

*TOWNSHIP OF FREDON*

*COUNTY OF SUSSEX*

*REPORT OF AUDIT*

*2013*

*NISIVOCCIA LLP*  
*CERTIFIED PUBLIC ACCOUNTANTS*

TOWNSHIP OF FREDON  
COUNTY OF SUSSEX  
REPORT OF AUDIT  
2013

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TOWNSHIP OF FREDON

PART I

FINANCIAL STATEMENTS AND

SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2013



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## Independent Auditors' Report

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

### **Report on the Financial Statements**

We have audited the financial statements – *regulatory basis* - of the various funds of the Township of Fredon, in the County of Sussex (the "Township") as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey. 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.

#### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for the Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly in accordance with accounting principles generally accepted in the United States of America the financial position of each fund of the Township as of December 31, 2013 and 2012, or the changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the various funds of the Township of Fredon as of December 31, 2013 and 2012, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the years then ended on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as described in Note 1.

***Other Matters***

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements of the various funds that collectively comprise the Township's financial statements. The supplementary data schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*; and New Jersey's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the financial statements.

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

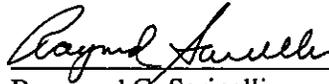
The Honorable Mayor and Members  
of the Township Committee  
Township of Fredon  
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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2014 on our consideration of the Township of Fredon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 of Fredon's internal control over financial reporting and compliance.

Mount Arlington, New Jersey  
March 6, 2014

NISIVOCCIA LLP



Raymond G. Sarinelli  
Certified Public Accountant  
Registered Municipal Accountant No. 383

TOWNSHIP OF FREDON  
COUNTY OF SUSSEX  
2013  
CURRENT FUND

TOWNSHIP OF FREDON  
CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2013	2012
<u>ASSETS</u>			
Cash and Cash Equivalents:			
Treasurer	A-4	\$ 2,618,565.77	\$ 2,229,390.65
Collector	A-5	1,000.00	1,000.00
Petty Cash		150.00	150.00
Total Cash and Cash Equivalents		<u>2,619,715.77</u>	<u>2,230,540.65</u>
Due From State of New Jersey			
Senior Citizens' and Veterans' Deductions		14,633.59	6,086.94
		<u>2,634,349.36</u>	<u>2,236,627.59</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	372,807.49	481,073.80
Tax Title Liens Receivable	A-8	123,763.58	47,766.33
Property Acquired for Taxes at Assessed Valuation		4,400.00	4,400.00
Total Receivables and Other Assets With Full Reserves	A	<u>500,971.07</u>	<u>533,240.13</u>
<u>TOTAL ASSETS</u>		<u>\$ 3,135,320.43</u>	<u>\$ 2,769,867.72</u>

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

	Ref.	December 31,	
		2013	2012
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Appropriation Reserves:			
Unencumbered	A-3;A-11	\$ 336,165.76	\$ 384,427.48
Encumbered	A-3;A-11	2,790.33	10,907.95
		<u>338,956.09</u>	<u>395,335.43</u>
Prepaid Taxes		44,005.57	56,084.56
Tax Overpayments			734.95
Accounts Payable - Vendors		70,000.00	70,000.00
Due to:			
State of New Jersey:			
Marriage License Fees		100.00	50.00
County of Sussex:			
Added and Omitted Taxes		1,505.93	1,167.54
General Capital Fund	C	422,430.35	272,463.86
Open Space Trust	B	58.11	46.55
Reserve for:			
Pending Tax Appeals		180,000.00	30,000.00
Third Party Liens		25,981.19	20,345.49
Premiums on Tax Sale		159,900.00	98,400.00
Revaluation		38,221.00	38,221.00
Planning, Comprehensive Development		4,516.25	4,516.25
Sale of Municipal Assets		75,800.00	75,800.00
Recycling Tonnage - Unappropriated		8,827.98	6,194.87
Garden State Preservation Trust Fund			6,351.00
		<u>1,370,302.47</u>	<u>1,075,711.50</u>
Reserve for Receivables and Other Assets	A	500,971.07	533,240.13
Fund Balance	A-1	<u>1,264,046.89</u>	<u>1,160,916.09</u>
		<u>\$ 3,135,320.43</u>	<u>\$ 2,769,867.72</u>

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

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

	<u>Ref.</u>	<u>Year Ended December 31,</u>	
		<u>2013</u>	<u>2012</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 516,624.00	\$ 523,742.00
Miscellaneous Revenue Anticipated		291,029.11	289,061.42
Receipts from:			
Delinquent Taxes		432,910.12	296,474.57
Current Taxes		11,398,149.72	10,874,571.25
Nonbudget Revenue		232,329.72	184,779.12
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		295,205.23	325,651.34
<b>Total Income</b>		<b>13,166,247.90</b>	<b>12,494,279.70</b>
<u>Expenditures</u>			
Budget and Emergency Appropriations:			
Municipal Purposes		2,248,184.04	2,217,902.68
County Taxes		2,313,823.50	2,172,900.69
Local School District Taxes		4,504,361.00	4,420,188.50
Regional High School Taxes		3,308,038.00	3,148,556.67
Municipal Open Space Taxes		22,086.56	22,341.01
Reserve for Pending Tax Appeals		150,000.00	54,015.38
<b>Total Expenditures</b>		<b>12,546,493.10</b>	<b>12,035,904.93</b>
Statutory Excess to Fund Balance		619,754.80	458,374.77
<u>Fund Balance</u>			
Balance January 1	A	1,160,916.09	1,226,283.32
		1,780,670.89	1,684,658.09
Decreased by:			
Utilized as Anticipated Revenue		516,624.00	523,742.00
Balance December 31	A	<b>\$ 1,264,046.89</b>	<b>\$ 1,160,916.09</b>

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, 2013

	Budget	Added by NJSA 40A:4-87	Realized	Excess or Deficit *
Fund Balance Anticipated	\$ 516,624.00		\$ 516,624.00	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	\$ 2,000.00		\$ 12,400.00	\$ 10,400.00
Energy Receipt Taxes	246,744.00		251,966.20	5,222.20
Consolidated Municipal Property Tax Relief Act	14,962.00		9,740.00	5,222.00 *
Reserve for Garden State Preservation Trust Fund	6,351.00		6,351.00	
Clean Communities Program		\$ 10,571.91	10,571.91	
	<u>270,057.00</u>	<u>10,571.91</u>	<u>291,029.11</u>	<u>10,400.20</u>
Receipts from Delinquent Taxes	120,000.00		432,910.12	312,910.12
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	<u>1,652,319.00</u>		<u>1,571,227.66</u>	<u>81,091.34 *</u>
Budget Totals	2,559,000.00	10,571.91	2,811,790.89	242,218.98
Nonbudget Revenue			232,329.72	232,329.72
	<u>\$ 2,559,000.00</u>	<u>\$ 10,571.91</u>	<u>\$ 3,044,120.61</u>	<u>\$ 474,548.70</u>

TOWNSHIP OF FREDON  
CURRENT FUND  
STATEMENT OF REVENUE - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2013  
(continued)

Analysis of Realized Revenue

Allocation of Current Tax Collections:		
Revenue from Collections of Current Taxes		\$ 11,398,149.72
Allocated to:		
Local School District Taxes	\$ 4,504,361.00	
Regional High School Taxes	3,308,038.00	
County Taxes	2,313,823.50	
Municipal Open Space Taxes	<u>22,086.56</u>	
		<u>10,148,309.06</u>
Balance for Support of Municipal Budget Appropriations		1,249,840.66
Add: Appropriation "Reserve for Uncollected Taxes"		<u>321,387.00</u>
Realized for Support of Municipal Budget		<u><u>\$ 1,571,227.66</u></u>

Receipts from Delinquent Taxes:

Delinquent Tax Collections		\$ 426,080.35
Tax Title Lien Collections		<u>6,829.77</u>
		<u><u>\$ 432,910.12</u></u>

Analysis of Nonbudget Revenue:

Revenue Accounts Receivable:		
Board of Health Fees and Permits	\$ 1,765.00	
Clerk - Other Fees and Permits	2,186.00	
Joint Municipal Court Fines and Costs	<u>8,283.77</u>	
		\$ 12,234.77
Treasurer:		
Interest on Investments and Deposits	\$ 774.19	
Vendor Refunds	26,119.30	
Gym Fees	1,075.27	
Cable Franchise Fee	10,345.00	
FEMA Reimbursements	48,867.34	
Other Miscellaneous	<u>31,974.11</u>	
		119,155.21

