

TOWNSHIP OF LIBERTY

COUNTY OF WARREN

REPORT OF AUDIT

2011

NISIVOCCIA LLP
CERTIFIED PUBLIC ACCOUNTANTS

TOWNSHIP OF LIBERTY

COUNTY OF WARREN

REPORT OF AUDIT

2011

TOWNSHIP OF LIBERTY
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2011

PART I – Financial Statements and Supplementary Data

Independent Auditors' Report 1-2

Financial Statements

Current Fund

Comparative Balance Sheet A
 Comparative Statement of Operations and Change in Fund Balance A-1
 Statement of Revenue A-2
 Statement of Expenditures A-3

Trust Funds

Comparative Balance Sheet B
 Statement of Fund Balance - Assessment Trust Fund (Not Applicable) B-1
 Statement of Revenue - Assessment Trust Fund (Not Applicable) B-2
 Statement of Expenditures - Assessment Trust Fund (Not Applicable) B-3

General Capital Fund

Comparative Balance Sheet C
 Statement of Fund Balance C-1

Water Utility Fund (Not Applicable) D

Sewer Utility Fund (Not Applicable) E

Public Assistance Fund (Not Applicable) F

Bond and Interest Fund (Not Applicable) G

General Fixed Assets Account Group

Comparative Balance Sheet H

Page

Notes to Financial Statements 1-13

Supplementary Data

Schedule

Officials in Office and Surety Bonds 1

Current Fund

Schedule of Cash A-4
 Schedule of Cash - Collector A-5
 Schedule of Cash – Federal and State Grant Funds A-6
 Schedule of Taxes Receivable and Analysis of Property Tax Levy A-7
 Schedule of Tax Title Liens A-8
 Schedule of Revenue Accounts Receivable A-9
 Schedule of Consumer Accounts Receivable (Not Applicable) A-10
 Statement of 2010 Appropriation Reserves A-11
 Schedule of Regional School District Taxes Payable A-12
 Schedule of Grants Receivable - Federal and State Grant Fund A-13
 Schedule of Appropriated Reserves - Federal and State Grant Fund A-14
 Schedule of Unappropriated Reserves - Federal and State Grant Fund A-15

Trust Funds

Schedule of Cash - Treasurer B-4
 Schedule of Cash - Assessment Trust Fund (Not Applicable) B-5
 Schedule of Reserve for Animal Control Fund Expenditures - Animal Control Fund B-6

TOWNSHIP OF LIBERTY
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

PART I – Financial Statements and Supplementary Data (Cont’d)

<u>Supplementary Data</u>	<u>Schedule</u>
<u>General Capital Fund</u>	
Schedule of Cash	C-2
Analysis of Cash	C-3
Schedule of Deferred Charges to Future Taxation - Unfunded	C-4
Schedule of Improvement Authorizations	C-5
Schedule of Capital Improvement Fund	C-6
Schedule of Bond Anticipation Notes Payable	C-7
Schedule of Serial Bonds Payable (Not Applicable)	C-8
Schedule of Green Acres Loan #1 Payable	C-9
Schedule of Green Acres Loan #2 Payable	C-9A
Schedule of Bonds and Notes Authorized But Not Issued	C-10
<u>Water Utility Fund (Not Applicable)</u>	D
<u>Sewer Utility Fund (Not Applicable)</u>	E
<u>Public Assistance Fund (Not Applicable)</u>	F

PART II – Single Audit

Schedule of Expenditures of Federal Awards (Not Applicable)	1
Schedule of Expenditures of State Awards	2
Notes to Schedules of Expenditures of Federal and State Awards	3
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	4-5
Schedule of Findings and Responses	6
Summary Schedule of Prior Audit Findings	7

PART III – Comments and Recommendations

Comments and Recommendations	8-11
Summary of Recommendations	12

TOWNSHIP OF LIBERTY

PART I

FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2011

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Mt. Arlington, NJ 07856
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11 Lawrence Road
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Independent Auditors' Report

The Honorable Mayor and Members
of the Township Committee
Township of Liberty
Great Meadows, New Jersey

We have audited the financial statements -- regulatory basis of the various funds of the Township of Liberty in the County of Warren (the "Township") as of and for the years ended December 31, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Township's management. 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 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As described in Note 1, these financial statements have been prepared in conformity with accounting principles prescribed by the Division, which demonstrate compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive 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 statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because the Township prepares its financial statements on the basis of accounting discussed in the third paragraph, the financial statements referred to in the first paragraph, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and 2010, and the results of its operations for the years then ended.

However, in our opinion, the financial statements -- regulatory basis referred to above, present fairly, in all material respects, the financial position of the various funds of the Township of Liberty at December 31, 2011 and 2010, and the results of operations and changes in fund balance, where applicable, of such funds thereof for the years then ended, in conformity with accounting principles prescribed by the Division, as described in Note 1.

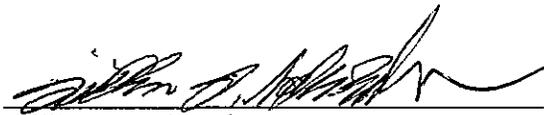
The Honorable Mayor and Members
of the Township Committee
Township of Liberty
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2012, on our consideration of the Township of Liberty's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's financial statements as a whole. The information included in the supplementary data schedules listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedules of Expenditures of Federal and State Awards are also presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*; and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the financial statements. The supplementary data schedules listed in the table of contents 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole on the basis of accounting described in Note 1 to the financial statements and Note B to the schedules of expenditures of federal and state awards.

February 24, 2012
Mount Arlington, New Jersey

NISIVOCIA, LLP



William F. Schroeder
Registered Municipal Accountant No. 452
Certified Public Accountant

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2011
CURRENT FUND

TOWNSHIP OF LIBERTY
CURRENT FUND
COMPARATIVE BALANCE SHEET

	Ref.	December 31,	
		2011	2010
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents:			
Treasurer	A-4	\$ 2,273,684.55	\$ 2,285,914.56
Petty Cash Fund		200.00	200.00
Change Fund		75.00	75.00
		<u>2,273,959.55</u>	<u>2,286,189.56</u>
Due From State of New Jersey			
Senior Citizen and Veterans Deductions		3,956.25	3,206.25
		<u>2,277,915.80</u>	<u>2,289,395.81</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	316,406.45	266,894.07
Tax Title Liens Receivable	A-8	224,800.79	163,683.51
Property Acquired for Taxes at Assessed Valuation		108,200.00	108,200.00
End of Year Tax Penalty Receivable		3,317.91	2,497.79
		<u>652,725.15</u>	<u>541,275.37</u>
Total Receivables and Other Assets			
Deferred Charges:			
Special Emergency Authorizations (40A:4-55)		215,000.00	
		<u>215,000.00</u>	
Total Deferred Charges			
		<u>3,145,640.95</u>	<u>2,830,671.18</u>
Total Regular Fund			
Federal and State Grant Fund:			
Cash and Cash Equivalents	A-6	1,762.13	5,664.99
Federal and State Grants Receivable	A-13	51,385.30	51,385.30
		<u>53,147.43</u>	<u>57,050.29</u>
Total Federal and State Grant Fund			
<u>TOTAL ASSETS</u>		<u>\$ 3,198,788.38</u>	<u>\$ 2,887,721.47</u>

TOWNSHIP OF LIBERTY
CURRENT FUND
COMPARATIVE BALANCE SHEET
(Continued)

	Ref.	December 31,	
		2011	2010
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Encumbered	A-3;A-11	\$ 36,183.36	\$ 21,113.59
Unencumbered	A-3;A-11	350,636.31	215,925.42
		<u>386,819.67</u>	<u>237,039.01</u>
Prepaid Taxes		27,566.97	54,433.05
Tax Overpayments		4,770.56	13,210.42
County Taxes Payable		4,279.16	3,711.65
Regional School Tax Payable	A-12	951,193.86	830,566.39
Due Animal Control Fund	B		78.60
Accounts Payable - Vendors			7,380.00
Payroll Deductions Payable		7,178.90	3,747.50
Due to State of New Jersey:			
Marriage License Fees			75.00
DCA Training Fees		278.56	637.41
Reserve for:			
Tax Sale Premiums		16,600.00	24,700.00
Redemption of Third Party Liens		12,384.52	
Beach Donation		100.00	
Garden State Preservation		34,362.00	34,362.00
		<u>1,445,534.20</u>	<u>1,209,941.03</u>
Reserve for Receivables and Other Assets	A	652,725.15	541,275.37
Fund Balance	A-1	1,047,381.60	1,079,454.78
		<u>3,145,640.95</u>	<u>2,830,671.18</u>
Total Regular Fund			
Federal and State Grant Fund:			
Appropriated Reserve for Grants	A-14	45,285.77	51,547.11
Unappropriated Reserve for Grants	A-15	7,861.66	5,503.18
		<u>53,147.43</u>	<u>57,050.29</u>
Total Federal and State Grant Fund			
		<u>\$ 3,198,788.38</u>	<u>\$ 2,887,721.47</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>			

