to Tax Title Liens	Balance Dec. 31, 2021
2019									
2020	\$ 215,517.70			\$ 216,017.70	\$ 22,188.97	\$ (500.00)			
2021		\$ 13,046,457.83	\$ 82,759.18	12,723,793.53		23,925.34	\$ 1,579.17	\$ 9,475.49	\$ 182,736.15
	<u>\$ 215,517.70</u>	<u>\$ 13,046,457.83</u>	<u>\$ 82,759.18</u>	<u>\$ 12,939,811.23</u>	<u>\$ 22,188.97</u>	<u>\$ 23,425.34</u>	<u>\$ 1,579.17</u>	<u>\$ 9,475.49</u>	<u>\$ 182,736.15</u>
Ref.	A								
Analysis of 2021 Property Tax Levy:									
Tax Yield:									
General Purpose Tax									
Added and Omitted Taxes									
					\$ 13,032,936.16				
					13,521.67				
					<u>\$ 13,046,457.83</u>				
Tax Levy:									
Regional High School Taxes									
Local School District Taxes									
County Taxes									
Due County for Added and Omitted Taxes									
				\$ 2,572,932.28					
				2,675.93					
					2,575,608.21				
					11,141,869.21				
Local Tax for Municipal Purposes Levied									
Add: Additional Tax Levied									
Add: Rounding									
				1,892,265.00					
				10,845.74					
				1,477.88					
					1,904,588.62				
					\$ 13,046,457.83				

A

TOWNSHIP OF FREDON
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

	<u>Ref.</u>	
Balance December 31, 2020	A	\$ 276,625.90
Increased by:		
Transfer from Taxes Receivable	\$ 9,475.49	
Interest and Costs	<u>7,583.69</u>	
		<u>17,059.18</u>
		293,685.08
Decreased by:		
Tax Title Lien Redemptions		<u>203,575.98</u>
Balance December 31, 2021	A	<u><u>\$ 90,109.10</u></u>

TOWNSHIP OF FREDON
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2021

	Balance Dec. 31, 2020	Accrued In 2021	Collected By Treasurer	Balance Dec. 31, 2021
Clerk:				
Licenses:				
Alcoholic Beverages		\$ 6,167.00	\$ 6,167.00	
Fees and Permits		22,212.00	22,212.00	
Board of Health:				
Fees and Permits		2,470.00	2,470.00	
Joint Municipal Court:				
Fines and Costs		1,142.58	1,142.58	
Energy Receipts Tax		261,706.00	261,706.00	
Recycling Tonnage Grant Program		4,253.37	4,253.37	
Clean Communities Grant		12,004.22	12,004.22	
American Rescue Plan Act		165,376.31	165,376.31	
Garden State Preservation Trust		9,780.00	9,780.00	
New Jersey Department of Transportation Grant:				
Fredon-Springdale Road	\$ 41,340.09			\$ 41,340.09
Fredon-Greendale Road	36,250.00		31,781.42	4,468.58
Fredon-Anderson Hill Road		181,200.00	123,690.73	57,509.27
	<u>\$ 77,590.09</u>	<u>\$ 666,311.48</u>	<u>\$ 640,583.63</u>	<u>\$ 103,317.94</u>
	A			A

TOWNSHIP OF FREDON
CURRENT FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2021

