

*TOWNSHIP OF LIBERTY*

*COUNTY OF WARREN*

*REPORT OF AUDIT*

*2019*

*NISIVOCIA LLP*  
*CERTIFIED PUBLIC ACCOUNTANTS*

TOWNSHIP OF LIBERTY

COUNTY OF WARREN

REPORT OF AUDIT

2019

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TOWNSHIP OF LIBERTY

PART I

FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2019



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Independent Member  
BKR International

## Independent Auditors' Report

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

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

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, 2019 and 2018, and the related notes to the financial statements, as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”) to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

The Honorable Mayor and Members  
of the Township Committee  
Township of Liberty  
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***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

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

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

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

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

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

***Other Matters***

***Supplementary Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2020 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

April 10, 2020  
Mount Arlington, New Jersey

NISIVOC CIA

  
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John J. Mooney  
Registered Municipal Accountant No. 560  
Certified Public Accountant

TOWNSHIP OF LIBERTY  
COUNTY OF WARREN  
2019  
CURRENT FUND

TOWNSHIP OF LIBERTY  
CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2019	2018
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents:			
Treasurer	A-4	\$ 2,540,104.28	\$ 2,805,863.08
Petty Cash Fund		200.00	200.00
Change Fund		50.00	50.00
		<u>2,540,354.28</u>	<u>2,806,113.08</u>
Due From State of New Jersey			
Senior Citizen and Veterans Deductions		2,493.92	2,906.93
		<u>2,542,848.20</u>	<u>2,809,020.01</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	183,833.54	129,407.54
Tax Title Liens Receivable	A-8	346,794.12	308,353.04
Property Acquired for Taxes at Assessed Valuation		108,200.00	108,200.00
Year-End Tax Penalty Receivable		1,964.19	
Due From Federal and State Grant Fund	A		1,000.00
Due From General Capital Fund	C		46,661.10
		<u>640,791.85</u>	<u>593,621.68</u>
Total Receivables and Other Assets			
		<u>640,791.85</u>	<u>593,621.68</u>
Total Regular Fund		<u>3,183,640.05</u>	<u>3,402,641.69</u>
Federal and State Grant Fund:			
Cash and Cash Equivalents	A-6	10,813.35	547.12
Federal and State Grants Receivable	A-13	500,948.04	443,465.99
		<u>511,761.39</u>	<u>444,013.11</u>
Total Federal and State Grant Fund			
		<u>511,761.39</u>	<u>444,013.11</u>
<u>TOTAL ASSETS</u>		<u>\$ 3,695,401.44</u>	<u>\$ 3,846,654.80</u>

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

	Ref.	December 31,	
		2019	2018
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Encumbered	A-3;A-11	\$ 78,809.74	\$ 184,060.86
Unencumbered	A-3;A-11	152,082.25	120,962.14
		<u>230,891.99</u>	<u>305,023.00</u>
Prepaid Taxes		62,777.13	72,696.20
County Taxes Payable		1,846.05	1,439.76
Regional School Tax Payable	A-12	1,132,748.30	1,122,434.80
Accounts Payable - Vendors		2,939.05	188,353.30
Payroll Deductions Payable		10,509.40	13,818.26
Due to State of New Jersey:			
Marriage License Fees			50.00
Reserve for:			
Redemption of Third Party Liens		<u>65,314.76</u>	
		1,507,026.68	1,703,815.32
Reserve for Receivables and Other Assets	A	640,791.85	593,621.68
Fund Balance	A-1	<u>1,035,821.52</u>	<u>1,105,204.69</u>
Total Regular Fund		<u>3,183,640.05</u>	<u>3,402,641.69</u>
Federal and State Grant Fund:			
Due to Current Fund	A		1,000.00
Appropriated Reserve for Grants	A-14	507,806.74	442,009.12
Unappropriated Reserve for Grants	A-15	<u>3,954.65</u>	<u>1,003.99</u>
Total Federal and State Grant Fund		<u>511,761.39</u>	<u>444,013.11</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 3,695,401.44</u>	<u>\$ 3,846,654.80</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 - REGULATORY BASIS

	Ref.	Year Ended December 31,	
		2019	2018
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 625,000.00	\$ 620,000.00
Miscellaneous Revenue Anticipated		474,394.79	616,905.22
Receipts from:			
Delinquent Taxes		130,991.72	215,936.63
Current Taxes		7,936,927.66	7,946,328.07
Nonbudget Revenue		30,348.22	17,838.56
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		105,514.53	72,063.66
Cancellation of Grant Appropriation Reserves		85,971.50	419.28
Accounts Payable Cancelled			15,732.81
Third Party Lien Payable			6,567.70
Interfund Returned		47,661.10	56,163.08
		<u>9,436,809.52</u>	<u>9,567,955.01</u>
<u>Expenditures</u>			
Budget and Emergency Appropriations:			
Municipal Purposes		1,489,451.00	1,628,192.78
County Taxes		2,051,512.93	2,045,808.15
Regional School Districts Taxes		5,185,646.00	5,165,019.00
Open Space Trust Taxes		53,589.14	53,637.69
Prior Year Senior Citizen/ Veteran Deductions Disallowed		2,000.00	1,500.00
Cancellation of Grant Fund Account Receivable		98,993.62	419.28
		<u>8,881,192.69</u>	<u>8,894,576.90</u>
Excess in Revenue		555,616.83	673,378.11
<u>Fund Balance</u>			
Balance January 1		<u>1,105,204.69</u>	<u>1,051,826.58</u>
		1,660,821.52	1,725,204.69
Decreased by:			
Utilized as Anticipated Revenue		<u>625,000.00</u>	<u>620,000.00</u>
Balance December 31	A	<u>\$ 1,035,821.52</u>	<u>\$ 1,105,204.69</u>