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

TOWNSHIP OF LIBERTY
CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE

	Ref.	Year Ended December 31,	
		2011	2010
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$	520,000.00	\$ 550,000.00
Miscellaneous Revenue Anticipated		321,715.73	350,552.88
Receipts from:			
Delinquent Taxes		249,644.91	243,496.94
Current Taxes		7,535,575.12	7,440,262.76
Prior Year Tax Penalty Receipts		2,497.79	2,487.36
Nonbudget Revenue		45,386.49	24,364.36
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		192,526.79	179,712.10
Cancellation of Accounts Payable		7,380.00	
Cancellation of Animal Control Interfund		1.20	
Tax Overpayments Canceled		370.84	4,728.96
Tax Sale Premiums Canceled			3,200.00
Interfunds Returned			20,000.00
		<u>8,875,098.87</u>	<u>8,818,805.36</u>
<u>Expenditures</u>			
Budget and Emergency Appropriations:			
Municipal Purposes		1,560,933.53	1,407,089.62
County Taxes		2,104,123.32	2,127,963.81
Regional School Districts Taxes		4,882,537.20	4,701,282.25
Open Space Trust Taxes		54,578.00	54,554.16
Prior Year Senior Citizen Deductions Disallowed			1,750.00
		<u>8,602,172.05</u>	<u>8,292,639.84</u>
Excess in Revenue		272,926.82	526,165.52
Adjustment to Excess Before Fund Balance:			
Expenditures included above which are by Statute			
Deferred Charges to Budget of Succeeding Year		215,000.00	
		<u>487,926.82</u>	<u>526,165.52</u>
<u>Fund Balance</u>			
Balance January 1		1,079,454.78	1,103,289.26
		<u>1,567,381.60</u>	<u>1,629,454.78</u>
Decreased by:			
Utilized as Anticipated Revenue		520,000.00	550,000.00
Balance December 31	A	<u>\$ 1,047,381.60</u>	<u>\$ 1,079,454.78</u>

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

TOWNSHIP OF LIBERTY
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2011

	<u>Budget</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Fund Balance Anticipated	\$ 520,000.00	\$ 520,000.00	
Miscellaneous Revenue:			
Alcoholic Beverage Licenses	5,000.00	6,103.51	\$ 1,103.51
Interest and Costs on Taxes	40,000.00	48,315.85	8,315.85
Interest on Investments	15,000.00	11,754.39	3,245.61 *
Consolidated Municipal Property Tax Relief Act	18,960.00	18,960.00	
Energy Receipts Tax	169,643.00	169,643.00	
Reserve for Garden State Preservation Trust Fund	34,362.00	34,362.00	
Uniform Construction Code Fees	23,000.00	25,017.98	2,017.98
Clean Communities	7,559.00	7,559.00	
	<u>313,524.00</u>	<u>321,715.73</u>	<u>8,191.73</u>
Receipts from Delinquent Taxes	<u>205,000.00</u>	<u>249,644.91</u>	<u>44,644.91</u>
Amount to be Raised by Taxes for Support of Municipal Budget:			
Local Tax for Municipal Purposes	<u>867,410.00</u>	<u>1,054,336.60</u>	<u>186,926.60</u>
Budget Totals	1,905,934.00	2,145,697.24	239,763.24
Nonbudget Revenue		<u>45,386.49</u>	<u>45,386.49</u>
	<u>\$ 1,905,934.00</u>	<u>\$ 2,191,083.73</u>	<u>\$ 285,149.73</u>

TOWNSHIP OF LIBERTY
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2011
(Continued)

Allocation of Current Tax Collections:		
Revenue from Collection of Current Taxes	\$ 7,535,575.12	
Allocated to School, County and Open Space Taxes	7,041,238.52	
Balance for Support of Municipal Budget	<u>494,336.60</u>	
Add: Appropriation "Reserve for Uncollected Taxes"	<u>560,000.00</u>	
Realized for Support of Municipal Budget		<u><u>\$ 1,054,336.60</u></u>
Receipts from Delinquent Taxes:		
Delinquent Tax Collections	\$ 245,786.36	
Tax Title Liens	<u>3,858.55</u>	
		<u><u>\$ 249,644.91</u></u>
Analysis of Nonbudget Revenue:		
Treasurer:		
Cable TV Franchise Fee	\$ 8,325.98	
Fire Safety Fees	5,634.35	
Planning Board Fees and Permits	1,150.00	
Zoning Board Fees and Permits	270.00	
Property List	100.00	
Insurance Claim Payments	19,737.94	
Other Miscellaneous	<u>8,834.97</u>	
		\$ 44,053.24
Statutory Excess in Reserve for Animal Control Expenditures		<u>1,333.25</u>
		<u><u>\$ 45,386.49</u></u>

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

TOWNSHIP OF LIBERTY
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2011

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
GENERAL GOVERNMENT:					
Administrative and Executive:					
Salaries & Wages	\$ 4,080.00	\$ 4,080.00	\$ 4,080.00		
Other Expenses	5,000.00	5,000.00	4,437.63	\$ 562.37	
Mayor and Council:					
Salaries & Wages	10,858.00	10,858.00	10,645.00	213.00	
Other Expenses	1,918.00	1,984.00	1,984.00		
Municipal Clerk:					
Salaries & Wages	68,500.00	68,500.00	67,684.08	815.92	
Other Expenses	14,500.00	14,500.00	13,514.65	985.35	
Financial Administration:					
Salaries & Wages	23,300.00	22,958.00	22,958.00		
Other Expenses	11,058.00	11,400.00	11,039.10	360.90	
Annual Audit	16,775.00	16,775.00	16,775.00		
Collection of Taxes:					
Salaries & Wages	21,300.00	21,300.00	21,224.00	76.00	
Other Expenses	6,505.00	6,505.00	3,200.28	3,304.72	
Assessment of Taxes:					
Salaries & Wages	28,000.00	28,000.00	22,156.04	5,843.96	
Other Expenses	6,915.00	6,915.00	5,935.83	979.17	
Legal Services and Costs:					
Other Expenses	59,250.00	59,250.00	25,902.84	33,347.16	
Engineering Services and Costs:					
Other Expenses	11,000.00	11,000.00		11,000.00	
Aid to Historical Society	250.00	250.00		250.00	

TOWNSHIP OF LIBERTY
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2011
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
GENERAL GOVERNMENT (continued):					
Municipal Land Use Law (N.J.S.A. 40:55D-1) :					
Municipal Land Use Board:					
Salaries & Wages	\$ 7,300.00	\$ 7,300.00	\$ 7,283.00	\$ 17.00	
Other Expenses	3,090.00	3,090.00	761.60	2,328.40	
Zoning Officer:					
Salaries & Wages	9,450.00	9,450.00	9,413.00	37.00	
PUBLIC SAFETY:					
Emergency Management Service:					
Salaries & Wages	1,734.00	1,734.00		1,734.00	
Other Expenses	1,200.00	1,200.00		1,200.00	
First Aid Organization - Contribution:					
Independence Township	15,000.00	15,000.00	15,000.00		
Aid to Volunteer Fire Companies:					
Liberty Township Fire Companies	35,000.00	35,000.00	35,000.00		
Fire Prevention Bureau:					
Salaries & Wages	4,525.00	4,525.00	4,513.95	11.05	
Other Expenses	900.00	900.00	604.47	295.53	
Fire Department:					
O.S.H.A Required Equipment	14,150.00	14,150.00	12,000.00	2,150.00	
Insurance:					
Liability Insurance	49,000.00	49,000.00	42,745.00	6,255.00	
Worker's Compensation	31,000.00	31,000.00	20,936.00	10,064.00	
Group Insurance Plan for Employees	46,200.00	46,200.00	44,070.09	2,129.91	
Municipal Court:					
Other Expenses	12,500.00	9,792.00	1,500.00	8,292.00	

TOWNSHIP OF LIBERTY
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2011
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
GENERAL GOVERNMENT (continued):					
PUBLIC WORKS FUNCTIONS:					
Road Repairs and Maintenance:					
Salaries & Wages	\$ 169,000.00	\$ 169,000.00	\$ 154,222.38	\$ 14,777.62	
Other Expenses (Special Emergency Appropriation + \$215,000)	140,000.00	355,000.00	194,902.32	160,097.68	
Garbage and Trash Removal:					
Other Expenses	12,000.00	12,000.00	7,346.73	4,653.27	
Public Buildings and Grounds:					
Other Expenses	74,900.00	72,192.00	20,317.10	51,874.90	
HEALTH AND WELFARE:					
Environmental Commission (N.J.S.A. 40A: 56 ET SEQ):					
Salaries & Wages	3,275.00	3,275.00	2,856.00	419.00	
Other Expenses	6,880.00	6,880.00	1,419.99	5,460.01	
Dog Regulation:					
Salaries & Wages	6,025.00	6,025.00	4,632.74	1,392.26	
Senior Citizen Center - Contribution	2,000.00	2,000.00	2,000.00		
PARKS AND RECREATION FUNCTIONS:					
Recreation:					
Salaries & Wages	33,900.00	33,900.00	33,896.00	4.00	
Other Expenses	22,900.00	22,900.00	21,814.34	1,085.66	
Maintenance of Parks:					
Other Expenses	4,000.00	4,000.00	3,072.35	927.65	
Beach and Boardwalk:					
Other Expenses	3,650.00	3,650.00	2,565.39	1,084.61	
Utility Expenses and Bulk Purchases	45,000.00	50,000.00	46,500.98	3,499.02	