TOWNSHIP OF FREDON  
CURRENT FUND  
STATEMENT OF REVENUE - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2013  
(continued)

Analysis of Nonbudget Revenue (continued):

Tax Collector:

Interest and Costs on Taxes	\$ 92,560.46	
Interest on Investments	302.69	
Miscellaneous	<u>8,043.08</u>	
		\$ 100,906.23

Due From General Capital Fund:

Interest on Investments		<u>33.51</u>
		<u>\$ 232,329.72</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, 2013

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
<b>GENERAL GOVERNMENT:</b>					
Administrative and Executive:					
Committee:					
Salaries & Wages	\$ 14,600.00	\$ 14,600.00	\$ 14,444.45	\$ 155.55	
Other Expenses	5,825.00	5,825.00	2,745.29	3,079.71	
Administration:					
Salaries & Wages	97,742.00	97,742.00	97,642.00	100.00	
Other Expenses	25,345.00	25,345.00	12,400.50	12,944.50	
Financial Administration:					
Salaries & Wages	56,765.00	57,215.00	56,910.65	304.35	
Other Expenses	8,525.00	8,075.00	6,359.87	1,715.13	
Audit Services:					
Other Expenses	23,077.00	23,077.00		23,077.00	
Systems Coordinator:					
Salaries & Wages	4,735.00	4,735.00	4,735.00		
Assessment of Taxes:					
Salaries & Wages	17,446.00	17,446.00	16,052.01	1,393.99	
Other Expenses	20,900.00	8,900.00	2,578.23	6,321.77	
Collection of Taxes:					
Salaries & Wages	34,121.00	34,121.00	33,306.90	814.10	
Other Expenses	6,000.00	6,000.00	4,732.25	1,267.75	
Legal Costs:					
Other Expenses	25,250.00	25,250.00	24,306.00	944.00	
Joint Municipal Court:					
Salaries & Wages	34,528.00	34,528.00	15,754.53	18,773.47	
Other Expenses	17,799.00	17,799.00	10,480.24	7,318.76	

TOWNSHIP OF FREDON  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
GENERAL GOVERNMENT (continued):					
Engineering Services and Costs:					
Other Expenses	\$ 12,975.00	\$ 12,975.00	\$ 5,546.50	\$ 7,428.50	
Public Buildings & Grounds:					
Salaries and Wages	29,478.00	29,478.00	21,108.85	8,369.15	
Other Expenses - Miscellaneous	53,800.00	65,800.00	63,100.80	2,699.20	
Municipal Land Use Law (N.J.S.A. 40:55D-1):					
Administrative Official - Code Enforcement:					
Salaries & Wages	16,659.00	16,659.00	14,658.96	2,000.04	
Other Expenses	1,450.00	1,450.00		1,450.00	
Planning Board:					
Salaries & Wages	10,539.00	10,539.00	6,610.70	3,928.30	
Other Expenses	33,100.00	33,100.00	24,370.21	8,729.79	
Board of Adjustment:					
Salaries & Wages	4,077.00	4,077.00	2,151.32	1,925.68	
Other Expenses	11,975.00	11,975.00	11,007.68	967.32	
Environmental Commission:					
Salaries & Wages	1,655.00	1,655.00	1,105.00	550.00	
Other Expenses	1,120.00	1,120.00	425.00	695.00	
Insurance (NJSA 40A:4-45.3(00)):					
Other Insurance Premiums	54,250.00	54,250.00	54,236.00	14.00	
Workers Compensation Insurance	22,300.00	22,300.00	22,176.00	124.00	
Employee Group Insurance	130,838.00	130,838.00	103,421.31	27,416.69	
PUBLIC SAFETY:					
Aid to Volunteer Fire Company	41,935.00	41,935.00	41,935.00		
Fire Company for Dispatch Services	33,004.00	33,004.00	33,004.00		
Fire Department:					
Other Expenses - Equipment	24,050.00	24,050.00	21,825.83	2,224.17	
Emergency Management Service:					
Other Expenses	2,000.00	2,000.00	1,553.95	446.05	
Fire Department (P.L. 1983, Ch.516):					
OSHA Required Turnout Gear	9,350.00	9,350.00	9,210.40	139.60	

TOWNSHIP OF FREDON  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
<b>STREET &amp; ROADS:</b>					
Road Repairs and Maintenance:					
Salaries & Wages	\$ 280,517.00	\$ 280,517.00	\$ 243,776.95	\$ 36,740.05	
Other Expenses	281,547.00	281,547.00	248,997.06	32,549.94	
Other Expenses - Commercial Driver Licenses	1,500.00	1,500.00	247.50	1,252.50	
Community Services Act:					
Other Expenses	11,546.00	11,546.00		11,546.00	
<b>HEALTH &amp; WELFARE:</b>					
Board of Health:					
Salaries & Wages	3,735.00	3,735.00	3,577.96	157.04	
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:					
Salaries & Wages	3,675.00	3,675.00	2,785.00	890.00	
Other Expenses - Contractual	7,912.00	7,912.00	320.80	7,591.20	
<b>RECREATION &amp; EDUCATION :</b>					
Recreation:					
Salaries & Wages	1,379.00	1,379.00	1,379.00		
Other Expenses	16,200.00	16,200.00	14,943.19	1,256.81	
Celebration of Public Events:					
Other Expenses	5,500.00	5,500.00	2,950.00	2,550.00	
Contributions to Senior Citizens Center (N.J.S.A. 40:48-9.4)					
	250.00	250.00		250.00	
<b>UNCLASSIFIED:</b>					
Trash Removal	81,672.00	81,672.00	72,440.92	9,231.08	
Electricity	37,350.00	37,350.00	20,256.28	17,093.72	
Telephone	9,900.00	9,900.00	8,501.24	1,398.76	
Gas	29,125.00	29,125.00	23,046.66	6,078.34	
Fuel Oil	500.00	500.00		500.00	
<b>Total Operations Within "CAPS"</b>	<b>1,661,491.00</b>	<b>1,661,491.00</b>	<b>1,383,117.99</b>	<b>278,373.01</b>	

TOWNSHIP OF FREDON  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Contingent	\$ 1,000.00	\$ 1,000.00		\$ 1,000.00	
Total Operations including Contingent within "CAPS"	1,662,491.00	1,662,491.00	\$ 1,383,117.99	279,373.01	
Detail:					
Salaries & Wages	611,651.00	612,101.00	535,999.28	76,101.72	
Other Expenses (Including Contingent)	1,050,840.00	1,050,390.00	847,118.71	203,271.29	
Deferred Charges and Statutory Expenditures - Statutory Expenditures:					
Contribution to:					
Public Employees' Retirement System	57,111.00	57,111.00	57,111.00		
Social Security System (O.A.S.I.)	64,277.00	64,277.00	39,923.23	24,353.77	
Unemployment Compensation	3,508.00	3,508.00	2,718.35	789.65	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	124,896.00	124,896.00	99,752.58	25,143.42	
Total General Appropriations for Municipal Purposes Within "CAPS"	1,787,387.00	1,787,387.00	1,482,870.57	304,516.43	
Operations Excluded from "CAPS":					
Length of Service Awards Program:					
Fire Department (P.L. 1983, CH 516)	25,125.00	25,125.00		25,125.00	
Employees Group Insurance	6,524.00	6,524.00		6,524.00	
Public and Private Programs Offset by Revenues Clean Communities Grants (N.J.S.A. 40A:4-87 + \$10,571.91)		10,571.91	10,571.58	0.33	
Total Operations Excluded from "CAPS"	31,649.00	42,220.91	10,571.58	31,649.33	
Detail:					
Other Expenses	31,649.00	42,220.91	10,571.58	31,649.33	