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

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

	<u>Budget</u>	<u>Added by NJSA 40A:4-87</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Fund Balance Anticipated	\$ 625,000.00		\$ 625,000.00	
Miscellaneous Revenue:				
Alcoholic Beverage Licenses	5,000.00		5,231.58	\$ 231.58
Interest and Costs on Taxes	28,500.00		36,569.52	8,069.52
Interest on Investments	25,000.00		43,223.69	18,223.69
Energy Receipts Tax	188,603.00		188,603.00	
Garden State Preservation Trust Fund	34,362.00		34,362.00	
Clean Communities Grant	8,978.00		8,978.00	
ANJEC Environmental Grant		\$ 1,427.00	1,427.00	
New Jersey Department of Transportation Grant- Marble Hill Road		156,000.00	156,000.00	
	<u>290,443.00</u>	<u>157,427.00</u>	<u>474,394.79</u>	<u>26,524.79</u>
Receipts from Delinquent Taxes	145,000.00		130,991.72	14,008.28 *
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	876,581.00		1,251,179.59	374,598.59
Budget Totals	1,937,024.00	157,427.00	2,481,566.10	415,131.66
Nonbudget Revenue			30,348.22	30,348.22
	<u>\$ 1,937,024.00</u>	<u>\$ 157,427.00</u>	<u>\$ 2,511,914.32</u>	<u>\$ 445,479.88</u>

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

Allocation of Current Tax Collections:		
Revenue from Collection of Current Taxes	\$ 7,936,927.66	
Allocated to School, County and Open Space Taxes	7,290,748.07	
Balance for Support of Municipal Budget	<u>646,179.59</u>	
Add: Appropriation "Reserve for Uncollected Taxes"	<u>605,000.00</u>	
Realized for Support of Municipal Budget		<u><u>\$ 1,251,179.59</u></u>
Receipts from Delinquent Taxes:		
Delinquent Tax Collections	\$ 130,459.37	
Tax Title Liens	<u>532.35</u>	
		<u><u>\$ 130,991.72</u></u>
Analysis of Nonbudget Revenue:		
Treasurer:		
Cable TV Franchise Fee	\$ 8,078.85	
Prior Year Township Escrow Funds Cancelled	11,201.03	
Statutory Excess in Animal Control Trust Fund	1,929.85	
Planning Board Fees and Permits	1,580.00	
Other Miscellaneous	<u>7,558.49</u>	
		<u><u>\$ 30,348.22</u></u>

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

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

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
<b>GENERAL GOVERNMENT:</b>					
Administrative and Executive:					
Salaries & Wages	\$ 4,828.00	\$ 4,828.00	\$ 4,828.00		
Other Expenses	10,000.00	10,000.00	8,251.78	\$ 1,748.22	
Mayor and Council:					
Salaries & Wages	11,525.00	11,525.00	10,645.00	880.00	
Other Expenses	2,000.00	2,000.00	1,184.79	815.21	
Municipal Clerk:					
Salaries & Wages	110,772.00	108,772.00	104,744.52	4,027.48	
Other Expenses	16,025.00	16,025.00	13,064.72	2,960.28	
Financial Administration:					
Salaries & Wages	12,000.00	12,000.00	12,000.00		
Other Expenses	11,488.00	11,488.00	11,128.75	359.25	
Annual Audit	19,250.00	19,250.00	19,250.00		
Collection of Taxes:					
Salaries & Wages	23,460.00	23,460.00	23,460.00		
Other Expenses	6,000.00	6,000.00	3,813.87	2,186.13	
Assessment of Taxes:					
Salaries & Wages	23,663.00	23,663.00	23,663.00		
Other Expenses	7,735.00	7,735.00	7,657.96	77.04	
Legal Services and Costs:					
Other Expenses	43,000.00	42,000.00	30,810.12	11,189.88	
Engineering Services and Costs:					
Other Expenses	17,000.00	15,910.30	1,855.00	14,055.30	

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

GENERAL GOVERNMENT (continued):  
Municipal Land Use Law (N.J.S.A. 40:55D-1) :

Municipal Land Use Board:

Salaries & Wages  
Other Expenses  
Zoning Officer:  
Salaries & Wages

Insurance:

Liability Insurance  
Worker's Compensation

Group Insurance Plan for Employees

Municipal Court:

Other Expenses

PUBLIC SAFETY:

Emergency Management Service:

Salaries & Wages  
Other Expenses

First Aid Organization - Contribution:

Independence Township

Aid to Volunteer Fire Companies:

Liberty Township Fire Companies

Fire Prevention Bureau:

Other Expenses

Fire Department:

O.S.H.A Required Equipment

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
\$	500.00	\$ 500.00	\$	500.00	
	5,890.00	5,890.00	3,667.77	2,222.23	
	11,137.00	11,137.00	11,137.00		
	48,985.00	48,985.00	48,237.00	748.00	
	27,000.00	27,000.00	26,058.00	942.00	
	82,300.00	88,389.70	88,389.70		
	9,500.00	9,500.00	8,406.00	1,094.00	
	2,706.00	2,706.00	1,000.00	1,706.00	
	700.00	700.00		700.00	
	15,000.00	15,000.00	15,000.00		
	15,000.00	15,000.00	15,000.00		
	250.00	250.00		250.00	
	15,000.00	15,000.00	14,972.00	28.00	

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

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
<b>PUBLIC WORKS FUNCTIONS:</b>					
Road Repairs and Maintenance:					
Salaries & Wages	\$ 193,614.00	\$ 191,614.00	\$ 188,579.14	\$ 3,034.86	
Other Expenses	145,000.00	145,000.00	98,674.76	46,325.24	
Garbage and Trash Removal:					
Other Expenses	3,000.00	3,000.00	1,409.39	1,590.61	
Public Buildings and Grounds:					
Other Expenses	40,000.00	40,000.00	38,135.54	1,864.46	
<b>HEALTH AND WELFARE:</b>					
Environmental Commission (N.J.S.A. 40A: 56 ET SEQ):					
Salaries & Wages	3,378.00	3,378.00	3,044.27	333.73	
Other Expenses	6,880.00	6,880.00	3,388.17	3,491.83	
Dog Regulation:					
Salaries & Wages	5,915.00	5,915.00	5,915.00		
<b>PARKS AND RECREATION FUNCTIONS:</b>					
Recreation:					
Salaries & Wages	40,537.00	40,537.00	31,324.24	9,212.76	
Other Expenses	19,400.00	19,400.00	14,927.06	4,472.94	
Maintenance of Parks:					
Other Expenses	4,000.00	4,000.00	3,607.87	392.13	
Beach and Boardwalk:					
Other Expenses	5,500.00	5,500.00	4,529.66	970.34	
Utility Expenses and Bulk Purchases	39,500.00	39,500.00	32,322.05	7,177.95	
<b>Total Operations Within "CAPS"</b>	<b>1,059,438.00</b>	<b>1,059,438.00</b>	<b>934,082.13</b>	<b>125,355.87</b>	
<b>Detail:</b>					
Salaries & Wages	444,035.00	440,035.00	420,340.17	19,694.83	
Other Expenses	615,403.00	619,403.00	513,741.96	105,661.04	

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

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS" (Cont'd):					
Statutory Expenditures:					
Contribution to:					
Social Security System (O.A.S.I.)	\$ 34,000.00	\$ 34,000.00	\$ 30,983.69	\$ 3,016.31	
Unemployment Compensation	2,750.00	2,750.00	2,527.51	222.49	
Public Employees' Retirement System	41,497.00	41,497.00	41,497.00		
Defined Contribution Retirement Program	361.00	361.00		361.00	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	78,608.00	78,608.00	75,008.20	3,599.80	
Total General Appropriations for Municipal Purposes Within "CAPS"	1,138,046.00	1,138,046.00	1,009,090.33	128,955.67	
Operations Excluded from "CAPS":					
Public and Private Programs Offset by Revenues:					
ANJEC Environmental Grant (N.J.S.A. 40A:4-87, +\$1,427)		1,427.00	1,427.00		
Clean Communities Grant	8,978.00	8,978.00	8,978.00		
Total Operations Excluded from "CAPS"	8,978.00	10,405.00	10,405.00		
Detail:					
Other Expenses	8,978.00	10,405.00	10,405.00		

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

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Capital Improvements - Excluded from "CAPS":					
Capital Improvement Fund	\$ 50,000.00	\$ 50,000.00	\$ 50,000.00		
Road Improvements	135,000.00	135,000.00	111,873.42	\$ 23,126.58	
Public and Private Programs Offset by Revenues:					
New Jersey DOT Trust Fund Authority Act (NJSA 40A:4-87 \$156,000)		156,000.00	156,000.00		
Total Capital Improvements - Excluded from "CAPS"	185,000.00	341,000.00	317,873.42	23,126.58	
Total General Appropriations - Excluded from "CAPS"	193,978.00	351,405.00	328,278.42	23,126.58	
Subtotal General Appropriations	1,332,024.00	1,489,451.00	1,337,368.75	152,082.25	
Reserve for Uncollected Taxes	605,000.00	605,000.00	605,000.00		
Total General Appropriations	\$ 1,937,024.00	\$ 2,094,451.00	\$ 1,942,368.75	\$ 152,082.25	

Ref.