TOWNSHIP OF LIBERTY
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2011
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
UNIFORM CONSTRUCTION CODE:					
State Uniform Construction Code:					
Construction Code Enforcement:					
Salaries & Wages	\$ 25,000.00	\$ 25,000.00	\$ 22,302.45	\$ 2,697.55	
Other Expenses	2,400.00	2,400.00	1,657.94	742.06	
	<hr/>	<hr/>	<hr/>	<hr/>	
Total Operations Within "CAPS"	1,071,188.00	1,285,838.00	944,870.27	340,967.73	
	<hr/>	<hr/>	<hr/>	<hr/>	
Detail:					
Salaries & Wages	416,247.00	415,905.00	387,866.64	28,038.36	
Other Expenses	654,941.00	869,933.00	557,003.63	312,929.37	
	<hr/>	<hr/>	<hr/>	<hr/>	
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS" (Cont'd):					
Statutory Expenditures:					
Contribution to:					
Social Security System (O.A.S.I.)	32,500.00	32,500.00	29,436.11	3,063.89	
Unemployment Compensation	2,300.00	2,650.00	2,562.25	87.75	
Public Employees' Retirement System	34,667.00	34,667.00	34,667.00		
Defined Contribution Retirement Program	500.00	500.00		500.00	
	<hr/>	<hr/>	<hr/>	<hr/>	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	69,967.00	70,317.00	66,665.36	3,651.64	
	<hr/>	<hr/>	<hr/>	<hr/>	
Total General Appropriations for Municipal Purposes Within "CAPS"	1,141,155.00	1,356,155.00	1,011,535.63	344,619.37	
	<hr/>	<hr/>	<hr/>	<hr/>	

TOWNSHIP OF LIBERTY
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2011
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
State and Federal Programs Offset by Revenues:					
Municipal Alliance - Township Share	\$ 1,260.00	\$ 1,260.00	\$ 1,260.00		
Clean Communities	7,559.00	7,559.00	7,559.00		
Total State and Federal Programs Offset by Revenues	8,819.00	8,819.00	8,819.00		
Detail:					
Other Expenses	8,819.00	8,819.00	8,819.00		
Capital Improvements - Excluded from "CAPS":					
Capital Improvement Fund	45,000.00	45,000.00	45,000.00		
Road Improvements	126,500.00	126,500.00	125,483.06	\$ 1,016.94	
Road Equipment	5,000.00	5,000.00		5,000.00	
Total Capital Improvements - Excluded from "CAPS"	176,500.00	176,500.00	170,483.06	6,016.94	
Municipal Debt Service - Excluded from "CAPS":					
Loan Repayments for Principal and Interest	19,460.00	19,460.00	19,459.53		\$ 0.47

TOWNSHIP OF LIBERTY
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2011
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Total Municipal Debt Service - Excluded from "CAPS"	\$ 19,460.00	\$ 19,460.00	\$ 19,459.53		\$ 0.47
Total General Appropriations - Excluded from "CAPS"	204,779.00	204,779.00	198,761.59	\$ 6,016.94	0.47
Subtotal General Appropriations	1,345,934.00	1,560,934.00	1,210,297.22	350,636.31	0.47
Reserve for Uncollected Taxes	560,000.00	560,000.00	560,000.00		
Total General Appropriations	<u>\$1,905,934.00</u>	<u>\$2,120,934.00</u>	<u>\$1,770,297.22</u>	<u>\$ 350,636.31</u>	<u>\$ 0.47</u>

Ref.

A

TOWNSHIP OF LIBERTY
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2011
(Continued)

	<u>Ref.</u>	<u>Analysis of</u>	
		<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>
Adopted Budget		\$ 1,905,934.00	
Special Emergency Authorization - 5 Years (N.J.S.A 40A:4-55)		<u>215,000.00</u>	
		<u>\$ 2,120,934.00</u>	
Reserve for Uncollected Taxes			\$ 560,000.00
Reserve for Encumbrances	A		36,183.36
Transfer to Appropriated Grant Reserves:			
Federal, State and Local Grants			7,559.00
Local Matching Funds			1,260.00
Cash Disbursed			<u>1,165,727.02</u>
			1,770,729.38
Less: Appropriation Refunds			<u>432.16</u>
			<u>\$ 1,770,297.22</u>

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

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2011
TRUST FUNDS

TOWNSHIP OF LIBERTY
COMPARATIVE BALANCE SHEET - TRUST FUNDS

	Ref.	December 31,	
		2011	2010
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents	B-4	\$ 5,355.40	\$ 4,805.20
Due from Current Fund	A		78.60
		<u>5,355.40</u>	<u>4,883.80</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-4	332,975.19	301,059.71
		<u>332,975.19</u>	<u>301,059.71</u>
TOTAL ASSETS		<u><u>\$ 338,330.59</u></u>	<u><u>\$ 305,943.51</u></u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Animal Control Fund:			
Reserve for Animal Control Expenditures	B-6	\$ 5,076.80	\$ 4,804.00
Reserve for Encumbrances		200.00	
Due to State Board of Health		78.60	79.80
		<u>5,355.40</u>	<u>4,883.80</u>
Other Trust Funds:			
Reserve for:			
Recreation		32,954.82	37,848.24
Housing Trust		44,320.19	44,209.54
Open Space Trust		105,179.96	77,280.22
Developers Escrow and Bonds		150,520.22	141,721.71
		<u>332,975.19</u>	<u>301,059.71</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u><u>\$ 338,330.59</u></u>	<u><u>\$ 305,943.51</u></u>

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

TOWNSHIP OF LIBERTY
ASSESSMENT TRUST FUND
STATEMENT OF FUND BALANCE
YEAR ENDED DECEMBER 31, 2011

NOT APPLICABLE

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

TOWNSHIP OF LIBERTY
ASSESSMENT TRUST FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2011

NOT APPLICABLE

ASSESSMENT TRUST FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2011

NOT APPLICABLE

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

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2011
GENERAL CAPITAL FUND

TOWNSHIP OF LIBERTY
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET

	Ref.	December 31,	
		2011	2010
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 330,568.26	\$ 346,770.86
Deferred Charges to Future Taxation:			
Funded		42,711.74	61,041.63
Unfunded	C-4	1,046,250.00	330,000.00
TOTAL ASSETS		\$ 1,419,530.00	\$ 737,812.49
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Bond Anticipation Notes Payable	C-7	\$ 310,000.00	\$ 330,000.00
Green Acres Loan #1 Payable	C-9	4,717.05	14,011.51
Green Acres Loan #2 Payable	C-9A	37,994.69	47,030.12
Improvement Authorizations:			
Funded	C-5	139,247.45	161,700.05
Unfunded	C-5	736,250.00	
Reserve for Road Equipment		3,961.28	3,961.28
Reserve for Marble Hill		12,255.40	12,255.40
Capital Improvement Fund	C-6	156,305.44	150,055.44
Fund Balance	C-1	18,798.69	18,798.69
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		\$ 1,419,530.00	\$ 737,812.49

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

TOWNSHIP OF LIBERTY
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE

	<u>Ref</u>	
Balance December 31, 2010	C	<u>\$ 18,798.69</u>
Balance December 31, 2011	C	<u>\$ 18,798.69</u>

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

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2011
WATER OPERATING FUND

NOT APPLICABLE

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2011
SEWER OPERATING FUND

NOT APPLICABLE

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2011
PUBLIC ASSISTANCE FUND

NOT APPLICABLE

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2011
BOND AND INTEREST FUND

NOT APPLICABLE

TOWNSHIP OF LIBERTY

COUNTY OF WARREN

2011

GENERAL FIXED ASSETS ACCOUNT GROUP

TOWNSHIP OF LIBERTY
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET

<u>ASSETS</u>	December 31,	
	2011	2010
Land	\$ 71,400.00	\$ 71,400.00
Buildings	1,485,008.00	1,485,008.00
Equipment and Vehicles	1,131,556.00	1,075,114.00
<u>TOTAL ASSETS</u>	<u>\$ 2,687,964.00</u>	<u>\$ 2,631,522.00</u>
<u>RESERVES</u>		
Reserve for Fixed Assets	\$ 2,687,964.00	\$ 2,631,522.00
<u>TOTAL RESERVES</u>	<u>\$ 2,687,964.00</u>	<u>\$ 2,631,522.00</u>

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

TOWNSHIP OF LIBERTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

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

Governmental Accounting Standards Board ("GASB") *Codification of Government Accounting and Financial Reporting Standards*, 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, 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 Liberty conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Such principles and 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 Liberty 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 Fund – Receipt, 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.

TOWNSHIP OF LIBERTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

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

B. Basis of Accounting (Cont'd)

General Fixed Assets Account Group – These accounts were established with values of land, buildings and certain fixed assets of the Township as discussed under the caption “Basis of Accounting”.