TOWNSHIP OF FREDON  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Capital Improvements - Excluded form "CAPS":					
Capital Improvement Fund	\$ 118,429.00	\$ 118,429.00	\$ 118,429.00		
Reserve for Acquisition of Land	100.00	100.00	100.00		
Reserve for Computer Equipment	10,000.00	10,000.00	10,000.00		
<b>Total Capital Improvements - Excluded from "CAPS"</b>	<b>128,529.00</b>	<b>128,529.00</b>	<b>128,529.00</b>		
Municipal Debt Service - Excluded from "CAPS":					
Payment of Bond Principal	150,000.00	150,000.00	150,000.00		
Interest on Bonds	53,438.00	53,438.00	53,437.50		\$ 0.50
Green Acres Trust Fund Loan Repayment for Principal and Interest	14,310.00	14,310.00	14,309.63		0.37
<b>Total Municipal Debt Service - Excluded from "CAPS"</b>	<b>217,748.00</b>	<b>217,748.00</b>	<b>217,747.13</b>		<b>0.87</b>
Deferred Charges - Municipal - Excluded from "CAPS":					
Deferred Charges to Future Taxation Unfunded:					
Various Capital Improvements	45,800.00	45,800.00	45,800.00		
Construction of Gymnasium	26,500.00	26,500.00	26,500.00		
<b>Total Deferred Charges - Municipal - Excluded from "CAPS":</b>	<b>72,300.00</b>	<b>72,300.00</b>	<b>72,300.00</b>		
<b>Total General Appropriations - Excluded from "CAPS"</b>	<b>450,226.00</b>	<b>460,797.91</b>	<b>429,147.71</b>	<b>\$ 31,649.33</b>	<b>0.87</b>
Subtotal General Appropriations	2,237,613.00	2,248,184.91	1,912,018.28	336,165.76	0.87
Reserve for Uncollected Taxes	321,387.00	321,387.00	321,387.00		
<b>Total General Appropriations</b>	<b>\$ 2,559,000.00</b>	<b>\$ 2,569,571.91</b>	<b>\$ 2,233,405.28</b>	<b>\$ 336,165.76</b>	<b>\$ 0.87</b>

Ref:

A

TOWNSHIP OF FREDON  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

		Analysis of	
	Ref	Budget After Modification	Paid or Charged
Adopted Budget		\$ 2,559,000.00	
Appropriation by NJSA 40A:4-87		10,571.91	
		\$ 2,569,571.91	
Reserve for Uncollected Taxes			\$ 321,387.00
Encumbrances	A		2,790.33
Cash Disbursed			1,909,227.95
			\$ 2,233,405.28

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

TOWNSHIP OF FREDON  
COUNTY OF SUSSEX  
2013  
TRUST FUNDS

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

	<u>Ref.</u>	<u>December 31,</u>	
		<u>2013</u>	<u>2012</u>
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents			
Treasurer	B-4	\$ 9,823.72	\$ 12,055.37
		<u>9,823.72</u>	<u>12,055.37</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-4	222,927.20	210,581.30
Due from Current Fund - Open Space	A	58.11	46.55
		<u>222,985.31</u>	<u>210,627.85</u>
Recreation Commission Trust Fund:			
Cash and Cash Equivalents	B-4	11,404.65	27,419.08
		<u>11,404.65</u>	<u>27,419.08</u>
<b>TOTAL ASSETS</b>		<u>\$ 244,213.68</u>	<u>\$ 250,102.30</u>

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

	Ref.	December 31,	
		2013	2012
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Animal Control Fund:			
Reserve for Animal Control Expenditures	B-6	\$ 9,823.72	\$ 12,055.37
		<u>9,823.72</u>	<u>12,055.37</u>
Other Trust Funds:			
Reserve for:			
Performance Bonds and Escrow		56,271.58	53,826.05
Open Space		41,598.85	31,749.47
Council on Affordable Housing		19,584.70	19,574.91
Snow Removal		100,000.00	100,000.00
Accumulated Sick and Vacation Time		5,530.18	5,477.42
		<u>222,985.31</u>	<u>210,627.85</u>
Recreation Commission Trust Fund:			
Reserve for Recreation		11,404.65	27,419.08
		<u>11,404.65</u>	<u>27,419.08</u>
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>		<u>\$ 244,213.68</u>	<u>\$ 250,102.30</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, 2013

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, 2013

NOT APPLICABLE

ASSESSMENT TRUST FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2013

NOT APPLICABLE

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

TOWNSHIP OF FREDON  
COUNTY OF SUSSEX  
2013  
GENERAL CAPITAL FUND

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

	Ref.	December 31,	
		2013	2012
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 422,004.16	\$ 35,665.02
Deferred Charges to Future Taxation:			
Funded		1,293,197.76	1,456,961.42
Unfunded	C-4	48,451.00	120,751.00
Due from State of New Jersey - Department of Transportation Grant		97,253.40	247,253.40
Due from PSE&G		135,000.00	
Due from Current Fund	A	422,430.35	272,463.86
<b>TOTAL ASSETS</b>		<u>\$ 2,418,336.67</u>	<u>\$ 2,133,094.70</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Serial Bonds Payable	C-8	\$ 1,275,000.00	\$ 1,425,000.00
Green Acres Trust Loan Payable	C-9	18,197.76	31,961.42
Improvement Authorizations:			
Funded	C-5	835,361.43	415,009.80
Capital Improvement Fund	C-6	189,680.22	156,126.22
Reserve for:			
Purchase of Communication Equipment		9,000.00	9,000.00
Fire Department		10,000.00	10,000.00
Farmhouse Improvements		3,700.00	3,700.00
Acquisition of Land		2,600.00	2,500.00
Computer Equipment			5,000.00
Fund Balance	C-1	74,797.26	74,797.26
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>		<u>\$ 2,418,336.67</u>	<u>\$ 2,133,094.70</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, 2012	C	<u>\$ 74,797.26</u>
Balance December 31, 2013	C	<u><u>\$ 74,797.26</u></u>

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

TOWNSHIP OF FREDON  
COUNTY OF SUSSEX  
2013  
WATER UTILITY FUND

NOT APPLICABLE

TOWNSHIP OF FREDON  
COUNTY OF SUSSEX  
2013  
SEWER UTILITY FUND

NOT APPLICABLE

TOWNSHIP OF FREDON  
COUNTY OF SUSSEX  
2013  
PUBLIC ASSISTANCE FUND

NOT APPLICABLE

TOWNSHIP OF FREDON  
COUNTY OF SUSSEX  
2013  
BOND AND INTEREST FUND

NOT APPLICABLE

TOWNSHIP OF FREDON  
COUNTY OF SUSSEX  
2013  
GENERAL FIXED ASSETS ACCOUNT GROUP

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

	December 31,	
	2013	2012
<u>ASSETS</u>		
Land	\$ 140,700.00	\$ 140,700.00
Buildings	2,748,700.00	2,748,700.00
Equipment and Vehicles	2,343,051.00	2,335,211.00
 TOTAL ASSETS	 \$ 5,232,451.00	 \$ 5,224,611.00
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Reserve for Fixed Assets	\$ 5,232,451.00	\$ 5,224,611.00
 TOTAL LIABILITIES, RESERVES AND FUND BALANCE	 \$ 5,232,451.00	 \$ 5,224,611.00

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

TOWNSHIP OF FREDON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2013

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. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate tax-exempt entities that meet specific criteria (i.e., benefit of economic resources, access/entitlement to resources, and significance) should be included in the financial reporting entities. 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.

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.

TOWNSHIP OF FREDON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

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

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.

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; and inventories would not be reflected as expenditures at the time of purchase.

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

TOWNSHIP OF FREDON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

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

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

E. Other Significant Accounting Policies Include:

Management Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

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

Investments - Investments are stated at cost or amortized cost, which approximates market.

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.

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.

TOWNSHIP OF FREDON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

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

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

General Fixed Assets - In accordance with Technical Accounting Directive No. 85-2, Accounting for Governmental Fixed Assets, 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. Capital 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, 2013  
(Continued)

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

Summary of Municipal Debt

	December 31,		
	2013	2012	2011
<u>Issued</u>			
General:			
Bonds, Loans and Notes	\$ 1,293,197.76	\$ 1,456,961.42	\$ 1,625,337.85
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	48,451.00	120,751.00	193,051.00
 Net Bonds and Notes Issued and Authorized but not Issued	 <u>\$ 1,341,648.76</u>	 <u>\$ 1,577,712.42</u>	 <u>\$ 1,818,388.85</u>

Summary of Statutory Debt Condition – Annual Debt Statement

The summarized statement of debt condition, which follows, is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.284%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 5,129,382.50	\$ 5,129,382.50	
General Debt	1,341,648.76		\$ 1,341,648.76
	<u>\$ 6,471,031.26</u>	<u>\$ 5,129,382.50</u>	<u>\$ 1,341,648.76</u>

Net Debt \$1,341,648.76 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$72,943,338.67 = 0.284%.