NOT APPLICABLE

TOWNSHIP OF FREDON
CURRENT FUND
SCHEDULE OF 2020 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2021

	Balance Dec. 31, 2020	Balance After Modification	Paid or Charged	Balance Lapsed
GENERAL GOVERNMENT:				
Administrative and Executive:				
Committee:				
Other Expenses	\$ 3,908.50	\$ 3,908.50		\$ 3,908.50
Administration:				
Salaries & Wages	12,846.60	12,846.60		12,846.60
Other Expenses	11,656.40	11,656.40	\$ 54.04	11,602.36
Financial Administration:				
Salaries & Wages	16,387.76	16,387.76		16,387.76
Other Expenses	6,497.49	6,497.49	5,407.11	1,090.38
Audit Services:				
Other Expenses	27,250.00	27,250.00	26,831.00	419.00
Assessment of Taxes:				
Salaries & Wages	1,678.86	1,678.86		1,678.86
Other Expenses	18,584.84	18,584.84	11.40	18,573.44
Collection of Taxes:				
Salaries & Wages	11,277.59	11,277.59		11,277.59
Other Expenses	418.05	418.05		418.05
Legal Costs:				
Other Expenses	19,922.00	19,922.00	360.00	19,562.00
Engineering Services & Costs:				
Other Expenses	5,781.96	5,781.96	1,127.20	4,654.76
Public Buildings and Grounds:				
Salaries & Wages	14,757.19	14,757.19		14,757.19
Other Expenses	32,067.85	32,067.85	1,748.08	30,319.77
Municipal Land Use Law:				
Administrative Official - Code Enforcement:				
Salaries & Wages	8.92	8.92		8.92
Other Expenses	1,195.01	1,195.01		1,195.01
Planning Board:				
Salaries & Wages	6,733.00	6,733.00		6,733.00
Other Expenses	42,750.24	42,750.24	152.99	42,597.25
Environmental Commission:				
Salaries and Wages	761.88	761.88		761.88
Other Expenses	1,120.00	1,120.00		1,120.00
Insurance:				
Other Insurance Premiums	3,271.00	3,271.00	2,112.65	1,158.35
Workers Compensation Insurance	930.00	930.00		930.00
Employee Group Insurance	54,492.99	54,492.99		54,492.99
PUBLIC SAFETY:				
Fire Company for Dispatch Services	1,642.00	1,642.00		1,642.00
Emergency Management Services:				
Other Expenses	1,539.40	1,539.40	944.39	595.01
STREET & ROADS:				
Road Repairs and Maintenance:				
Salaries & Wages	144,468.34	44,468.34	2,325.60	42,142.74
Other Expenses	151,863.34	151,863.34	116,354.30	35,509.04

TOWNSHIP OF FREDON
CURRENT FUND
SCHEDULE OF 2020 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2021
(Continued)

	<u>Balance</u> <u>Dec. 31, 2020</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Community Services Act				
Other Expenses	\$ 15,000.00	\$ 15,000.00	\$ 3,973.88	\$ 11,026.12
HEALTH & WELFARE:				
Board of Health:				
Salaries & Wages	1,723.50	1,723.50		1,723.50
Other Expenses	700.00	700.00		700.00
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:				
Other Expenses - Contractual	4,982.00	4,982.00		4,982.00
RECREATION & EDUCATION:				
Recreation:				
Salaries & Wages	0.06	0.06		0.06
Other Expenses	12,243.82	12,243.82	11,100.00	1,143.82
Celebration of Public Events:				
Other Expense	5,328.17	5,328.17		5,328.17
UNCLASSIFIED:				
Trash Removal	12,196.26	12,196.26		12,196.26
Electricity	39,120.93	39,120.93	3,608.21	35,512.72
Contingent	1,000.00	1,000.00		1,000.00
Deferred Charges and Statutory Expenditures:				
Statutory Expenditures:				
Contributions to:				
Public Employees' Retirement System	9,998.37	9,998.37		9,998.37
Social Security System (O.A.S.I.)	33,076.01	33,076.01		33,076.01
Defined Contribution Retirement System	793.36	793.36		793.36
Unemployment Compensation Insurance	766.99	766.99	133.67	633.32
Operations Excluded from "CAPS":				
Capital Improvement Fund:		100,000.00	100,000.00	
Length of Service Awards Program:				
Fire Department (P.L. 1983, CH 516)	28,140.00	28,140.00	13,526.40	14,613.60
	<u>\$ 760,150.68</u>	<u>\$ 760,150.68</u>	<u>\$ 289,770.92</u>	<u>\$ 470,379.76</u>

Balance December 31, 2020:

Unencumbered	A	\$ 665,720.64
Encumbered	A	<u>94,430.04</u>
		<u>\$ 760,150.68</u>

Due to General Capital Fund	100,000.00
Cash Disbursed	<u>189,770.92</u>
Total	<u>\$ 289,770.92</u>

TOWNSHIP OF FREDON
CURRENT FUND
SCHEDULE OF LOCAL SCHOOL DISTRICT TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2021