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 accounting policies of the Township of Liberty conform to the accounting principles applicable to municipalities which have been prescribed by the Division which differ in certain respects from accounting principles generally accepted in the United States of America applicable to local governmental units. The following is a summary of the significant policies.

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 budgeted and in the capital funds when improvements are authorized. The amounts recorded as property taxes receivable have not been included in revenue. Amounts that are due to the municipality, which are susceptible of accrual, are recorded as receivables with offsetting reserves in the Current Fund.

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

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

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

TOWNSHIP OF LIBERTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

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

C. Basis of Accounting (Cont'd)

The cash basis of accounting is followed in General Capital Fund.

Had the Township's financial statements been prepared under generally accepted accounting principles, 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 awards would be recognized when earned, not when awarded and; inventories would not be reflected as expenditures at the time of purchase.

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 the 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.

Grants Receivable – Grants receivable represent total grant awards less amounts collected to date. Because the amount of grants 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.

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

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

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

TOWNSHIP OF LIBERTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

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

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

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.

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

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.

Fixed Assets – Property and equipment purchased by the Current and General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized.

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 land and buildings which are recorded at estimated historical cost. Infrastructure assets are not included in general fixed assets, as per state directive. Major renewals and betterments are charged to the asset accounts; maintenance and minor repairs 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 for on general fixed assets. The total value recorded for general fixed assets is offset by a “Reserve for General 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 of recognition of assets, and the recognition of infrastructures. Capital assets are reviewed for impairment.

Note 2: Long-Term 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 LIBERTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

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

Summary of Municipal Debt

	December 31,		
	2011	2010	2009
<u>Issued</u>			
General:			
Bonds, Notes and Loans	\$ 352,711.74	\$ 391,041.63	\$ 429,010.35
Net Debt Issued	352,711.74	391,041.63	429,010.35
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	736,250.00	-0-	-0-
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$ 1,088,961.74</u>	<u>\$ 391,041.63</u>	<u>\$ 429,010.35</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 .33%.

	Gross Debt	Deductions	Net Debt
General Debt	\$ 1,088,961.74		\$ 1,088,961.74
Regional School District Debt	2,285,003.71	\$ 2,285,003.71	
	<u>\$ 3,373,965.45</u>	<u>\$ 2,285,003.71</u>	<u>\$ 1,088,961.74</u>

Net Debt: \$1,088,961.74 divided by Average Equalized Valuations of \$327,920,596.07 of Real Property = .33%.

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

3-1/2% Average Equalized Valuation of Real Property	\$ 11,477,220.88
Net Debt	<u>1,088,961.74</u>
Remaining Borrowing Power	<u>\$ 10,388,259.14</u>

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

TOWNSHIP OF LIBERTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

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

Summary of Municipal Debt Issued and Outstanding - Prior Year

Fund	Balance 12/31/2009	Additions	Retirements	Balance 12/31/2010
Bond Anticipation Notes:				
General Capital	\$ 350,000.00	\$ 330,000.00	\$ 350,000.00	\$ 330,000.00
Loans Payable:				
General Capital Fund				
Green Acres Trust Loan #1	23,122.84		9,111.33	14,011.51
Green Acres Trust Loan #2	55,887.51		8,857.39	47,030.12
	<u>\$ 429,010.35</u>	<u>\$ 330,000.00</u>	<u>\$ 367,968.72</u>	<u>\$ 391,041.63</u>

Summary of Municipal Debt Issued and Outstanding - Current Year

Fund	Balance 12/31/2010	Additions	Retirements	Balance 12/31/2011
Bond Anticipation Notes:				
General Capital	\$ 330,000.00	\$ 310,000.00	\$ 330,000.00	\$ 310,000.00
Loans Payable:				
General Capital Fund				
Green Acres Trust Loan #1	14,011.51		9,294.46	4,717.05
Green Acres Trust Loan #2	47,030.12		9,035.43	37,994.69
	<u>\$ 391,041.63</u>	<u>\$ 310,000.00</u>	<u>\$ 348,329.89</u>	<u>\$ 352,711.74</u>

The Township's debt issued and outstanding on December 31, 2011 is described as follows:

<u>General Capital Bond Anticipation Notes</u>		
<u>Final Maturity</u>	<u>Rate</u>	<u>Amount</u>
12/14/2012	1.25%	\$ 310,000.00
		<u>\$ 310,000.00</u>
<u>Green Acres Loans Payable</u>		
<u>Final Maturity</u>	<u>Rate</u>	<u>Amount</u>
2/12/2012	2.00%	\$ 4,717.05
8/22/2015	2.00%	37,994.69
		<u>\$ 42,711.74</u>
Total Debt Issued and Outstanding		<u>\$ 352,711.74</u>

TOWNSHIP OF LIBERTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

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

Schedule of Annual Debt Service for Principal and Interest for the Next Four Years
and thereafter for Loans Issued and Outstanding

Calendar Year	Loans		Total
	Principal	Interest	
2012	\$ 13,934.09	\$ 761.21	\$ 14,695.30
2013	9,402.30	528.78	9,931.08
2014	9,591.29	339.79	9,931.08
2015	9,784.06	146.99	9,931.05
	<u>\$ 42,711.74</u>	<u>\$ 1,776.77</u>	<u>\$ 44,488.51</u>

Note 3: Fund Balances Appropriated

The amount of fund balance at December 31, 2011 which will be included in the Current Fund budget for the year ending December 31, 2012 is \$520,000.

Note 4: Pension Plans

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

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 the above system funds and trust. The financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295.

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Effective with the first payroll to be paid on or after October 1, 2011 the employee contributions for PERS went from 5.5% to 6.50%. Employers are required to contribute at an actuarially determined rate. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits. In the PERS, the employer contribution includes funding for post-retirement medical premiums.

TOWNSHIP OF LIBERTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

Note 4: Pension Plans (Cont'd)

The Township's contributions to the plan amounted to \$34,667, \$32,118, and \$26,232, for 2011, 2010 and 2009, respectively, for PERS.

Note 5: Accrued Sick and Vacation Benefits

The Township permits employees to accrue a limited amount of unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$31,517 at December 31, 2011. This amount is not reported either as expenditure or a 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.

Note 6: 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 alien at a tax sale held after April 1 and through December 31. Unpaid taxes of the current year may be placed in lien at a tax sale held after December 10.

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>Tax Rate</u>	\$ 2.90	\$ 2.85	\$ 2.88
<u>Apportionment of Tax Rate</u>			
Municipal (Includes Open Space)	.34	.34	.34
County	.77	.78	.83
Regional School District	1.79	1.73	1.71
<u>Assessed Valuations</u>			
2011	<u>\$ 272,890,718.00</u>		
2010		<u>\$ 272,304,759.00</u>	
2009			<u>\$ 270,914,062.00</u>

TOWNSHIP OF LIBERTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

Note 6: Selected Tax Information (Cont'd)

Comparison of Tax Levies and Collections 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>
2011	\$ 7,921,723.57	\$ 7,535,575.12	95.13%
2010	7,763,076.18	7,440,262.76	95.84%
2009	7,821,785.87	7,536,694.54	96.36%

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

Note 7: Cash and Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, amounts in deposits, money market accounts, 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 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 investments matures within the time period that approximates 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 permitted under state statutes as detailed on the following pages.

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.

TOWNSHIP OF LIBERTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

Note 7: Cash and Cash Equivalents and Investments (Cont'd)

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 on deposit.

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

All collateral must be deposited with the Federal Reserve Bank, 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

TOWNSHIP OF LIBERTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

Note 7: Cash and Cash Equivalents and Investments (Cont'd)

Investments (Cont'd)

- (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.

As of December 31, 2011, cash and cash equivalents of the Township of Liberty consisted of the following:

<u>Fund</u>	<u>Cash on Hand</u>	<u>Savings and Checking Accounts</u>	<u>Totals</u>
Current	\$ 275.00	\$ 2,273,684.55	\$ 2,273,959.55
Federal and State Grants		1,762.13	1,762.13
Animal Control Trust		5,355.40	5,355.40
Other Trust		332,975.19	332,975.19
General Capital		330,568.26	330,568.26
	<u>\$ 275.00</u>	<u>\$ 2,944,345.53</u>	<u>\$ 2,944,620.53</u>

During the period ended December 31, 2011, the Township did not hold any investments. The carrying amount of the Township's cash and cash equivalents at December 31, 2011, was \$2,944,620.53 and the bank balance was \$2,955,335.89.

Note 8: Regional 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. Regional School District Taxes have been raised and the liability deferred by statute, resulting in the school taxes payable set forth in the Current Fund liabilities as follows:

	<u>Balance Dec. 31, 2011</u>	<u>Balance Dec. 31, 2010</u>
Balance of Tax	\$ 2,471,268.61	\$ 2,350,641.14
Amount Deferred	<u>1,520,074.75</u>	<u>1,520,074.75</u>
School Taxes Payable	<u>\$ 951,193.86</u>	<u>\$ 830,566.39</u>

TOWNSHIP OF LIBERTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

Note 9: Contingent Liabilities

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 would not have a material adverse effect on their financial position.

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.