Borrowing Power Under N.J.S. 40A:2-6 As Amended

3-1/2% Average Equalized Valuation of Real Property	\$ 16,553,016.85
Net Debt	<u>1,341,648.76</u>
Remaining Borrowing Power	<u>\$ 15,211,368.09</u>

TOWNSHIP OF FREDON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2013  
(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 12/31/2011</u>	<u>Retirements</u>	<u>Balance 12/31/2012</u>
Serial Bonds:			
General Capital Fund	\$ 1,575,000.00	\$ 150,000.00	\$ 1,425,000.00
Loans Payable:			
General Capital Fund:			
Green Acres Loans	<u>50,337.85</u>	<u>18,376.43</u>	<u>31,961.42</u>
	<u>\$ 1,625,337.85</u>	<u>\$ 168,376.43</u>	<u>\$ 1,456,961.42</u>

Summary of Municipal Debt Issued and Outstanding - Current Year

<u>Fund</u>	<u>Balance 12/31/2012</u>	<u>Retirements</u>	<u>Balance 12/31/2013</u>
Serial Bonds:			
General Capital Fund	\$ 1,425,000.00	\$ 150,000.00	\$ 1,275,000.00
Loans Payable:			
General Capital Fund:			
Green Acres Loans	<u>31,961.42</u>	<u>13,763.66</u>	<u>18,197.76</u>
	<u>\$ 1,456,961.42</u>	<u>\$ 163,763.66</u>	<u>\$ 1,293,197.76</u>

At December 31, 2013, the Township had capital debt issued and outstanding as follows:

General Capital Green Acres Loans Payable:

<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2013</u>
7/31/2015	2%	<u>\$ 18,197.76</u>

TOWNSHIP OF FREDON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

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

At December 31, 2013, the Township had capital debt issued and outstanding described as follows:

<u>Final Maturity</u>	<u>General Capital Serial Bonds</u> <u>Rate</u>	
7/1/2020	3.75%	<u>\$ 1,275,000.00</u>
Total Debt Issued and Outstanding		<u>\$ 1,293,197.76</u>

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

<u>Year</u>	<u>Bonds</u>		<u>Loans</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2014	\$ 150,000.00	\$ 47,812.50	\$ 9,008.34	\$ 319.14	\$ 207,139.98
2015	175,000.00	42,187.50	9,189.42	138.07	226,514.99
2016	175,000.00	35,625.00			210,625.00
2017	175,000.00	29,062.50			204,062.50
2018	200,000.00	22,500.00			222,500.00
2019-2020	400,000.00	22,500.00			422,500.00
Total	<u>\$ 1,275,000.00</u>	<u>\$ 199,687.50</u>	<u>\$ 18,197.76</u>	<u>\$ 457.21</u>	<u>\$ 1,493,342.47</u>

General Capital New Jersey Green Acres Loan

In 1991 and 1995, the Township of Fredon entered into three loan agreements with the State of New Jersey, acting by and through the NJ Department of Environmental Protection in the aggregate amount of \$759,450 which represents direct obligations of the Township. The remaining loan repayments will continue on a semiannual basis over 20 years at 2.00% interest.

Note 3: Fund Balance Appropriated

The amount of fund balance at December 31, 2013, included in Current Fund budget for the year ending December 31, 2014, is \$558,858.

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.

TOWNSHIP OF FREDON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

Note 5: Pension Plans

Township employees are enrolled in a cost sharing multiple-employer public employee retirement system: the Public Employees' Retirement System (PERS). The State of New Jersey sponsors and administers PERS which covers substantially all Township employees. As a general rule, all full-time employees are eligible to join the PERS.

Employees who are members of PERS and retire at a specified age according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of creditable service. Vesting occurs after 8 to 10 years of service.

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 each of the above systems. The financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. For PERS, the contribution rate was 6.64% effective July 1, 2012 and increased to 6.78% effective July 1, 2013. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018. Employers are required to contribute at an actuarially determined rate in the PERS. The actuarially determined employer contribution includes funding for cost-of- living adjustments and noncontributory death benefits.

Township contributions to PERS amounted to \$57,111, \$60,548 and \$59,683 for 2013, 2012 and 2011, respectively.

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 \$6,337.79. 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 \$5,530.18 in a Reserve for Accumulated Sick and Vacation Time on the Other Trust Funds balance sheet at December 31, 2013.

TOWNSHIP OF FREDON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

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>2013</u>	<u>2012*</u>	<u>2011</u>
<u>Tax Rate</u>	\$ 2.671	\$ 2.546	\$ 1.995
<u>Apportionment of Tax Rate</u>			
Municipal	.378	.364	.284
County	.525	.488	.387
Regional High School	.748	.705	.543
Local School	1.020	.989	.781
<u>Assessed Valuations</u>			
	<u>\$ 441,793,072.00</u>	<u>\$ 446,575,073.00</u>	<u>\$ 555,561,481.00</u>

\*-Revaluation year

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>
2013	\$ 11,807,959.36	\$ 11,398,149.72	96.53%
2012	11,375,892.05	10,874,571.25	95.59%
2011	11,097,456.70	10,784,466.25	97.18%

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.

TOWNSHIP OF FREDON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

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, which approximates market. 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 Statement No. 40 *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures* 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 on the following page.

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC), or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

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

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%.

TOWNSHIP OF FREDON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

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

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, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund; or
- (8) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
  - (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 statute; and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

TOWNSHIP OF FREDON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

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

As of December 31, 2013, cash and cash equivalents of the Township of Fredon consisted of the following:

<u>Fund</u>	<u>Checking Account</u>	<u>Petty Cash</u>	<u>Total</u>
Current	\$ 2,619,565.77	\$ 150.00	\$ 2,619,715.77
Animal Control	9,823.72		9,823.72
Trust	222,927.20		222,927.20
Recreation	11,404.65		11,404.65
General Capital	422,004.16		422,004.16
	<u>\$ 3,285,725.50</u>	<u>\$ 150.00</u>	<u>\$ 3,285,875.50</u>

The carrying amount of the Township's cash and cash equivalents at year end was \$3,285,875.50 and the bank balance was \$3,335,581.33. As of December 31, 2012 the carrying amount of the Township's cash and cash equivalents was \$2,516,261.42 and the bank balance was \$2,565,819.64.

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, 2013 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, 2012, is as follows:

TOWNSHIP OF FREDON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

Note 9: Risk Management (Cont'd)

	Statewide Insurance Fund
Total Assets	\$ 35,903,110
Net Position	\$ 4,749,231
Total Revenue	\$ 23,147,328
Total Expenses	\$ 22,992,413
Change in Net Position	\$ 154,915
Members Dividends	\$ -0-

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

Statewide Worker's Compensation Fund  
Statewide Insurance Fund  
C/O HRH of Northern New Jersey, Inc.  
30A Vreeland Road  
Florham Park, New Jersey 07932

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, 2013:

<u>Fund</u>	Interfund Receivable	Interfund Payable
Current		\$ 422,488.46
Other Trust	\$ 58.11	
General Capital	422,430.35	
	\$ 422,488.46	\$ 422,488.46

The interfund receivable in the Other Trust Fund and the interfund payable in the Current Fund is due to open space added and omitted taxes which were not turned over to the Open Space Trust Fund as of December 31. The interfund payable in the Current Fund and interfund receivable in the General Capital Fund is due to budget appropriations that were not received in cash in the General Capital Fund, as well as a Department of Transportation grant received in the Current fund not turned over to the General Capital Fund as of December 31.

TOWNSHIP OF FREDON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

Note 11: Contingencies

The Township is periodically involved in various lawsuits arising in the normal course of business, including claims for property damage, personal injury and various contract disputes. The Township vigorously contests these lawsuits and believes the ultimate resolution will not have a material adverse effect on its financial position as of December 31, 2013.

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 \$180,000.

Note 12: Open Space Trust Fund

On January 17, 2001, the Township created an Open Space Trust Fund with a tax levy of \$.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, 2013, and 2012 the balances in the Open Space Trust Fund were \$41,598.85, and \$31,749.47, respectively.