A

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

	<u>Ref.</u>	<u>Analysis of</u>	
		<u>Budget After Modification</u>	<u>Paid or Charged</u>
Adopted Budget		\$ 1,937,024.00	
Added by N.J.S. 40A:4-87		<u>157,427.00</u>	
		<u>\$ 2,094,451.00</u>	
Reserve for Uncollected Taxes			\$ 605,000.00
Reserve for Encumbrances	A		78,809.74
Due Federal and State Grant Fund			166,405.00
Cash Disbursed			<u>1,092,154.01</u>
			<u>\$ 1,942,368.75</u>

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

TOWNSHIP OF LIBERTY  
COUNTY OF WARREN  
2019  
TRUST FUNDS

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

		December 31,	
	Ref.	2019	2018
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents	B-4	\$ 7,085.60	\$ 7,379.20
		7,085.60	7,379.20
Other Trust Funds:			
Cash and Cash Equivalents	B-4	266,276.98	217,722.81
		266,276.98	217,722.81
 TOTAL ASSETS		\$ 273,362.58	\$ 225,102.01
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Animal Control Fund:			
Due to State Board of Health		\$ 20.40	\$ 1.20
Reserve for Animal Control Expenditures	B-6	7,065.20	7,378.00
		7,085.60	7,379.20
Other Trust Funds:			
Reserve for:			
Recreation		28,844.90	20,563.73
Open Space Trust		58,744.75	22,675.24
Performance Escrow and Bonds		99,487.33	116,783.84
Storm Recovery		30,000.00	30,000.00
Tax Sale Premiums		49,200.00	27,700.00
		266,276.98	217,722.81
 TOTAL LIABILITIES, RESERVES AND FUND BALANCE		\$ 273,362.58	\$ 225,102.01

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

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

NOT APPLICABLE

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

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

NOT APPLICABLE

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

NOT APPLICABLE

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

TOWNSHIP OF LIBERTY  
COUNTY OF WARREN  
2019  
GENERAL CAPITAL FUND

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

	Ref.	December 31,	
		2019	2018
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 197,086.43	\$ 259.22
Deferred Charges to Future Taxation:			
Unfunded	C-4	156,100.00	376,100.00
TOTAL ASSETS		<u>\$ 353,186.43</u>	<u>\$ 376,359.22</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Improvement Authorizations:			
Funded	C-5	\$ 122,158.10	\$ 148,669.79
Unfunded	C-5	83,373.34	83,373.34
Due to Current Fund	A		46,661.10
Capital Improvement Fund	C-6	57,155.44	7,155.44
Reserve for Marble Hill		12,255.40	12,255.40
Reserve for Road Equipment		24,490.00	24,490.00
Reserve for Road Improvements		10,917.46	10,917.46
Reserve for Municipal Facilities		24,000.00	24,000.00
Fund Balance	C-1	18,836.69	18,836.69
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 353,186.43</u>	<u>\$ 376,359.22</u>

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

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

	<u>Ref</u>	
Balance December 31, 2018	C	<u>\$ 18,836.69</u>
Balance December 31, 2019	C	<u>\$ 18,836.69</u>

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

TOWNSHIP OF LIBERTY  
COUNTY OF WARREN  
2019  
WATER OPERATING FUND

NOT APPLICABLE

TOWNSHIP OF LIBERTY  
COUNTY OF WARREN  
2019  
SEWER OPERATING FUND

NOT APPLICABLE

TOWNSHIP OF LIBERTY  
COUNTY OF WARREN  
2019  
PUBLIC ASSISTANCE FUND

NOT APPLICABLE

TOWNSHIP OF LIBERTY  
COUNTY OF WARREN  
2019  
BOND AND INTEREST FUND

NOT APPLICABLE

TOWNSHIP OF LIBERTY  
COUNTY OF WARREN  
2019  
GENERAL FIXED ASSETS ACCOUNT GROUP

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

	December 31,	
<u>ASSETS</u>	2019	2018
Land	\$ 531,315.48	\$ 531,315.48
Buildings	1,485,008.00	1,485,008.00
Equipment and Vehicles	1,299,547.64	1,298,239.64
<u>TOTAL ASSETS</u>	\$ 3,315,871.12	\$ 3,314,563.12
<u>RESERVES</u>		
Reserve for Fixed Assets	\$ 3,315,871.12	\$ 3,314,563.12
<u>TOTAL RESERVES</u>	\$ 3,315,871.12	\$ 3,314,563.12

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

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

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Description of Funds

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

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

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

B. Description of Funds (Cont'd)

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.