Note 10: Fixed Assets

The following is a schedule of the Township of Liberty's fixed assets:

	Balance Dec. 31, 2010	Additions	Deletions	Balance Dec. 31, 2011
Land	\$ 71,400.00			\$ 71,400.00
Buildings	1,485,008.00			1,485,008.00
Equipment and Vehicles	1,075,114.00	\$ 56,442.00		1,131,556.00
	<u>\$ 2,631,522.00</u>	<u>\$ 56,442.00</u>	<u>\$ -0-</u>	<u>\$ 2,687,964.00</u>

Note 11: Open Space Trust Fund

On November 3, 1998, the Township of Liberty created an Open Space Trust Fund with a tax levy of \$.02 per \$100 of assessed valuation. The funds collected are used to acquire and maintain open space property in the Township. As of December 31, 2011 the balance in the Open Space Trust Fund was \$105,179.96.

Note 12: Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. Health benefits are provided through the State of New Jersey health benefits plan.

Property and Liability Insurance – The Township maintains commercial insurance coverage for property, liability and surety bonds.

New Jersey Unemployment Compensation – 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.

TOWNSHIP OF LIBERTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

Note 13: Economic Dependency

The Township of Liberty receives a substantial amount of 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: Deferred Charges to be Raised in Succeeding Years

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2011, the following deferred charge is shown on the balance sheet of the Current Fund:

	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Required</u> <u>2012 Budget</u> <u>Appropriation</u>	<u>Balance Deferred</u> <u>to Succeeding</u> <u>Years' Budgets</u>
Current Fund:			
Special Emergency Appropriation	\$ 215,000.00	\$ 43,000.00	\$ 172,000.00
	<u>\$ 215,000.00</u>	<u>\$ 43,000.00</u>	<u>\$ 172,000.00</u>

The amount appropriated in the 2012 budget will not be less than the amount required by statute.

TOWNSHIP OF LIBERTY

SUPPLEMENTARY DATA

TOWNSHIP OF LIBERTY
OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2011

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name of Corporate Surety</u>
John Inscho	Mayor		
Mark Tibak	Deputy Mayor		
Ronald Petersen	Committeeman		
John Fisher	Committeeman		
Dan Grover	Committeeman		
Diane M. Pflugfelder	Clerk/Administrator	(A)	
Kevin Lifer	Chief Financial Officer	\$ 50,000.00	Selective Insurance Company
Eleanor Clarkson	Deputy Clerk	(A)	
Patricia Noll	Tax Collector	200,000.00	RLI Insurance Company
Lydia C. Schmidt	Tax Assessor (to 7/28)	(A)	
Penny Hostenstein	Tax Assessor (from 7/28)	(A)	
Roger J. Skoog	Attorney		
Ferriero Engineering	Engineer		
Ralph Price	Building Inspector	(A)	
Eric Snyder	Zoning Official	(A)	

(A) There is a Public Employees Blanket Bond for \$50,000.00 covering all municipal employees; the Chief Financial Officer and the Tax Collector are separately bonded.

All bonds were examined and were properly executed.

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2011
CURRENT FUND

TOWNSHIP OF LIBERTY
CURRENT FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2010	A	\$ 2,285,914.56
Increased by Receipts:		
Tax Collector		\$ 7,833,380.90
Revenue Accounts Receivable		231,478.88
Miscellaneous Revenue Not Anticipated		44,053.24
Due from State of N.J.:		
Marriage License Fees		150.00
Veterans and Senior Citizens' Deductions		26,750.00
DCA Training Fees		1,048.02
Due from Animal Control Fund:		
Statutory Excess		1,334.45
2011 Budget Appropriation Refunds		432.16
Payroll Deductions Payable		23,358.86
Reserve for Beach Donations		100.00
Reserve for Garden State Preservation Fund		34,362.00
		<u>8,196,448.51</u>
		<u>10,482,363.07</u>
Decreased by Disbursements:		
2011 Appropriation Expenditures		1,165,727.02
2010 Appropriation Reserves		44,512.22
Regional School Taxes		4,761,909.73
County Taxes		2,103,555.81
Tax Overpayments		8,575.13
Tax Sale Premiums		8,100.00
Due from Animal Control Fund:		
Prior Year Interfund Payable		78.60
Due Other Trust Funds:		
Open Space Tax Levy		54,578.00
Due Grant Funds:		
Municipal Alliance - Township Share		1,260.00
Due To State of New Jersey:		
Marriage License Fees		225.00
DCA Training Fees		1,406.87
Payroll Deductions Payable		19,927.46
Redemption of Third Party Tax Title Liens		38,822.68
		<u>8,208,678.52</u>
Balance December 31, 2011	A	<u>\$ 2,273,684.55</u>

TOWNSHIP OF LIBERTY
CURRENT FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2011

Increased by Receipts:

Taxes Receivable	\$ 7,699,428.43	
Interest and Costs on Taxes	48,315.85	
2012 Prepaid Taxes	27,566.97	
Tax Overpayments	506.11	
Tax Title Liens Receivable	3,858.55	
Third Party Tax Title Liens	51,207.20	
End of Year Tax Penalty	2,497.79	
	<hr/>	
		\$ 7,833,380.90

Decreased by:

Disbursed to Municipal Treasurer		<u>\$ 7,833,380.90</u>
----------------------------------	--	------------------------

TOWNSHIP OF LIBERTY
CURRENT FUND
SCHEDULE OF CASH - FEDERAL AND STATE GRANT FUNDS

	<u>Ref.</u>	
Balance December 31, 2010	A	\$ 5,664.99
Increased by Receipts:		
Grant Funds Received		\$ 7,380.88
Unappropriated Reserves		2,536.60
Due Current Fund		<u>1,260.00</u>
		<u>11,177.48</u>
		<u>16,842.47</u>
Decreased by Disbursements:		
		<u>15,080.34</u>
Balance December 31, 2011	A	<u><u>\$ 1,762.13</u></u>

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

Year	Balance	2011 Levy	Collections		State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Transferred to Tax Title Liens	Balance
	Dec. 31, 2010		2010	2011				Dec. 31, 2011
2009	\$ 9,228.68							\$ 9,228.68
2010	257,665.39			\$ 245,786.36			\$ 2,598.22	9,280.81
	266,894.07			245,786.36			2,598.22	18,509.49
2011		\$ 7,921,723.57	\$ 54,433.05	7,453,642.07	\$ 27,500.00	\$ 26,333.84	61,917.65	297,896.96
	\$ 266,894.07	\$ 7,921,723.57	\$ 54,433.05	\$ 7,699,428.43	\$ 27,500.00	\$ 26,333.84	\$ 64,515.87	\$ 316,406.45

Ref. A

A

Analysis of 2011 Property Tax Levy:

Tax Yield:

General Purpose Tax	\$ 7,884,792.08
Business Personal Property Taxes	20,853.04
Added and Omitted Taxes	16,078.45
	<u>\$ 7,921,723.57</u>

Tax Levy:

Regional School District Taxes	\$ 4,882,537.20
County Taxes:	
General Tax	\$ 1,742,343.48
Library Tax	159,317.67
Open Space Tax	198,183.01
Due County for Added and Omitted Taxes	4,279.16
	<u>2,104,123.32</u>
Local Tax for Open Space - Due Other Trust Funds	54,578.00
	<u>7,041,238.52</u>
Local Tax for Municipal Purposes Levied	867,410.00
Add: Additional Tax Levied	13,075.05
	<u>880,485.05</u>
	<u>\$ 7,921,723.57</u>

TOWNSHIP OF LIBERTY
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

	<u>Ref.</u>	
Balance December 31, 2010	A	\$ 163,683.51
Increased by:		
Interest and Costs in Tax Sale	\$ 459.96	
Transfer from Taxes Receivable	<u>64,515.87</u>	
		<u>64,975.83</u>
		228,659.34
Decreased by:		
Cash Received		<u>3,858.55</u>
Balance December 31, 2011	A	<u>\$ 224,800.79</u>

TOWNSHIP OF LIBERTY
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2011

	Accrued In 2011	Collected by Treasurer
Clerk:		
Alcoholic Beverage Licenses	\$ 6,103.51	\$ 6,103.51
Construction Code Official:		
Fees and Permits	25,017.98	25,017.98
Interest on Investments	11,754.39	11,754.39
Energy Receipts Tax	169,643.00	169,643.00
Consolidated Municipal Property Tax	18,960.00	18,960.00
	\$ 231,478.88	\$ 231,478.88

TOWNSHIP OF LIBERTY
CURRENT FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2011