Note 13: Economic Dependency

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

Note 14: Fixed Assets

The following schedule is a summarization of general fixed assets for the year ended December 31, 2013:

	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Additions</u>	<u>Balance</u> <u>Dec. 31, 2013</u>
Land and Site Improvements	\$ 140,700		\$ 140,700
Buildings	2,748,700		2,748,700
Equipment and Vehicles	<u>2,335,211</u>	<u>\$ 7,840</u>	<u>2,343,051</u>
	<u>\$ 5,224,611</u>	<u>\$ 7,840</u>	<u>\$ 5,232,451</u>

TOWNSHIP OF FREDON

SUPPLEMENTARY DATA

TOWNSHIP OF FREDON  
SCHEDULE OF OFFICIALS IN OFFICE AND SURETY BONDS  
YEAR ENDED DECEMBER 31, 2013

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>
Carl Lazzaro	Mayor		
John Richardson, Sr.	Deputy Mayor		
Douglas White	Committeeperson		
Sandra Coltelli	Committeeperson		
Anthony Thonnerieux	Committeeperson		
Joanne Charner	Clerk		(A)
Patrick Bailey	Chief Financial Officer	\$ 250,000.00	(A)
William Liverance	Treasurer	250,000.00	(A)
Gisela Boltzer	Tax Collector and Tax Search Officer	250,000.00	(A)
Kathleen Kieb	Tax Assessor		(A)
Arlene Fisher	Zoning Officer		(A)
John de Jager	Construction Official		(A)
Harold E. Pellow	Engineer		
William Hinkes	Attorney		

(A) A faithful performance blanket bond for \$250,000.00, issued by the Statewide Insurance Company, was in effect for all employees.

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

TOWNSHIP OF FREDON  
COUNTY OF SUSSEX  
2013  
CURRENT FUND

TOWNSHIP OF FREDON  
CURRENT FUND  
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>		
Balance December 31, 2012	A	\$	2,229,390.65
Increased by Receipts:			
Tax Collector		\$	12,058,130.50
Revenue Accounts Receivable			296,912.88
Miscellaneous Revenue Not Anticipated			119,155.21
Recycling Tonnage Grant			2,633.11
Due to General Capital Fund:			
New Jersey Department of Transportation Grant			150,000.00
Due from/to State of New Jersey:			
Veterans' and Senior Citizens' Deductions			30,895.55
Marriage Licenses			550.00
			<u>12,658,277.25</u>
			<u>14,887,667.90</u>
Decreased by Disbursements:			
2013 Budget Appropriations			1,909,227.95
2012 Appropriation Reserves			100,130.20
Tax Overpayments Refunded			9,231.24
Third Party Lien Refund			102,053.63
Due to Open Space Trust			22,075.00
Marriage License Fees			500.00
Local School District Taxes			4,504,361.00
Regional High School Taxes			3,308,038.00
County Taxes			2,313,485.11
			<u>12,269,102.13</u>
Balance December 31, 2013	A	\$	<u><u>2,618,565.77</u></u>

TOWNSHIP OF FREDON  
CURRENT FUND  
SCHEDULE OF CASH - COLLECTOR

	<u>Ref.</u>	
Balance December 31, 2012	A	\$ 1,000.00
Increased by Receipts:		
Taxes Receivable		\$ 11,728,703.31
Interest and Costs on Taxes		92,560.46
2014 Prepaid Taxes		44,005.57
Tax Overpayments		8,496.29
Third Party Lien Redemption		107,689.33
Township Tax Title Lien Redemption		6,829.77
Interest on Investments		302.69
Tax Sale Premiums		61,500.00
Miscellaneous Revenue not Anticipated		8,043.08
		12,058,130.50
		12,059,130.50
Decreased by:		
Disbursed to Municipal Treasurer		12,058,130.50
Balance December 31, 2013	A	\$ 1,000.00

TOWNSHIP OF FREDON  
CURRENT FUND  
SCHEDULE OF CASH - GRANT FUNDS  
YEAR ENDED DECEMBER 31, 2013

NOT APPLICABLE

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

Year	Balance	2013 Levy	Collections		State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Transferred to Tax Title Liens	Balance
	Dec. 31, 2012		2012	2013				Dec. 31, 2013
2005	\$ 489.48			\$ 489.48				
2010	458.85			458.85				
2011	5,396.49			840.42		\$ 1,478.30		\$ 3,077.77
2012	474,728.98			424,291.60		734.95	\$ 49,512.06	190.37
	481,073.80			426,080.35		2,213.25	49,512.06	3,268.14
2013		\$ 11,807,959.36	\$ 56,084.56	11,302,622.96	\$ 39,442.20	10,817.17	29,453.12	369,539.35
	\$ 481,073.80	\$ 11,807,959.36	\$ 56,084.56	\$ 11,728,703.31	\$ 39,442.20	\$ 13,030.42	\$ 78,965.18	\$ 372,807.49
Ref.	A							A

Analysis of 2013 Property Tax Levy:

Tax Yield:

General Purpose Tax	\$ 11,800,293.71
Added and Omitted Taxes	7,665.65
	<u>\$ 11,807,959.36</u>

Tax Levy:

Regional High School Taxes	\$ 3,308,038.00
Local School District Taxes	4,504,361.00
County Taxes	\$ 2,312,317.57
Due County for Added and Omitted Taxes	<u>1,505.93</u>
	2,313,823.50
Municipal Open Space Taxes	22,075.00
Add: Municipal Open Space Taxes	<u>11.56</u>
	22,086.56
	<u>10,148,309.06</u>
Local Tax for Municipal Purposes Levied	1,652,319.00
Add: Additional Tax Levied	<u>7,331.30</u>
	1,659,650.30
	<u>\$ 11,807,959.36</u>

TOWNSHIP OF FREDON  
CURRENT FUND  
SCHEDULE OF TAX TITLE LIENS

	<u>Ref.</u>	
Balance December 31, 2012	A	\$ 47,766.33
Increased by:		
Transfer from Taxes Receivable		\$ 78,965.18
Interest and Costs		<u>3,861.84</u>
		<u>82,827.02</u>
		<u>130,593.35</u>
Decreased by:		
Tax Title Lien Redemptions		<u>6,829.77</u>
Balance December 31, 2013	A	<u><u>\$ 123,763.58</u></u>

TOWNSHIP OF FREDON  
CURRENT FUND  
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE  
YEAR ENDED DECEMBER 31, 2013

	<u>Accrued In</u> 2013	<u>Collected By</u> Treasurer
Clerk:		
Licenses:		
Alcoholic Beverages	\$ 12,400.00	\$ 12,400.00
Fees and Permits	2,186.00	2,186.00
Board of Health:		
Fees and Permits	1,765.00	1,765.00
Joint Municipal Court:		
Fines and Costs	8,283.77	8,283.77
Energy Receipts Tax	251,966.20	251,966.20
Consolidated Municipal Property Tax Relief	9,740.00	9,740.00
Clean Communities Grant	10,571.91	10,571.91
	<u>\$ 296,912.88</u>	<u>\$ 296,912.88</u>

TOWNSHIP OF FREDON  
CURRENT FUND  
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE  
YEAR ENDED DECEMBER 31, 2013