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 more significant accounting policies in New Jersey follow:

Revenue is recorded when received in cash except for certain amounts which may be due from the State of New Jersey and for the prepayment of future years’ revenue. Grant revenue is realized in the operating funds when it is 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, 2019  
(Continued)

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

C. Basis of Accounting (Cont'd)

The cash basis of accounting is followed in the Other Trust Fund and the 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, inventories would not be reflected as expenditures at the time of purchase, investments would generally be stated as fair value and the Township's net pension liability and related deferred inflows and outflows would be recorded.

D. Deferred Charges to Future Taxation

The Capital Fund balance sheet can include 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.

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.

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

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

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

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

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

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.

General Fixed Assets – In accordance with accounting requirements prescribed in the New Jersey Administrative Code, 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 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. Fixed 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, 2019  
(Continued)

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

Summary of Municipal Debt

	December 31,		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	\$ 156,100.00	\$ 376,100.00	\$ 426,100.00
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$ 156,100.00</u>	<u>\$ 376,100.00</u>	<u>\$ 426,100.00</u>

Summary of Statutory Debt Condition – Annual Debt Statement

The summarized statement of debt condition, which follows, is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.054%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 156,100.00		\$ 156,100.00
Regional School District Debt	<u>998,918.00</u>	<u>\$ 998,918.00</u>	
	<u>\$ 1,155,018.00</u>	<u>\$ 998,918.00</u>	<u>\$ 156,100.00</u>

Net Debt: \$156,100.00 divided by Average Equalized Valuations of \$286,977,883.67 of Real Property = 0.054%.

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

3-1/2% Average Equalized Valuation of Real Property	\$ 10,044,225.93
Net Debt	<u>156,100.00</u>
Remaining Borrowing Power	<u>\$ 9,888,125.93</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, 2019  
(Continued)

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

The Township had no debt issued and outstanding on December 31, 2019.

Net Pension Liability

The State of New Jersey Public Employees' Retirement System's (PERS) net pension liability was calculated to be \$817,904 at June 30, 2018. See Note 4 for further information on the PERS.

Net OPEB Liability

The Township's net OPEB liability was calculated to be \$907,724 at June 30, 2018. See Note 15 for further information on this liability.

Note 3: Fund Balances Appropriated

The amount of fund balance at December 31, 2019 included in the introduced Current Fund budget for the year ending December 31, 2020 is \$600,000.

Note 4: Pension Plans

Township employees participate in a contributory, defined benefit public employee retirement system: the State of New Jersey Public Employee's Retirement System (PERS).

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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

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

(Continued)

Note 4. Pension Plans (Cont'd)

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual payments over a period of 15 years, which began with the payments due in the fiscal year ended June 30, 2012 and are adjusted by the rate of return on the actuarial value of assets. Township contributions to PERS amounted to \$41,497 for 2019.

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

Pension Liabilities and Pension Expense

At June 30, 2018 the Township's liability was \$817,904 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2018, the Township's proportion was 0.42%, which was a decrease of 0.002% from its proportion measured as of June 30, 2017. The Township has rolled forward net pension liability as of June 30, 2018 with no adjustments. The State of New Jersey Public Employees' Retirement System (PERS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities to include the June 30, 2018 pension information in the Notes to the Financial Statements as the June 30, 2019 pension information has not been released as of the date of this audit.

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

Note 4. Pension Plans (Cont'd)

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

Pension Liabilities and Pension Expense (Cont'd)

For the year ended December 31, 2018, the Township recognized actual pension expense in the amount of \$41,497.

Actuarial Assumptions

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

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

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

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

(Continued)

Note 4. Pension Plans (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2018 are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions.

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

Note 4. Pension Plans (Cont'd)

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

Discount Rate (Cont'd)

Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

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

	Year Ended June 30, 2018		
	1%	Current	1%
	Decrease (4.66%)	Discount Rate (5.66%)	Increase (6.66%)
Township's proportionate share of the Net Pension Liability	\$ 1,028,420	\$ 817,904	\$ 641,295

Pension Plan Fiduciary Net Position

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

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 \$26,424 at December 31, 2019. 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 14<sup>th</sup>, 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 a lien 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.

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

Note 6: Selected Tax Information (Cont'd)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Tax Rate</u>	\$ 3.051	\$ 3.028	\$ 2.953
<u>Apportionment of Tax Rate</u>			
Municipal (Includes Open Space)	.347	.337	.338
County	.767	.764	.784
Regional School District	1.937	1.927	1.831
<u>Assessed Valuations</u>			
2019	<u>\$ 267,704,900.00</u>		
2018		<u>\$ 267,997,900.00</u>	
2017			<u>\$ 267,313,600.00</u>

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>
2019	\$ 8,175,020.69	\$ 7,936,927.62	97.08%
2018	8,120,681.17	7,987,671.85	98.36%
2017	7,910,263.89	7,657,872.25	96.80%

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

GASB, requires disclosure of the level of custodial credit risk assumed by the Township in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial risk is the risk that in the event of 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.