NOT APPLICABLE

TOWNSHIP OF LIBERTY
CURRENT FUND
SCHEDULE OF 2010 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2011

	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
GENERAL GOVERNMENT:				
Administrative and Executive:				
Other Expenses	\$ 1,635.65	\$ 1,635.65	\$ 640.00	\$ 995.65
Mayor and Council:				
Salaries & Wages	213.00	213.00		213.00
Other Expenses	302.00	302.00		302.00
Municipal Clerk:				
Salaries & Wages	3,552.43	3,552.43		3,552.43
Other Expenses	3,805.97	3,805.97	2,202.79	1,603.18
Financial Administration:				
Other Expenses	651.84	651.84	439.72	212.12
Assessment of Taxes:				
Salaries & Wages	100.00	100.00		100.00
Other Expenses	185.46	185.46	77.60	107.86
Collection of Taxes:				
Salaries & Wages	2,000.00	2,000.00		2,000.00
Other Expenses	4,874.30	4,874.30	1,412.24	3,462.06
Legal Services and Costs:				
Other Expenses	36,524.30	36,524.30	4,583.34	31,940.96
Engineering Services and Costs:				
Other Expenses	11,552.50	11,552.50		11,552.50
Aid to Historical Society	250.00	250.00		250.00
Municipal Land Use Law:				
Municipal Land Use Board:				
Other Expenses	3,651.11	3,651.11	30.00	3,621.11
Insurance:				
Group Insurance Plan for Employees	1,623.34	1,623.34		1,623.34
Workers' Compensation	13,757.00	13,757.00	3,203.00	10,554.00
Liability Insurance	390.70	390.70		390.70

TOWNSHIP OF LIBERTY
CURRENT FUND
SCHEDULE OF 2010 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2011

	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
GENERAL GOVERNMENT:				
Emergency Management:				
Salaries & Wages	\$ 1,734.00	\$ 1,734.00		\$ 1,734.00
Other Expenses	1,200.00	1,200.00		1,200.00
Fire Prevention Bureau:				
Salaries & Wages	14.50	14.50		14.50
Other Expenses	98.67	98.67		98.67
Fire Department:				
O.S.H.A. Required Equipment	6,556.45	6,556.45	\$ 6,396.10	160.35
STREETS AND ROADS:				
Road Repair and Maintenance:				
Salaries & Wages	19,255.91	19,255.91	1,238.67	18,017.24
Other Expenses	48,371.56	48,371.56	12,164.73	36,206.83
Sanitation:				
Garbage and Trash Removal:				
Other Expenses	9,691.77	9,691.77	403.31	9,288.46
Public Buildings and Grounds:				
Other Expenses	19,166.70	19,166.70	572.40	18,594.30
Environmental Commission :				
Salaries & Wages	464.04	464.04		464.04
Other Expenses	2,965.10	2,965.10		2,965.10
RECREATION AND EDUCATION:				
Recreation:				
Salaries & Wages	1,489.66	1,489.66		1,489.66
Other Expenses	16,816.03	16,816.03	6,578.26	10,237.77
Maintenance of Parks:				
Other Expenses	1,030.54	1,030.54	170.39	860.15
Beach and Boardwalk:				
Other Expenses	1,545.40	1,545.40	56.75	1,488.65
Utility Expenses and Bulk Purchases	8,814.80	8,814.80	3,296.89	5,517.91

TOWNSHIP OF LIBERTY
CURRENT FUND
SCHEDULE OF 2010 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2011

	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
UNIFORM AND CONSTRUCTION CODE:				
Construction Code Enforcement:				
Salaries & Wages	\$ 2,777.86	\$ 2,777.86		\$ 2,777.86
Other Expenses	1,004.01	1,004.01	\$ 186.03	817.98
Statutory Expenditures:				
Contributions to:				
Social Security System (O.A.S.I.)	72.23	72.23		72.23
Unemployment Compensation	0.18	0.18		0.18
Municipal Court:				
Other Expenses	8,900.00	8,900.00	860.00	8,040.00
	<u>\$ 237,039.01</u>	<u>\$ 237,039.01</u>	<u>\$ 44,512.22</u>	<u>\$ 192,526.79</u>

<u>Analysis of Balance @ 12/31/10:</u>	<u>Ref.</u>	
Unencumbered	A	\$ 215,925.42
Encumbered	A	21,113.59
		<u>\$ 237,039.01</u>

TOWNSHIP OF LIBERTY
CURRENT FUND
SCHEDULE OF REGIONAL SCHOOL DISTRICTS TAXES PAYABLE

Balance December 31, 2010	<u>Ref.</u>		
School Taxes Deferred		\$ 1,520,074.75	\$ 2,350,641.14
School Taxes Payable	A	830,566.39	
Increased by:			
Levy - School Year July 1, 2010 to June 30, 2011			<u>4,882,537.20</u>
			7,233,178.34
Decreased by:			
Payments to Regional School Districts			<u>4,761,909.73</u>
			2,471,268.61
Balance December 31, 2011			
School Taxes Deferred		1,520,074.75	\$ <u>2,471,268.61</u>
School Taxes Payable	A	<u>951,193.86</u>	
Increase in Deferred School Taxes		<u>\$ -0-</u>	

TOWNSHIP OF LIBERTY
FEDERAL AND STATE GRANT FUND
SCHEDULE OF GRANTS RECEIVABLE

	<u>Balance Dec. 31, 2010</u>	<u>Budget Revenue Realized</u>	<u>Cash Receipts</u>	<u>Transferred From Unappropriated Reserves</u>	<u>Balance Dec. 31, 2011</u>
Environmental Grant - 2006	\$ 16,462.80				\$ 16,462.80
Clean Communities Grant		\$ 7,559.00	\$ 7,380.88	\$ 178.12	
Highlands Plan Conformance Grant	24,922.50				24,922.50
Wastewater Management Grant	10,000.00				10,000.00
	<u>\$ 51,385.30</u>	<u>\$ 7,559.00</u>	<u>\$ 7,380.88</u>	<u>\$ 178.12</u>	<u>\$ 51,385.30</u>
<u>Ref.</u>	A				A

TOWNSHIP OF LIBERTY
FEDERAL AND STATE GRANT FUND
SCHEDULE OF APPROPRIATED RESERVES

	Balance Dec. 31, 2010	Transferred from 2011 Budget Appropriations	Paid or Charged	Balance Dec. 31, 2011
Environmental Services Grant - 1997	\$ 107.47			\$ 107.47
Environmental Services Grant - 1998	2,161.05			2,161.05
Recycling Tonnage Grant	186.75			186.75
Tree Planting Grant	103.00			103.00
Department of Transportation - 2007	4,229.08			4,229.08
Recycling Tonnage Grant - 2004	1,209.37			1,209.37
Clean Communities Grant - 2007	5,924.49		\$ 5,924.49	
Clean Communities Grant - 2009	5,005.87		4,216.84	789.03
Reserve for Clean Communities - 2009	5,668.70			5,668.70
Clean Communities Grant - 2010	7,559.08			7,559.08
Clean Communities Grant - 2011		\$ 7,559.00		7,559.00
Highlands Plan Conformance Grant	11,099.75			11,099.75
Wastewater Management Grant -2010	6,072.50		4,474.00	1,598.50
Municipal Alliance Grant - Local Match	2,220.00	1,260.00	465.01	3,014.99
	<u>\$ 51,547.11</u>	<u>\$ 8,819.00</u>	<u>\$ 15,080.34</u>	<u>\$ 45,285.77</u>
<u>Ref.</u>	A			A
		\$ 7,559.00	\$ 15,080.34	
		1,260.00		
		<u>\$ 8,819.00</u>	<u>\$ 15,080.34</u>	

TOWNSHIP OF LIBERTY
FEDERAL AND STATE GRANT FUND
SCHEDULE OF UNAPPROPRIATED RESERVES

	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Cash</u> <u>Receipts</u>	<u>Transferred to</u> <u>2011 Budget</u> <u>Revenue</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
Recycling Tonnage Grant	\$ 3,425.45	\$ 2,536.60		\$ 5,962.05
Clean Communities	1,569.35		\$ 178.12	1,391.23
Municipal Court Rehabilitation Funds	508.38			508.38
	<u>\$ 5,503.18</u>	<u>\$ 2,536.60</u>	<u>\$ 178.12</u>	<u>\$ 7,861.66</u>
<u>Ref.</u>	A			A

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2011
TRUST FUNDS

TOWNSHIP OF LIBERTY
TRUST FUNDS
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Animal Control Fund</u>	<u>Other Trust Funds</u>
Balance December 31, 2010	B	\$ 4,805.20	\$ 301,059.71
Increased by Receipts:			
Animal Control License Fees		\$ 2,587.20	
Late Registration Fees		2,491.00	
State Dog License Fees		874.80	
Performance Bonds and Escrow Deposits			\$ 12,239.26
Housing Trust			110.65
Recreation Programs			24,422.34
Open Space Trust:			
Open Space Levy			54,578.00
Interest Earned			111.79
Due Current Fund:			
Prior Year Interfund		78.60	
Interest Earned		14.44	
		<u>6,046.04</u>	<u>164.92</u>
		10,851.24	91,626.96
			392,686.67
Decreased by Disbursements:			
Due to State of New Jersey		874.80	
Miscellaneous Expenses		3,272.15	
Performance Bonds and Escrow Expenses			3,440.75
Recreation Expenses			29,315.76
Open Space Trust			26,790.05
Due Current Fund:			
Interest Earned		14.44	164.92
Statutory Excess		1,334.45	
		<u>5,495.84</u>	<u>59,711.48</u>
Balance December 31, 2011	B	<u>\$ 5,355.40</u>	<u>\$ 332,975.19</u>