NOT APPLICABLE

TOWNSHIP OF FREDON  
CURRENT FUND  
SCHEDULE OF 2012 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2013

	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Balance After</u> <u>Modification</u>	<u>Païd or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
<b>GENERAL GOVERNMENT:</b>				
Administrative and Executive:				
Committee:				
Other Expenses	\$ 4,142.22	\$ 4,142.22	\$ 677.39	\$ 3,464.83
Administration:				
Salaries & Wages	225.00	475.00	422.64	52.36
Other Expenses	12,025.23	12,025.23	113.36	11,911.87
Other Expenses - Municipal Alliance	1,227.00	1,227.00		1,227.00
Financial Administration:				
Salaries & Wages	0.22	0.22		0.22
Other Expenses	2,729.27	2,729.27	925.00	1,804.27
Audit Services:				
Other Expenses	22,515.00	22,515.00	22,515.00	
Assessment of Taxes:				
Other Expenses	17,897.15	17,897.15		17,897.15
Collection of Taxes:				
Salaries & Wages	572.00	322.00	229.08	92.92
Other Expenses	1,919.75	1,919.75	919.70	1,000.05
Legal Costs:				
Other Expenses	2,884.25	3,870.25	3,870.00	0.25
Joint Municipal Court:				
Salaries & Wages	16,540.44	16,540.44	4,413.17	12,127.27
Other Expenses	7,651.99	7,651.99	5,051.14	2,600.85
Engineering Services & Costs:				
Other Expenses	7,189.86	6,203.86	3,000.00	3,203.86
Public Buildings and Grounds:				
Salaries & Wages	6,966.42	6,966.42		6,966.42
Other Expenses	5,484.46	5,484.46	3,024.36	2,460.10
Municipal Land Use Law:				
Administrative Official - Code Enforcement:				
Salaries & Wages	1,986.60	1,986.60		1,986.60
Other Expenses	952.54	952.54		952.54
Planning Board:				
Salaries & Wages	4,039.48	4,039.48		4,039.48
Other Expenses	2,003.03	2,003.03	1,500.53	502.50
Board of Adjustment:				
Salaries & Wages	1,815.59	1,815.59		1,815.59
Other Expenses	1,047.29	1,047.29	705.00	342.29
Environmental Commission:				
Salaries and Wages	500.00	500.00		500.00
Other Expenses	1,120.00	1,120.00		1,120.00

TOWNSHIP OF FREDON  
CURRENT FUND  
SCHEDULE OF 2012 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
<b>GENERAL GOVERNMENT:</b>				
Insurance (N.J.S.A. 40A:4-45.3(00)):				
Employee Group Insurance	\$ 30,001.00	\$ 30,001.00	\$ 1,687.93	\$ 28,313.07
<b>PUBLIC SAFETY:</b>				
Emergency Management Services:				
Other Expenses	637.25	637.25	637.25	
Fire Department (P.L. 1983, Ch. 516):				
OSHA Required Turnout Gear	825.67	825.67		825.67
<b>STREET &amp; ROADS:</b>				
Road Repairs and Maintenance:				
Salaries & Wages	53,399.92	53,399.92		53,399.92
Other Expenses	69,100.10	69,100.10	3,104.57	65,995.53
Other Expenses - Commercial Driver License	1,252.50	1,252.50	82.50	1,170.00
Community Services Act				
Other Expenses	11,546.00	11,546.00	1,076.98	10,469.02
<b>HEALTH &amp; WELFARE:</b>				
Board of Health:				
Salaries & Wages	101.13	101.13		101.13
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:				
Salaries & Wages	1,125.00	1,125.00	165.00	960.00
Other Expenses - Contractual	5,741.35	5,741.35	150.00	5,591.35
<b>RECREATION &amp; EDUCATION:</b>				
Recreation:				
Other Expenses	9,787.95	9,787.95	9,787.59	0.36
Celebration of Public Events:				
Other Expense	2,272.08	2,272.08		2,272.08
Contribution to Senior Citizens Center (N.J.S.A. 40:48-9.4)	250.00	250.00		250.00

TOWNSHIP OF FREDON  
CURRENT FUND  
SCHEDULE OF 2012 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

	Balance Dec. 31, 2012	Balance After Modification	Paid or Charged	Balance Lapsed
<b>UNCLASSIFIED:</b>				
Trash Removal	\$ 3,989.20	\$ 3,989.20	\$ 3,573.64	\$ 415.56
Electricity	14,128.54	14,128.54	2,236.08	11,892.46
Telephone	2,048.65	2,048.65	693.37	1,355.28
Gas	6,111.11	6,111.11	2,049.78	4,061.33
Fuel Oil	500.00	500.00		500.00
Contingent	1,000.00	1,000.00		1,000.00
<b>Deferred Charges and Statutory Expenditures:</b>				
Prior Year Bills:				
2010 DPW	0.97	0.97		0.97
Statutory Expenditures:				
Contributions to:				
Social Security System (O.A.S.I.)	26,896.56	26,896.56	91.91	26,804.65
Unemployment Compensation Insurance	970.57	970.57	477.18	493.39
Operations Excluded from "CAPS":				
Length of Service Awards Program:				
Fire Department (P.L. 1983, CH 516)	24,558.00	24,558.00	23,262.96	1,295.04
Public and Private Programs Offset by Revenues:				
Clean Communities Grant	3,687.09	3,687.09	3,687.09	
	<u>\$ 395,335.43</u>	<u>\$ 395,335.43</u>	<u>\$ 100,130.20</u>	<u>\$ 295,205.23</u>

	<u>Ref.</u>	
<u>Balance December 31, 2012:</u>		
Unencumbered	A	\$ 384,427.48
Encumbered	A	<u>10,907.95</u>
		<u>\$ 395,335.43</u>

TOWNSHIP OF FREDON  
CURRENT FUND  
SCHEDULE OF LOCAL SCHOOL DISTRICT TAXES PAYABLE  
YEAR ENDED DECEMBER 31, 2013

Increased by:		
Levy - Calendar Year 2013	\$	4,504,361.00
Decreased by:		
Payments to Local School District	\$	4,504,361.00

CURRENT FUND  
SCHEDULE OF REGIONAL HIGH SCHOOL DISTRICT TAXES PAYABLE  
YEAR ENDED DECEMBER 31, 2013

Increased by:		
Levy - Calendar Year 2013	\$	3,308,038.00
Decreased by:		
Payments to Regional High School District	\$	3,308,038.00

TOWNSHIP OF FREDON  
COUNTY OF SUSSEX  
2013  
TRUST FUNDS

TOWNSHIP OF FREDON  
TRUST FUNDS  
SCHEDULE OF CASH - TREASURER

		<u>Animal Control Fund</u>	<u>Other Trust Funds</u>	<u>Recreation Commission Trust</u>
	<u>Ref.</u>			
Balance December 31, 2012	B	\$ 12,055.37	\$ 210,581.30	\$ 27,419.08
Increased by Receipts:				
Dog License Collector		\$ 11,420.80		
Interest Earned on Deposits		7.16		
Accumulated Sick and Vacation Deposits			\$ 52.76	
Performance Bonds and Escrow Deposits			10,439.84	
Open Space:				
Interest Earned on Deposits			12.82	
Open Space Tax Levy			22,075.00	
Council on Affordable Housing:				
Interest Earned on Deposits			9.79	
Recreation Donations				\$ 18,111.34
		<u>11,427.96</u>	<u>32,590.21</u>	<u>18,111.34</u>
		23,483.33	243,171.51	45,530.42
Decreased by Disbursements:				
Administrative Expenses (R.S. 4:19-15.11)		13,659.61		
Performance Bonds and Escrow Expenses			7,994.31	
Open Space: Expenditures			12,250.00	
Recreation Expenses				34,125.77
		<u>13,659.61</u>	<u>20,244.31</u>	<u>34,125.77</u>
Balance December 31, 2013	B	<u>\$ 9,823.72</u>	<u>\$ 222,927.20</u>	<u>\$ 11,404.65</u>

TOWNSHIP OF FREDON  
ANIMAL CONTROL FUND  
SCHEDULE OF CASH - ANIMAL CONTROL COLLECTOR

	<u>Ref.</u>		
Balance December 31, 2012	B		\$ -0-
Increased by:			
Dog License Fees Collected		\$ 7,653.80	
State Dog License Fees		1,192.20	
Other Fees		<u>3,767.00</u>	
			<u>\$ 12,613.00</u>
			12,613.00
Decreased by:			
Payments to Treasurer:			
Township Dog License Fees		11,420.80	
Payments to State Board of Health		<u>1,192.20</u>	
			<u>12,613.00</u>
Balance December 31, 2013	B		<u><u>\$ -0-</u></u>

TOWNSHIP OF FREDON  
ASSESSMENT TRUST FUND  
ANALYSIS OF CASH  
YEAR ENDED DECEMBER 31, 2013

NOT APPLICABLE

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

	<u>Ref.</u>	
Balance December 31, 2012	B	\$ 12,055.37
Increased by:		
Dog License Fees Collected		\$ 7,653.80
Interest Earned		7.16
Other Fees		<u>3,767.00</u>
		<u>11,427.96</u>
		23,483.33
Decreased by:		
Expenditures Under R.S. 4:19-15.11:		
Cash Disbursements		<u>13,659.61</u>
Balance December 31, 2013	B	<u>\$ 9,823.72</u>