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

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

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 page.

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

Deposits:

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

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

The market value of the collateral must equal 5% of the average daily balance of public funds on deposit, and

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, issued by New Jersey school districts, municipalities, counties, and entities subject to the “Local Authorities Fiscal Control Law” P.L. 1983, c. 313 (C.40A:5A-1 et seq.) Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;

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

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

Investments (Cont'd)

- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above; of this subsection a. or are bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983 c.313 (C.40A:5A-1 et seq.);
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of December 31, 2019, 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	\$ 250.00	\$ 2,540,104.28	\$ 2,540,354.28
Federal and State Grants		10,813.35	10,813.35
Animal Control Trust		7,085.60	7,085.60
Other Trust		266,276.98	266,276.98
General Capital		197,086.43	197,086.43
	<u>\$ 250.00</u>	<u>\$ 3,021,366.64</u>	<u>\$ 3,021,616.64</u>

During the period ended December 31, 2019, the Township did not hold any investments. The carrying amount of the Township's cash and cash equivalents at December 31, 2019, was \$3,021,616.64 and the bank balance was \$3,030,081.05.

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.

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

Note 8: Regional School District Taxes (Cont'd)

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:

	Balance <u>Dec. 31, 2019</u>	Balance <u>Dec. 31, 2018</u>
Balance of Tax	\$ 2,652,823.05	\$ 2,642,509.56
Amount Deferred	<u>1,520,074.75</u>	<u>1,520,074.76</u>
School Taxes Payable	<u>\$ 1,132,748.30</u>	<u>\$ 1,122,434.80</u>

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 <u>Dec. 31, 2018</u>	Additions	Deletions	Balance <u>Dec. 31, 2019</u>
Land	\$ 531,315.48			\$ 531,315.48
Buildings	1,485,008.00			1,485,008.00
Equipment and Vehicles	<u>1,298,239.64</u>	\$ 1,308.00		<u>1,299,547.64</u>
	<u>\$ 3,314,563.12</u>	<u>\$ 1,308.00</u>	<u>\$ -0-</u>	<u>\$ 3,315,871.12</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, 2019 the balance in the Open Space Trust Fund was \$ 58,744.75.

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

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.

The Township of Liberty is currently a member of the Statewide Insurance Fund (the "Fund"). The fund provides its members with Liability, Property and Workers' Compensation and Employer Liability Insurance. The Fund is risk-sharing public entity risk pool that is an insured and self-administered group of governmental entities established for the purpose of providing low-cost insurance coverage for their respective members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Fund is elected.

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

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

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

	Statewide Insurance Fund Dec. 31, 2018
Total Assets	<u>\$ 48,828,931</u>
Net Position	<u>\$ 13,407,234</u>
Total Revenue	<u>\$ 25,482,958</u>
Total Expenditures	<u>\$ 25,296,289</u>
Change in Net Position	<u>\$ 67,931</u>
Member Dividends	<u>\$ - 0 -</u>

Contact information for Statewide Insurance Fund is as follows:

One Sylvan Way, Suite 100  
Parsippany, New Jersey 07054  
1- (862) 260-2050

New Jersey Unemployment Compensation – The Township has elected to fund its New Jersey Unemployment Compensation Insurance under the “Contributory Method”.

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

Note 12: Risk Management (Cont'd)

New Jersey Unemployment Compensation (Cont'd)

Under this plan, the Township is required to remit employee withholdings to the State on a quarterly basis. All of the Township's claims are paid by the State.

Note 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: Interfund Receivables and Payables

There were no interfund balances as of December 31, 2019.

Note 15: Postemployment Benefits Other Than Pensions (OPEB)

State Health Benefit Local Government Retired Employees Plan

General Information about the OPEB Plan

Plan Description

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost sharing multiple employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report(CAFR), which can be found at <https://www.state.nj.us./treasury/pensions/financial-reports.shtml>.

Benefits Provided

The Plan provides medical and prescription drug coverage to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as

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

Note 15: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

Benefits Provided (Cont'd)

established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

The Plan provides medical and prescription drug coverage to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A. 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989. To be eligible for the Township's post employments benefits you must be age 62 with 15 years of service.

Contributions

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective inflows of resources, and collective OPEB expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and

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

Note 15: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

Allocation Methodology (Cont'd)

OPEB expense are based on separately calculated total OPEB liabilities. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2017 through June 30, 2018. Employer and nonemployer allocation percentages were rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to

OPEB

The total OPEB liability as of June 30, 2019 was not available from the State of New Jersey Division of Pensions and Benefits as of the date of this report. The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018.

At June 30, 2018, the Township had a liability of \$907,724 for its proportionate share of the net OPEB liability. At June 30, 2018, the Township's proportion was .005794% which was a decrease of .0075% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018 the Township's OPEB expense as determined by the State of New Jersey Division of Pensions and Benefits was (\$7,259).

The Township's actual post retirement payments in 2019 for 0 retiree employees were \$0.