TOWNSHIP OF LIBERTY
ASSESSMENT TRUST FUND
ANALYSIS OF CASH
YEAR ENDED DECEMBER 31, 2011

NOT APPLICABLE

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

	<u>Ref.</u>	
Balance December 31, 2010	B	\$ 4,804.00
Increased by:		
Dog License Fees:		
Collected in Current Year		\$ 2,587.20
Miscellaneous Fees		2,491.00
		5,078.20
		9,882.20
Decreased by:		
Expenditures Under RS:4.19-15.1		3,272.15
Reserve for Encumbrance		200.00
Statutory Excess Due to Current Fund		1,333.25
		4,805.40
Balance December 31, 2011	B	\$ 5,076.80

License Fees Collected

<u>Year</u>	<u>Amount</u>
2010	\$ 2,692.80
2009	2,384.00
	5,076.80
Maximum Allowable Reserve	\$ 5,076.80

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2011
GENERAL CAPITAL FUND

TOWNSHIP OF LIBERTY
GENERAL CAPITAL FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2010	C	\$ 346,770.86
Increased by:		
2011 Budget Appropriation:		
Open Space Trust:		
Payment of Bond Anticipation Notes	\$ 20,000.00	
Capital Improvement Fund	45,000.00	
Bond Anticipation Notes Issued	310,000.00	
Due Current Fund:		
Interest Earned	<u>516.70</u>	
		<u>375,516.70</u>
		<u>722,287.56</u>
Decreased by:		
Improvement Authorization Expenditures	61,202.60	
Bond Anticipation Notes Matured	330,000.00	
Interest Earned	<u>516.70</u>	
		<u>391,719.30</u>
Balance December 31, 2011	C	<u>\$ 330,568.26</u>

TOWNSHIP OF LIBERTY
GENERAL CAPITAL FUND
ANALYSIS OF CASH

	<u>Receipts</u>				<u>Disbursements</u>			<u>Transfers</u>		<u>Balance</u> <u>Dec. 31, 2011</u>
	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Budget</u> <u>Appropriation</u>	<u>Bond</u> <u>Anticipation</u> <u>Notes</u>	<u>Miscellaneous</u>	<u>Improvement</u> <u>Authorizations</u>	<u>Bond</u> <u>Anticipation</u> <u>Notes</u>	<u>Miscellaneous</u>	<u>From</u>	<u>To</u>	
	Capital Improvement Fund	\$150,055.44	\$ 45,000.00						\$ 38,750.00	
Due Current Fund				\$ 516.70			\$ 516.70			
Reserve for Road Equipment	3,961.28									3,961.28
Reserve for Marble Hill	12,255.40									12,255.40
Fund Balance	18,798.69									18,798.69
<u>Ord.</u> <u>No.</u>	<u>Improvement Description</u>									
98-07	20,317.87									20,317.87
01-02	6,646.54									6,646.54
02-05	888.77									888.77
05-02		20,000.00	\$310,000.00			\$330,000.00				
09-02	6,307.09									6,307.09
10-03	72,739.78				\$ 56,831.00					15,908.78
10-05	54,800.00				4,371.60					50,428.40
11-11								\$ 38,750.00		38,750.00
	<u>\$346,770.86</u>	<u>\$ 65,000.00</u>	<u>\$310,000.00</u>	<u>\$ 516.70</u>	<u>\$ 61,202.60</u>	<u>\$330,000.00</u>	<u>\$ 516.70</u>	<u>\$ 38,750.00</u>	<u>\$ 38,750.00</u>	<u>\$330,568.26</u>

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

Ord. No.	Improvement Description	Balance Dec. 31, 2010	2011 Authorizations	Funded by Open Space Trust Budget Appropriation	Balance Dec. 31, 2011	Analysis of Balance December 31, 2011	
						Bond Anticipation Notes	Unexpended Improvement Authorizations
05-02	Purchase of Property	\$ 330,000.00		\$ 20,000.00	\$ 310,000.00	\$ 310,000.00	
11-11	Various Improvements		\$ 736,250.00		736,250.00		\$ 736,250.00
		<u>\$ 330,000.00</u>	<u>\$ 736,250.00</u>	<u>\$ 20,000.00</u>	<u>\$ 1,046,250.00</u>	<u>\$ 310,000.00</u>	<u>\$ 736,250.00</u>
	<u>Ref.</u>	C			C		
							Improvement Authorizations - Unfunded
							<u>\$ 736,250.00</u>

TOWNSHIP OF LIBERTY
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance		Balance Dec. 31, 2010 Funded	2011 Authorizations			Balance Dec. 31, 2011	
		Date	Amount		Capital Improvement Fund	Deferred Charges to Future Taxation - Unfunded	Paid or Charged	Funded	Unfunded
98-07	Various Improvements	03/12/98	\$ 627,100.00	\$ 20,317.87				\$ 20,317.87	
01-02	Acquisition of Fire Truck	02/22/01	200,000.00	6,646.54				6,646.54	
02-05	Office Equipment	06/27/02	10,000.00	888.77				888.77	
09-02	Road Improvements	05/27/09	72,500.00	6,307.09				6,307.09	
10-03	Road Improvements and Equipment	08/05/10	111,000.00	72,739.78			\$ 56,831.00	15,908.78	
10-05	Recreation Facilities Improvement	11/04/10	64,700.00	54,800.00			4,371.60	50,428.40	
11-11	Various Improvements	11/03/11	775,000.00		\$ 38,750.00	\$ 736,250.00		38,750.00	\$ 736,250.00
				<u>\$ 161,700.05</u>	<u>\$ 38,750.00</u>	<u>\$ 736,250.00</u>	<u>\$ 61,202.60</u>	<u>\$ 139,247.45</u>	<u>\$ 736,250.00</u>
		<u>Ref.</u>		C				C	C

TOWNSHIP OF LIBERTY
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2010	C	\$ 150,055.44
Add:		
2011 Budget Appropriation		<u>45,000.00</u>
		195,055.44
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>38,750.00</u>
Balance December 31, 2011	C	<u>\$ 156,305.44</u>

TOWNSHIP OF LIBERTY
GENERAL CAPITAL FUND
SCHEDULE OF BONDS ANTICIPATION NOTES PAYABLE

<u>Improvement Description</u>	<u>Ord. No.</u>	<u>Original Date of Issue</u>	<u>Date of</u>		<u>Interest Rate</u>	<u>Balance</u>	<u>Issued</u>	<u>Matured</u>	<u>Balance</u>
			<u>Issue</u>	<u>Maturity</u>		<u>Dec. 31, 2010</u>			<u>Dec. 31, 2011</u>
Purchase of Property	05-02	12/21/05	12/16/10	12/15/11	1.50%	\$ 330,000.00		\$ 330,000.00	
			12/15/11	12/14/12	1.25%		\$ 310,000.00		\$ 310,000.00
						<u>\$ 330,000.00</u>	<u>\$ 310,000.00</u>	<u>\$ 330,000.00</u>	<u>\$ 310,000.00</u>
					<u>Ref.</u>				<u>C</u>
					Renewed		\$ 310,000.00	\$ 310,000.00	
					Open Space Trust			20,000.00	
							<u>\$ 310,000.00</u>	<u>\$ 330,000.00</u>	

TOWNSHIP OF LIBERTY
GENERAL CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE
YEAR ENDED DECEMBER 31, 2011

NOT APPLICABLE

TOWNSHIP OF LIBERTY
GENERAL CAPITAL FUND
SCHEDULE OF GREEN ACRES LOAN #1 PAYABLE

	<u>Ref.</u>	
Balance December 31, 2010	C	\$ 14,011.51
Decreased by:		
Principal Paid by Operating Budget		<u>9,294.46</u>
Balance December 31, 2011	C	<u>\$ 4,717.05</u>

SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
OUTSTANDING DECEMBER 31, 2011

<u>Payment Number</u>	<u>Due Date</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance of Loan</u>
				\$ 4,717.05
37	02/12/12	<u>\$ 47.17</u>	<u>\$ 4,717.05</u>	-0-
		<u>\$ 47.17</u>	<u>\$ 4,717.05</u>	

TOWNSHIP OF LIBERTY
GENERAL CAPITAL FUND
SCHEDULE OF GREEN ACRES LOAN #2 PAYABLE

	<u>Ref.</u>	
Balance December 31, 2010	C	\$ 47,030.12
Decreased by:		
Principal Paid by Operating Budget		9,035.43
Balance December 31, 2011	C	\$ 37,994.69

SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
OUTSTANDING DECEMBER 31, 2011

<u>Payment Number</u>	<u>Due Date</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance of Loan</u>
				\$ 37,994.69
29	02/22/12	\$ 379.95	\$ 4,585.59	33,409.10
30	08/22/12	334.09	4,631.45	28,777.65
31	02/22/13	287.78	4,677.76	24,099.89
32	08/22/13	241.00	4,724.54	19,375.35
33	02/22/14	193.75	4,771.79	14,603.56
34	08/22/14	146.04	4,819.50	9,784.06
35	02/22/15	97.84	4,867.70	4,916.36
36	08/22/15	49.15	4,916.36	-0-
		\$ 1,729.60	\$ 37,994.69	

TOWNSHIP OF LIBERTY
GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
YEAR ENDED DECEMBER 31, 2011