Balance December 31, 2020	\$ 75,833.00
Increased by:	
Levy - Calendar Year 2021	4,370,515.00
	<u>4,446,348.00</u>
Decreased by:	
Payments to Local School District	4,320,266.50
	<u>4,320,266.50</u>
Balance December 31, 2021	<u>\$ 126,081.50</u>

CURRENT FUND
SCHEDULE OF REGIONAL HIGH SCHOOL DISTRICT TAXES PAYABLE/PREPAID
YEAR ENDED DECEMBER 31, 2021

Increased by:	
Levy - Calendar Year 2021	\$ 4,195,746.00
	<u>4,195,746.00</u>
Decreased by:	
Payments to Regional High School District	\$ 4,195,746.00
	<u>4,195,746.00</u>

TOWNSHIP OF FREDON
COUNTY OF SUSSEX
2021
TRUST FUNDS

TOWNSHIP OF FREDON
TRUST FUNDS
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Animal Control Fund</u>	<u>Other Trust Funds</u>	<u>Recreation Commission Trust</u>
Balance December 31, 2020	B	\$ 18,337.00	\$ 411,991.91	\$ 11,032.42
Increased by Receipts:				
Dog License Collector		\$ 9,891.00		
Interest Earned on Deposits		10.76	\$ 151.52	
Due from Current Fund:				
Prior Year Interfund Returned			251,433.19	
Due to Current Fund:				
Interest Earned			23.31	
Performance Bonds and Escrow Deposits			1,452.38	
Open Space:				
Interest Earned on Deposits			14.37	
Council on Affordable Housing:				
Interest Earned on Deposits			20.72	
Recreation:				
Interest Earned on Deposits				\$ 6.80
Deposits				11,000.00
		<u>9,901.76</u>	<u>253,095.49</u>	<u>11,006.80</u>
		28,238.76	665,087.40	22,039.22
Decreased by Disbursements:				
Administrative Expenses (R.S. 4:19-15.11)		4,869.08		
State Dog License Fees		1,091.40		
Due to Current Fund:				
Interest			22.08	
Prior Year Interfund Returned				
Due to General Capital Fund:				
Prior Year Interfund Returned			75,000.00	
Performance Bonds and Escrow Expenses			34,218.46	
Recreation Expenses				13,412.96
		<u>10,393.68</u>	<u>109,240.54</u>	<u>13,412.96</u>
Balance December 31, 2021	B	\$ 17,845.08	\$ 555,846.86	\$ 8,626.26

TOWNSHIP OF FREDON
ANIMAL CONTROL FUND
SCHEDULE OF CASH - ANIMAL CONTROL COLLECTOR
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Ref.</u>		
Balance December 31, 2020	B	\$	-0-
Increased by:			
Dog License Fees Collected		\$	6,958.00
State Dog License Fees			1,098.00
Other Fees			1,835.00
			<u>9,891.00</u>
			<u>9,891.00</u>
Decreased by:			
Payments to Treasurer:			
Township Dog License Fees			<u>9,891.00</u>
Balance December 31, 2021	B	\$	<u><u>-0-</u></u>

TOWNSHIP OF FREDON
ASSESSMENT TRUST FUND
ANALYSIS OF CASH
YEAR ENDED DECEMBER 31, 2021

NOT APPLICABLE

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

	<u>Ref.</u>		
Balance December 31, 2020	B		\$ 13,907.60
Increased by:			
Dog License Fees Collected	B-5	\$ 6,958.00	
Other Fees	B-5	<u>1,835.00</u>	
			<u>8,793.00</u>
			22,700.60
Decreased by:			
Expenditures Under R.S. 4:19-15.11:			
Cash Disbursements	B-4	4,869.08	
Statutory Excess Surplus Due to Current Fund		<u>4,090.52</u>	
			<u>8,959.60</u>
Balance December 31, 2021	B		<u><u>\$ 13,741.00</u></u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2019	\$ 6,881.00
2020	<u>6,860.00</u>
Maximum Allowable Reserve	<u><u>\$ 13,741.00</u></u>