License Fees Collected

<u>Year</u>		<u>Amount</u>
2011		\$ 11,108.40
2012		<u>9,796.80</u>
Maximum Allowable Reserve		<u>\$ 20,905.20</u>

TOWNSHIP OF FREDON  
COUNTY OF SUSSEX  
2013  
GENERAL CAPITAL FUND

TOWNSHIP OF FREDON  
GENERAL CAPITAL FUND  
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2012	C	\$ 35,665.02
Increased by:		
Budget Appropriations		
Capital Improvement Fund	\$ 118,429.00	
Deferred Charges to Future Taxation Unfunded	72,300.00	
Due Current Fund:		
Interest Earned	33.51	
PSE&G Grant	225,742.50	
Reserve for Acquisition of Land	100.00	
Reserve for Computer Equipment	<u>10,000.00</u>	
		<u>426,605.01</u>
		462,270.03
Decreased by:		
Improvement Authorization Expenditures		<u>40,265.87</u>
Balance December 31, 2013	C	<u>\$ 422,004.16</u>

TOWNSHIP OF FREDON  
GENERAL CAPITAL FUND  
ANALYSIS OF CASH

	Balance (Deficit) Dec. 31, 2012	Receipts		Disbursements Improvement Authorizations	Transfers		Balance (Deficit) Dec. 31, 2013
		Budget Appropriation	Miscellaneous		From	To	
Fund Balance	\$ 74,797.26						\$ 74,797.26
Capital Improvement Fund	156,126.22	\$ 118,429.00			\$ 85,000.00	\$ 125.00	189,680.22
Due from State of New Jersey- Department of Transportation Grant - Phil Hardin Road	(47,253.40)						(47,253.40)
Warner Road Section 1	(200,000.00)					150,000.00	(50,000.00)
Due to/(from) Current Fund	(272,463.86)		\$ 33.51		150,000.00		(422,430.35)
Due to/(from) PSE&G Grant			225,742.50		360,742.50		(135,000.00)
Reserve to Purchase Communication Equipment	9,000.00						9,000.00
Reserve for Farmhouse Improvements	3,700.00						3,700.00
Reserve for Fire Department	10,000.00						10,000.00
Reserve for Acquisition of Land	2,500.00	100.00					2,600.00
Reserve for Computer Equipment	5,000.00	10,000.00			15,000.00		
<u>Ord.</u>							
<u>No.</u>	<u>Improvement Description</u>						
5-03	Construction of a High School Sized Gymnasium as Part of the Construction of New Municipal Offices, Emergency Medical Services and Community Center Building	(53,000.00)	26,500.00				(26,500.00)
11-03	Purchase of Truck for Public Works and Building Improvements to the Farmhouse and Barn	7,148.66		\$ 1,935.00			5,213.66
7-04	Farmhouse Improvements	6,150.00		6,150.00			
9-05	Various Capital Improvements	(67,751.00)	45,800.00				(21,951.00)
07-08	Civic Center Improvements	63,497.12		2,821.26			60,675.86
6-10	Resurfacing Phil Hardin Road	54,350.65					54,350.65
1-10	Acquisition of Real Property	19,506.00					19,506.00
4-10	Resurfacing Phil Hardin Road II	8,135.10					8,135.10
13-11	Purchase of Computer Equipment	3,798.65		3,798.65			
02-12	Purchase of Tractor Mower	125.00			125.00		
06-12	Improvement to Warner Road Section 1	252,298.62		15,892.65			236,405.97
08-12	Purchase of Computer Equipment			5,000.00		5,000.00	
02-13	Purchase of DPW Truck					85,000.00	85,000.00
03-13	Purchase of Computer Equipment			4,668.31		10,000.00	5,331.69
05-13	PSE&G Transmission System Upgrade Project					360,742.50	360,742.50
		<u>\$ 35,665.02</u>	<u>\$ 200,829.00</u>	<u>\$ 225,776.01</u>	<u>\$ 40,265.87</u>	<u>\$ 610,867.50</u>	<u>\$ 610,867.50</u>
							<u>\$ 422,004.16</u>

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

Ord. No.	Improvement Description	Balance Dec. 31, 2012	Funded by Budget Appropriation	Balance Dec. 31, 2013	Analysis of Balance December 31, 2013
					Expenditures
5-03	Construction of a High School Sized Gymnasium as Part of the Construction of New Municipal Offices, Emergency Medical Services and Community Center Building	\$ 53,000.00	\$ 26,500.00	\$ 26,500.00	\$ 26,500.00
9-05	Various Capital Improvements	67,751.00	45,800.00	21,951.00	21,951.00
		<u>\$ 120,751.00</u>	<u>\$ 72,300.00</u>	<u>\$ 48,451.00</u>	<u>\$ 48,451.00</u>
	<u>Ref.</u>	C		C	

TOWNSHIP OF FREDON  
GENERAL CAPITAL FUND  
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance Date	Amount	Balance December 31, 2012 Funded	2013 Authorizations		Prior Year Encumbrances Cancelled	Paid or Charged	Improvement Authorizations Cancelled	Balance December 31, 2013 Funded
					Other Sources	Capital Improvement Fund				
11-03	Purchase of Truck for Public Works and Building Improvements to the Farmhouse and Barn	10/09/03	\$ 82,500.00	\$ 7,148.66				\$ 1,935.00		\$ 5,213.66
7-04	Farmhouse Improvements	08/12/04	12,500.00	6,150.00				6,150.00		
07-08	Civic Center Improvements	04/25/08	107,373.36	63,497.12				2,821.26		60,675.86
6-10	Resurfacing Phil Hardin Road	06/10/10	187,000.00	54,350.65						54,350.65
1-11	Acquisition of Real Property	01/12/11	224,700.00	19,506.00						19,506.00
4-11	Resurfacing Phil Hardin Road II	03/10/11	195,000.00	8,135.10						8,135.10
13-11	Purchase of Computer Equipment	12/22/11	5,000.00	3,798.65				3,798.65		
02-12	Purchase of Tractor Mower	02/23/12	17,450.00	125.00					\$ 125.00	
06-12	Improvement to Warner Road Section 1	05/24/12	268,380.00	252,298.62				15,892.65		236,405.97
08-12	Purchase of Computer Equipment		50,000.00		\$ 5,000.00			5,000.00		
02-13	Purchase of DPW Truck		85,000.00			\$ 85,000.00				85,000.00
03-13	Purchase of Computer Equipment		10,000.00			10,000.00		4,668.31		5,331.69
05-13	PSE&G Transmission System Upgrade Project		360,742.50			360,742.50				360,742.50
				<u>\$ 415,009.80</u>	<u>\$ 375,742.50</u>	<u>\$ 85,000.00</u>	<u>\$ -0-</u>	<u>\$ 40,265.87</u>	<u>\$ 125.00</u>	<u>\$ 835,361.43</u>
	Ref.			C				Cancelled to Capital Improvement Fund	<u>\$ 125.00</u>	C
				Reserve for Computer Equipment	\$ 15,000.00					
				PSE&G Transmission System Grant	360,742.50					
					<u>\$ 375,742.50</u>					

TOWNSHIP OF FREDON  
GENERAL CAPITAL FUND  
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2012	C	\$ 156,126.22
Increased by:		
Budget Appropriation		\$ 118,429.00
Improvement Authorizations Cancelled		<u>125.00</u>
		<u>118,554.00</u>
		<u>274,680.22</u>
Decreased by:		
Appropriated to Fund Improvement Authorizations		<u>85,000.00</u>
Balance December 31, 2013	C	<u><u>\$ 189,680.22</u></u>

TOWNSHIP OF FREDON  
GENERAL CAPITAL FUND  
SCHEDULE OF BONDS ANTICIPATION NOTES PAYABLE  
FOR THE YEAR ENDED DECEMBER 31, 2013

NOT APPLICABLE

TOWNSHIP OF FREDON  
GENERAL CAPITAL FUND  
SCHEDULE OF SERIAL BONDS PAYABLE

Purpose	Date of Issue	Maturities of Bonds		Interest Rate	Balance Dec. 31, 2012	Matured	Balance Dec. 31, 2013
		Outstanding Dec. 31, 2013 Date	Amount				
General Improvement Bonds	07/15/03	07/15/14	\$ 150,000.00	3.75%			
		07/15/15-17	175,000.00	3.75%			
		07/15/18-20	200,000.00	3.75%	\$ 1,425,000.00	\$ 150,000.00	\$ 1,275,000.00
					\$ 1,425,000.00	\$ 150,000.00	\$ 1,275,000.00
				<u>Ref.</u>	C		C