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>2011 Improvement Authorizations</u>	<u>Balance Dec. 31, 2011</u>
11-11	Various Improvements	\$ 736,250.00	\$ 736,250.00
		<u>\$ 736,250.00</u>	<u>\$ 736,250.00</u>

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2011
WATER OPERATING FUND

NOT APPLICABLE

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2011
SEWER OPERATING FUND

NOT APPLICABLE

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2011
PUBLIC ASSISTANCE FUND

NOT APPLICABLE

TOWNSHIP OF LIBERTY

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2011

TOWNSHIP OF LIBERTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOT APPLICABLE

TOWNSHIP OF LIBERTY
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

State Funding Department	State Program	State Grant Account Number	Grant Period		Grant Award Amount	Grant Receipts	Grant Expenditures	Cumulative Expenditures
			From	To				
Department of Environmental Protection	Clean Communities Program	765-042-4900	01/01/08	12/31/11	\$ 6,303.06		\$ 5,924.49	\$ 6,303.06
		-004-V42Y	01/01/09	12/31/12	11,358.57		4,216.84	4,900.84
			01/01/11	12/31/12	7,380.88	\$ 7,380.88		
	Recycling Grant	452-042-4900						
		001-V42Y	1/01/011	12/31/12	2,536.60	2,536.60		
Total Department of Environmental Protection						9,917.48	10,141.33	11,203.90
Department of Community Affairs	Special Legislative Grants: Wastewater Management	01-100-022-8030- 367-FFFF-6120	01/01/10	12/31/12	10,000.00		4,474.00	8,401.50
Total Department of Community Affairs						-0-	4,474.00	8,401.50
Total State Awards						\$ 9,917.48	\$ 14,615.33	\$ 19,605.40

SEE NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

TOWNSHIP OF LIBERTY
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2011

Note 1. GENERAL

The accompanying Schedules of Expenditures of Federal and State Awards present the activity of all federal and state financial awards programs of the Township of Liberty. The Township of Liberty 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 financial awards.

Note 2. 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 is presented in accordance with the requirements of federal OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 3. 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.

Note 4. STATE LOANS OUTSTANDING

The Township of Liberty has the following loans outstanding as of December 31, 2011:

Green Acres Loan Payable #1	\$	4,717.05
Green Acres Loan Payable #2		<u>37,994.69</u>
	\$	<u><u>42,711.74</u></u>

Currently, the Township is in the process of repaying these loan balances. There were no loan receipts or expenditures in the current year. The projects which 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

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*

The Honorable Mayor and Members
of the Township Committee
Township of Liberty
Great Meadows, New Jersey

We have audited the financial statements of the Township of Liberty, in the County of Warren (the "Township") as of and for the years ended, December 31, 2011 and 2010, and have issued our report thereon dated February 24, 2012, which indicated that the financial statements have been prepared on an other comprehensive basis of accounting. We conducted our audits 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, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses as Finding 2011-01 that we consider to be a significant deficiency in internal control over financial reporting. 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.

The Honorable Mayor and Members
of the Township Committee
Township of Liberty
Great Meadows, New Jersey

Compliance and Other Matters

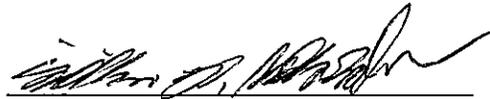
As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*. However, we noted a certain matter that we have reported in the "Comments and Recommendations" section of this report.

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Township's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Mayor and Members of the Township Committee, and to meet the requirements for filing with the Division of Local Government Services, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

February 24, 2012
Mount Arlington, New Jersey

NISIVOCIA, LLP



William F. Schroeder
Certified Public Accountant
Registered Municipal Accountant No. 452

TOWNSHIP OF LIBERTY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2011

Summary of Auditors' Results:

- An unqualified report was issued on the Township's financial statements prepared on an other comprehensive basis of accounting
- The audit did not disclose any noncompliance that is material to the financial statements of the Township.
- The audit did not disclose any material weaknesses in the internal controls of the Township.
- The Township was not subject to the single audit provisions of Federal OMB Circular A-133 (the "Circular") and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, and State Aid* for 2011 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 did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards, except as follows:

Finding 2011-1

The Township does not maintain an adequate segregation of duties with respect to the recording and treasury functions. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to perpetuate errors and prevent detection within a reasonable period of time. The various departments/offices of the Township are responsible for the issuance of permits and licenses; collection of taxes, permit and license fees; and recording of collections. Also, the reconciliation of bank accounts, the preparation of the general ledger, the disbursement of funds, the recording of receipts and disbursements as well as the preparation of payroll are performed by one person, the Chief Financial Officer. 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 Township is aware of this situation and will attempt to more properly segregate recording and treasury functions as personnel and budgetary constraints allow.

Findings and Questioned Costs for Federal Awards:

- Not Applicable – Grant expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- Not Applicable – Grant expenditures were below the single audit threshold.

TOWNSHIP OF LIBERTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2011

The Township's prior year audit finding regarding segregation of duties has not been resolved and is included as finding 2011-1.

TOWNSHIP OF LIBERTY

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2011

TOWNSHIP OF LIBERTY
OTHER COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required to be Advertised for N.J.S.A. 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 (C.40A: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 (C.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 (C.40A11-2), 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. 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 Liberty 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 LIBERTY
OTHER COMMENTS AND RECOMMENDATIONS
(Continued)

Contracts and Agreements Required to be Advertised for N.J.S.A. 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 6, 2011, the governing body adopted the following resolution authorizing interest to be charged on delinquent taxes charges:

BE IT RESOLVED by the Mayor and Committee of the Township of Liberty, Warren County, New Jersey, that the rate of interest charges on delinquent taxes in this Township shall be as follows:

On all delinquents to and including December 31, 2011, at the rate or rates heretofore governing, and on all delinquents on and after January 1, 2011 at the rate of 8% per annum for and upon the first \$1,500 of the delinquency, the rate of 18% per annum for and upon any amount of the delinquency in excess of \$1,500, and the rate of 6% per annum for and upon any amount in excess of \$10,000; and that a grace period of 10 days will be allowed on taxes due February 1, May 1, August 1, and November 1. If taxes are not paid by the 10th, interest shall be charged from the due date.

BE IT RESOLVED, that the collector of the Township be and hereby directed to collect interest on all taxes accordingly.

It appears from an examination of the Collector's records on a test basis that interest was collected in accordance with the foregoing resolution.

Delinquent Taxes and Tax Title Liens

The last tax sale was held on December 1, 2011, and included all items which were eligible for sale.

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>
2011	64
2010	54
2009	17

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a taxpaying basis.

TOWNSHIP OF LIBERTY
OTHER 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 2011 and 2012 Taxes	20
Delinquent Taxes	15
Tax Title Liens	3

Verification notices were mailed to confirm balances and payments as of December 31, 2011. The items that were returned were checked and 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 maintains encumbrance, fixed assets, and general ledger accounting systems.

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 perpetuate errors and prevent detection within a reasonable period of time. The various departments/offices of the Township are responsible for the issuance of permits and licenses; collection of taxes, permit and license fees; and recording of collections. Also, the reconciliation of bank accounts, the preparation of the general ledger, the disbursement of funds, the recording of receipts and disbursements as well as the preparation of payroll are performed by one person, the Chief Financial Officer. 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 Township is aware of this situation and will attempt to more properly segregate recording and treasury functions as personnel and budgetary constraints allow.

TOWNSHIP OF LIBERTY
OTHER COMMENTS AND RECOMMENDATIONS
(Continued)

Other Trust Funds

Upon review of the Township's Budget Rider Report, it was noted that the Township does not have a dedication-by-rider for Housing Trust Reserve in the Other Trust Fund. Use of trust funds without a State approved dedication by rider is a violation of State statute and should not be permitted. Although the Township has submitted applications to the State of New Jersey for the approval in the past, the State has not formally approved them yet. It is recommended that the Township continue to follow-up with the State to seek approval for the submitted application for the dedication-by-riders for the Housing Trust Reserve in the Trust Fund reserves from the State of New Jersey according to New Jersey Statute 40A:4-39.

Management's Response

The Township will continue to contact the State and obtain budget rider for the Housing Trust Reserve.

Management Suggestions

During the course of the audit we reviewed the balances in the Federal and State Grant Fund schedule of unexpended appropriated grant reserves as well as the balances in the General Capital Fund's improvement authorizations schedule. We noticed that there are various balances that have been carried over for a number of years which need to be reviewed for expenditure or cancellation. Since the Chief Financial Officer has been in the process of pursuing the expenditure of these balances, no formal recommendation is being made.

Summary of Prior Year Recommendations

The 2010 audit recommendation for the outside offices to maintain a detailed cash ledger and to reconcile it back to the general ledger was resolved during 2011. The remaining recommendations from the 2010 audit have not been resolved and are included in the 2011 audit report.

TOWNSHIP OF LIBERTY
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. An adequate segregation of duties be maintained with respect to the recording and treasury functions.
2. The Township continues to follow-up with the State to seek approval for the submitted application for the dedication-by-rider for the Housing Trust Reserve in the Trust Fund from the State of New Jersey according to New Jersey Statute 40A:4-39.

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