TOWNSHIP OF FREDON
COUNTY OF SUSSEX
2021
GENERAL CAPITAL FUND

TOWNSHIP OF FREDON
GENERAL CAPITAL FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2020	C	\$ 9,101.45
Increased by:		
Due Current Fund:		
Interest Earned	\$ 145.65	
Interfund Returned	259,956.56	
Budget Appropriations:		
Capital Improvement Fund	287,989.00	
Reserve for Acquisition of Land	100.00	
Reserve for Computer Equipment	5,000.00	
Reserve for Fire Apparatus	50,000.00	
Reserve for Recreation Improvements	1,000.00	
Reserve for Building Improvements	<u>10,000.00</u>	
		<u>614,191.21</u>
		623,292.66
Decreased by:		
Due to Current Fund	145.65	
Improvement Authorization Expenditures	<u>88,957.17</u>	
		<u>89,102.82</u>
Balance December 31, 2021	C	<u>\$ 534,189.84</u>

TOWNSHIP OF FREDON
GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED
FOR THE YEAR ENDED DECEMBER 31, 2021

NOT APPLICABLE

TOWNSHIP OF FREDON
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance		Balance December 31, 2020		2021 Authorizations Funded by Various Sources		Paid or Charged	Improvement Authorizations Cancelled	Balance December 31, 2021	
		Date	Amount	Funded		Funded by Various Sources				Funded	
07-08	Civic Center Improvements	04/25/08	107,373.36	\$ 16,493.11						\$	16,493.11
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		
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	3,013.82					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	1,247.00					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	9,139.89	\$	66,000.00			75,139.89		
03-20	Various Capital Improvements	07/09/20	418,815.00	51,879.84			\$ 12,561.26				39,318.58
01-21	FVFC Response Vehicle	01/25/21	53,500.00			53,500.00	45,764.78				7,735.22
07-21	Anderson Hill Road	07/08/21	317,989.00			317,989.00	6,980.70				311,008.30
10-21	Pierce Fire Engine	11/08/21	23,653.74			23,653.74	23,650.43		3.31		
				\$ 136,778.21	\$	461,142.74	\$ 88,957.17		\$ 134,408.57	\$	374,555.21
				C		C		C			
				Ref.							
				Capital Improvement Fund		\$ 343,989.00		\$ 19,108.33		Capital Improvement Fund	
				Reserve for Purchase of Communication Equipment		6,000.00		3.31		Reserve for Fire Apparatus	
				Reserve for Fire Apparatus		71,153.74		75,000.00		Due to Other Trust Funds	
				Fund Balance		40,000.00		40,296.93		Fund Balance	
				\$ 461,142.74				\$ 134,408.57			

TOWNSHIP OF FREDON
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>		
Balance December 31, 2020	C	\$	5,216.75
Increased by:			
2020 Appropriation Reserves		\$	100,000.00
2021 Budget Appropriation			287,989.00
Improvement Authoriations Cancelled			19,108.33
			<u>407,097.33</u>
			412,314.08
Decreased by:			
Appropriated to Fund Improvement Authorizations			<u>343,989.00</u>
Balance December 31, 2021	C	\$	<u><u>68,325.08</u></u>

TOWNSHIP OF FREDON
GENERAL CAPITAL FUND
SCHEDULE OF BONDS ANTICIPATION NOTES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2021

NOT APPLICABLE

TOWNSHIP OF FREDON
GENERAL CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2021

NOT APPLICABLE

TOWNSHIP OF FREDON
GENERAL CAPITAL FUND
SCHEDULE OF GREEN ACRES LOAN PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2021

NOT APPLICABLE

TOWNSHIP OF FREDON
GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
FOR THE YEAR ENDED DECEMBER 31, 2021

NOT APPLICABLE

TOWNSHIP OF FREDON

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2021

TOWNSHIP OF FREDON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2021

Name of Federal Agency or Department/Cluster Title	Name of Program	Assistance Listing 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 Treasury (Passed through New Jersey Department of Community Affairs)	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	100-022-8030-687-046010	3/3/21	12/31/24	\$ 165,376.31	\$ 165,376.31			
	COVID-19 - Coronavirus Relief Fund: Local Government Emergency Fund	21.019	100-066-1200-C80-066290	3/1/20	12/31/21	17,560.73	\$ 17,560.73	\$ 17,560.73	\$ 17,560.73	
Total U.S. Department of Treasury							182,937.04	17,560.73	17,560.73	
TOTAL FEDERAL AWARDS							\$ 182,937.04	\$ 17,560.73	\$ 17,560.73	\$ -0-