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

	<u>Ref.</u>	
Balance December 31, 2012	C	\$ 31,961.42
Decreased by:		
Loan Payment by Budget Appropriation		<u>13,763.66</u>
Balance December 31, 2013	C	<u>\$ 18,197.76</u>

Schedule of Principal and Interest Payments Outstanding December 31, 2013

Lodestar Park Loan #3

<u>Payment Number</u>	<u>Due</u>	<u>Interest</u>	<u>Principal</u>	<u>Loan Balance</u>
				\$ 18,197.76
36	1/31/2014	\$ 181.98	\$ 4,481.76	13,716.00
37	7/31/2014	137.16	4,526.58	9,189.42
38	1/31/2015	91.89	4,571.85	4,617.57
39	7/31/2015	46.18	4,617.57	
		<u>\$ 457.21</u>	<u>\$ 18,197.76</u>	

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

<u>Ord. No.</u>	<u>Ord. Date</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2012</u>	<u>Funded by Budget Appropriation</u>	<u>Balance Dec. 31, 2013</u>
5-03	05/22/03	Construction of a High School Sized Gymnasium as Part of the Construction of New Municipal Offices, Emergency Medical Services and Community Center Building	\$ 53,000.00	\$ 26,500.00	\$ 26,500.00
9-05	05/12/05	Various Capital Improvements	<u>67,751.00</u>	<u>45,800.00</u>	<u>21,951.00</u>
			<u>\$ 120,751.00</u>	<u>\$ 72,300.00</u>	<u>\$ 48,451.00</u>

TOWNSHIP OF FREDON  
COUNTY OF SUSSEX  
2013  
WATER UTILITY FUND

NOT APPLICABLE

TOWNSHIP OF FREDON  
COUNTY OF SUSSEX  
2013  
SEWER UTILITY FUND

NOT APPLICABLE

TOWNSHIP OF FREDON  
COUNTY OF SUSSEX  
2013  
PUBLIC ASSISTANCE FUND

NOT APPLICABLE

TOWNSHIP OF FREDON

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2013

TOWNSHIP OF FREDON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2013

Name of Federal Agency or Department	Name of Program	C.F.D.A. Number	State Grant Award Number	Grant Period		Grant Award Amount	Amount Received	Amount of Expenditures	Cumulative Expenditures
				From	To				
U.S. Department of Transportation (Passed through New Jersey Department of Transportation)	Municipal Aid Program - Warner Road Section I	20.205	N/A	01/01/10	12/31/13	\$ 200,000.00	\$ 150,000.00	\$ 15,892.65	\$ 31,974.03
U.S. Department of Homeland Security (Passed through New Jersey Department of Law and Public Safety)	Disaster Grants- Public Assisstage- F.E.M.A. - Hurricane Sandy	97.036	N/A	01/01/12	12/31/12	48,867.34	48,867.34	48,867.34 *	48,867.34
TOTAL FEDERAL AWARDS							\$ 198,867.34	\$ 64,759.99	\$ 80,841.37

\* Expended in prior years  
N/A - Not Available

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

TOWNSHIP OF FREDON  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
YEAR ENDED DECEMBER 31, 2013

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	4900-004-V42Y-6020	1/1/12	12/31/13	\$ 9,004.42		\$ 3,687.09	\$ 9,004.42
		4900-004-V42Y-6020	1/1/13	12/31/14	10,571.91	\$ 10,571.91	10,571.58	10,571.58
						<u>10,571.91</u>	<u>14,258.67</u>	<u>19,576.00</u>
	Recycling Grant	752-042-4900-001	01/01/13	12/31/14	2,633.11	2,633.11		
<b>TOTAL STATE AWARDS</b>						<u>\$ 13,205.02</u>	<u>\$ 14,258.67</u>	<u>\$ 19,576.00</u>

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, 2013

A. GENERAL

The accompanying Schedules of Expenditures of Federal and State Awards presents the activity of all federal and state award programs of the Township of Fredon. The Township of Fredon is defined in Note 1 to the Township's financial statements. All federal and state financial awards received directly from federal and state agencies, as well as federal and state financial awards passed through other government agencies are included on the schedules of expenditures of federal and state awards.

B. BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of Federal and State Awards are presented using the cash basis of accounting. The information in these schedules are presented in accordance with the requirements of federal OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*.

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.

D. LOANS PAYABLE

At December 31, 2013, the Township had \$18,197.76 of Green Acres Loans Payable outstanding which is recorded in the General Capital Fund.

Currently, the Township is in the process of repaying the loan balances. There were no loan receipts or expenditures in the current year. The projects that relate to the loans are complete.



Mount Arlington Corporate Center  
200 Valley Road, Suite 300  
Mt. Arlington, NJ 07856  
973-328-1825 | 973-328-0507 Fax

Lawrence Business Center  
11 Lawrence Road  
Newton, NJ 07860  
973-383-6699 | 973-383-6555 Fax

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, 2013 and 2012, and the related notes to the financial statements, which comprise the Township's financial statements, and have issued our report thereon dated March 6, 2014. These financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

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

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

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

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

We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as Finding 2013-01 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

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

### **The Township's Response to the Finding**

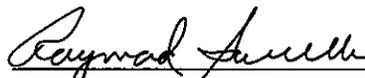
The Township's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Township's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

March 6, 2014  
Mount Arlington, New Jersey

NISIVOCCIA LLP



Raymond G. Sarinelli  
Certified Public Accountant  
Registered Municipal Accountant No. 383

TOWNSHIP OF FREDON  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2013

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 Federal OMB Circular A-133 and New Jersey's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* for 2013 as grant expenditures were less than the single audit thresholds of \$500,000 identified in the Circulars.

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 2013-1:

Segregation of Duties

The Township does not maintain an adequate segregation of duties with respect to the recording and treasury functions. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to misappropriate funds and prevent detection within a reasonable period of time. Also, in most cases, the disbursement of funds and reconciliation of bank accounts are performed by one person. 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. 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.

Management's Response

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

TOWNSHIP OF FREDON  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2013  
(Continued)

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, 2013

The finding included in the December 31, 2012 audit report regarding segregation of duties has not been resolved and is included in the December 31, 2013 audit report.

TOWNSHIP OF FREDON

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2013

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 January 1, 2011 and thereafter the bid threshold in accordance with N.J.S.A 40A:11-3 is \$17,500, and with a qualified purchasing agent the threshold may be up to \$36,000.

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

TOWNSHIP OF FREDON  
COMMENTS AND RECOMMENDATIONS  
(Continued)

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

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

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

Collection of Interest on Delinquent Taxes and Assessments

The statute provides the method for authorizing interest and the maximum rate to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent. On January 3, 2013, 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 October 22, 2013 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>
2013	9
2012	6
2011	4

During our review of the Tax Collector Fund, we noted that the transfer of prior year taxes to tax title liens is not in agreement with the prior year analysis of taxes receivable.

It is recommended that the tax collector reconcile and correct the transfer amount to tax title liens so they are in agreement with the analysis of taxes receivable.

Management's Response

The tax collector will reconcile and correct the transfer amount to tax title liens to agree with the taxes receivable.

TOWNSHIP OF FREDON  
COMMENTS AND RECOMMENDATIONS  
(Continued)

Verification of Delinquent Taxes and Other Charges

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

<u>Type</u>	<u>Number Mailed</u>
Payments of 2013 Taxes	20
Delinquent Taxes Receivable	15
Tax Title Liens Receivable	3

Verification of Delinquent Taxes and Other Charges (Cont'd)

Verification notices were mailed to confirm balances receivable as of December 31, 2013. 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.

Technical Accounting Directives

The Division of Local Government Services has established three (3) technical accounting directives which are prescribed by the revision of 1987 draft "Requirements of Audit and Accounting". 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 directives as required by the Division of Local Government Services' Technical Accounting Directives.

Status of Prior Year Recommendations

Recommendation #1 included in the December 31, 2012 audit report regarding segregation of duties has not been resolved and is included in the December 31, 2013 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.
2. The transfer amount to tax title lien be reconciled and corrected.

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