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

SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 1899

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	01/01/19	12/31/22	\$ 12,518.71			\$ 10,350.79
		765-042-4900-004-178910	01/01/20	12/31/22	11,286.28		\$ 1,064.32	1,064.32
		765-042-4900-004-178910	01/01/21	12/31/22	12,004.22	\$ 12,004.22	3,531.76	3,531.76
					12,004.22	4,596.08	14,946.87	
Total Department of Environmental Protection	Recycling Tonnage Grant	100-042-4910-224-238490	01/01/20	12/31/22	4,253.37			
					4,253.37			
					16,257.59		4,596.08	14,946.87
	Department of Transportation	Greendale Road Anderson-Hill Road	480-078-6320-AN8-6320 480-078-6320-AOP-6320	01/01/20	12/31/22	145,000.00	\$ 31,781.42	
181,200.00						123,690.73	37,255.88	37,255.88
						155,472.15	37,255.88	37,255.88
Total U.S. Department of Transportation								
TOTAL STATE AWARDS					\$ 171,729.74	\$ 41,851.96	\$ 52,202.75	

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, 2021

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, 2021. 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.

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, 2021 and 2020, and the related notes to the financial statements, and have issued our report thereon dated April 6, 2022. 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.

Report On 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) as a basis for determining 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 identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as Finding 2021-001 that we consider to be a significant deficiency.

Report On 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 financial statements. 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

Government Auditing Standards requires the auditor to perform limited procedures on the Township's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The Township's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

April 6, 2022
Mount Arlington, New Jersey

NISIVOCIA LLP

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

TOWNSHIP OF FREDON
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2021

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 2021 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 2021-001:

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 perpetuate errors 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, 2021
(Continued)

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

Finding 2021-001:

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, 2021

The finding 2020-001 included in the December 31, 2020 audit report regarding segregation of duties has not been resolved due to budgetary constraints and is included as Finding 2021-001 in the December 31, 2021 audit report.

TOWNSHIP OF FREDON

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2021

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, 2020 and thereafter, the bid thresholds in accordance with N.J.S.A. 40A:11-3 are \$17,500 for a contracting unit without a qualified purchasing agent and \$44,000 for a contracting unit with a qualified purchasing agent.

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, 2021, 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, 2021 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>
2021	6
2020	9
2019	14

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 2022 and 2021 Taxes	20
Delinquent Taxes Receivable	15
Tax Title Liens Receivable	2

Verification notices were mailed to confirm balances receivable as of December 31, 2021. 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.

TOWNSHIP OF FREDON
COMMENTS AND RECOMMENDATIONS
(Continued)

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.

Management Suggestions

Governmental Accounting Standards Board (GASB) Statements

GASB Statement No. 87, Leases, is effective for the year ended December 31, 2022. Previously leases were either categorized as capital leases or operating leases. This statement will likely affect most leases formerly classified as operating leases. There will be required disclosures for leases for which the Township is either a lessee or a lessor although there will be no impact on the actual financial statements. It is likely that a lease software or similar spreadsheets will need to be utilized to perform the various calculations necessary to implement this standard.

COVID-19 Federal Funding

It is possible that the Township will undergo some review of its COVID-19 funding by the federal government. We strongly suggest that the Township ensures that these funds are utilized in accordance with the applicable federal requirements especially with respect to procurement. Additionally, we strongly suggest that the Township ensures that these funds are separately accounted for in the Township's accounting records and that any applicable Township policies are current with respect to federal grant requirements.

Because of the nature of these funds, being new programs, generally of a significant dollar amount, and some of which may be expended over a period of years, they may be subject to federal or state audit several years from now. It is important that the grant files maintained by local governments be complete, self-explanatory, and fully document the program(s) undertaken as part of the funding.

Status of Prior Year Recommendations

Recommendation #1 included in the December 31, 2020 audit report regarding segregation of duties has not been resolved and is included in the December 31, 2021 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.

* * * * *