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases*:	
Through 2026	1.65% - 8.98%
Thereafter	2.65% to 9.98%

\* - Salary increases are based on the defined benefit plan that the member is enrolled in and his or her age.

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

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

Note 15: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

Actuarial Assumptions and Other Inputs (Cont'd)

Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the June 30, 2017 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2011 to June 30, 2014 and July 1, 2011 – June 30, 2015, respectively.

100% of active members are considered to participate in the Plan upon retirement.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially is 5.8% and decreases to a 5.0% long term trend rate after eight years. For self-insured post 65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long term rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2018 was 3.87%. This represents the municipal bond rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of the Net OPEB Liability Attributable to the Township to Changes in the Discount Rate

The following presents the net OPEB Liability of the Borough as of June 30, 2018, calculated using the discount rate as disclosed in this note, as well as what the net OPEB Liability of the Borough would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	At 1% Decrease (2.87%)	At Discount Rate (3.87%)	At 1% Increase (4.87%)
Net OPEB Liability Attributable to the Township	\$ 1,065,000	\$ 907,724	\$ 782,096

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

Note 15: Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

Sensitivity of the Net OPEB Liability Attributable to the Township to Changes in the Healthcare Trend Rate

The following presents the net OPEB Liability of the Township as of June 30, 2018, calculated using the healthcare trend rate as disclosed in this note, as well as what the net OPEB Liability of the Township would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability Attributable to the Township	\$ 757,187	\$ 907,724	\$ 1,102,541

Note 16: Subsequent Event

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

TOWNSHIP OF LIBERTY

SUPPLEMENTARY DATA

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

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name of Corporate Surety</u>
John Inscho	Mayor		
Daniel Grover	Deputy Mayor		
Michael Beyer	Committeeman		
Peter Karcher	Committeeman		
Carl Cummins	Committeeman		
Diane M. Pflugfelder	Clerk/Administrator	(A)	Municipal Excess Liability Joint Insurance Fund
Kevin Lifer	Chief Financial Officer	(A)	Municipal Excess Liability Joint Insurance Fund
Jennifer Breslin	Deputy Clerk	(A)	Municipal Excess Liability Joint Insurance Fund
Cindy Eckert	Tax Collector	(A)	Municipal Excess Liability Joint Insurance Fund
Penny Holenstein	Tax Assessor	(A)	Municipal Excess Liability Joint Insurance Fund
Roger J. Skoog	Attorney		
Ferriero Engineering	Engineer		
Eric Snyder	Zoning Official	(A)	Municipal Excess Liability Joint Insurance Fund

(A) There is a Public Employees Blanket Bond for \$1,000,000.00 covering all municipal employees. Municipal Excess Liability Joint Insurance Fund is the corporate surety.

All bonds were examined and were properly executed.

TOWNSHIP OF LIBERTY  
COUNTY OF WARREN  
2019  
CURRENT FUND

TOWNSHIP OF LIBERTY  
CURRENT FUND  
SCHEDULE OF CASH

Balance December 31, 2018	<u>Ref.</u> A	\$ 2,805,863.08
Increased by Receipts:		
Tax Collector	\$ 8,145,503.68	
Revenue Accounts Receivable	237,058.27	
Miscellaneous Revenue Not Anticipated	30,348.22	
Due from State of N.J.:		
Marriage License Fees	200.00	
Veterans and Senior Citizens' Deductions	16,333.56	
Due from Other Trust Funds:		
Reserve for Tax Sale Premiums	21,500.00	
Due From General Capital Fund:		
Interfund Returned	46,661.10	
Due Federal and State Grant Fund:		
Interfund Returned	1,000.00	
Garden State Preservation Fund	34,362.00	
Payroll Deductions Payable	43,756.79	
	<hr/>	8,576,723.62
		<hr/> 11,382,586.70
Decreased by Disbursements:		
2019 Appropriation Expenditures	1,092,154.01	
2018 Appropriation Reserves	199,508.47	
Prior Year Accounts Payable	185,414.25	
Regional School Taxes	5,175,332.50	
County Taxes	2,051,106.64	
Tax Overpayment Refunds	3,539.64	
Tax Sale Premiums Refund	21,500.00	
Due Other Trust Funds:		
Open Space Taxes	53,589.14	
Due Federal and State Grant Fund:		
Prior Year Grant Cancelled- Revenue Shortage	13,022.12	
Due To State of New Jersey:		
Marriage License Fees	250.00	
Payroll Deductions Payable	47,065.65	
	<hr/>	8,842,482.42
		<hr/> <hr/> 8,842,482.42
Balance December 31, 2019	A	<u>\$ 2,540,104.28</u>

TOWNSHIP OF LIBERTY  
CURRENT FUND  
SCHEDULE OF CASH - COLLECTOR  
YEAR ENDED DECEMBER 31, 2019

Increased by Receipts:

Taxes Receivable	\$ 7,976,770.28	
Interest and Costs on Taxes	36,569.52	
2020 Prepaid Taxes	62,777.13	
Tax Overpayments	3,539.64	
Tax Title Lien Redemptions	532.35	
Third Party Liens	<u>65,314.76</u>	
		<u>\$ 8,145,503.68</u>

Decreased by:

Disbursed to Municipal Treasurer		<u>\$ 8,145,503.68</u>
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TOWNSHIP OF LIBERTY  
CURRENT FUND  
SCHEDULE OF CASH - FEDERAL AND STATE GRANT FUNDS

	<u>Ref.</u>	
Balance December 31, 2018	A	\$ 547.12
Increased by Receipts:		
Unappropriated Reserves		\$ 3,901.99
Grants Receivable		8,978.00
Due to Current Fund:		
Transfer to Cover Grant Revenue Shortage		13,022.12
Interest Earned		111.76
		26,013.87
		26,560.99
Decreased by Disbursements:		
Due to Current Fund:		
Interest Earned		111.76
Prior Year Interfund		1,000.00
Appropriated Reserve Expenditures		14,635.88
		15,747.64
Balance December 31, 2019	A	\$ 10,813.35

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

Year	Balance		2019 Levy		Collections		State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	State and County Appeals	Transferred to Tax Title Liens	Balance Dec. 31, 2019
	Dec. 31, 2018	2019 Levy	2018	2019	2018	2019					
2017	\$ 2,163.08			\$ 2,163.08						\$ 948.17	
2018	127,244.46			128,296.29			\$ (2,000.00)			948.17	
	129,407.54			130,459.37			(2,000.00)				
2019		\$ 8,175,020.69	\$ 72,696.20	7,846,310.91			17,920.55	\$ 49.06	\$ 16,341.15	37,869.28	\$ 183,833.54
		\$ 8,175,020.69	\$ 72,696.20	7,976,770.28			\$ 15,920.55	\$ 49.06	\$ 16,341.15	38,817.45	\$ 183,833.54

Ref. A

Analysis of 2019 Property Tax Levy:

Tax Yield:

General Purpose Tax	\$ 8,167,677.47
Added and Omitted Taxes	7,343.22
	<u>\$ 8,175,020.69</u>

Tax Levy:

Regional School District Taxes	\$ 5,185,646.00
County Taxes:	
General Tax	\$ 1,831,939.15
Library Tax	145,911.19
Open Space Tax	71,816.54
Due County for Added and Omitted Taxes	1,846.05
Local Tax for Open Space	2,051,512.93
	53,589.14
	<u>7,290,748.07</u>
Local Tax for Municipal Purposes Levied	876,581.00
Add: Additional Tax Levied	7,691.62
	<u>884,272.62</u>
	<u>\$ 8,175,020.69</u>

A

TOWNSHIP OF LIBERTY  
CURRENT FUND  
SCHEDULE OF TAX TITLE LIENS

	<u>Ref.</u>	
Balance December 31, 2018	A	\$ 308,353.04
Increased by:		
Interest and Costs Accrued at Tax Sale		\$ 155.98
Transfer from Taxes Receivable - 2018		948.17
Transfer from Taxes Receivable - 2019		<u>37,869.28</u>
		<u>38,973.43</u>
		347,326.47
Decreased by:		
Cash Received		<u>532.35</u>
Balance December 31, 2019	A	<u>\$ 346,794.12</u>

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

	<u>Accrued In</u> <u>2019</u>	<u>Collected by</u> <u>Treasurer</u>
Clerk:		
Alcoholic Beverage Licenses	\$ 5,231.58	\$ 5,231.58
Interest on Investments	43,223.69	43,223.69
Energy Receipts Tax	<u>188,603.00</u>	<u>188,603.00</u>
	<u>\$ 237,058.27</u>	<u>\$ 237,058.27</u>

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

NOT APPLICABLE

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

	Balance Dec. 31, 2018	Balance After Modification	Paid or Charged	Balance Lapsed
<b>GENERAL GOVERNMENT:</b>				
Administrative and Executive:				
Other Expenses	\$ 96.31	\$ 596.31	\$ 300.00	\$ 296.31
Mayor and Council:				
Salaries & Wages	880.00	880.00		880.00
Other Expenses	29.25	29.25		29.25
Municipal Clerk:				
Salaries & Wages	10,907.40	8,407.40		8,407.40
Other Expenses	151.69	651.69	564.27	87.42
Financial Administration:				
Salaries & Wages	2,753.36	2,128.36		2,128.36
Other Expenses	583.00	583.00	503	80.00
Assessment of Taxes:				
Salaries & Wages	1.00	1.00		1.00
Other Expenses	1,090.89	1,090.89	46.67	1,044.22
Collection of Taxes:				
Other Expenses	1,166.54	1,166.54	230.08	936.46
Legal Services and Costs:				
Other Expenses	14,536.72	14,536.72	9,330.26	5,206.46
Engineering Services and Costs:				
Other Expenses	5,969.64	5,969.64	62.00	5,907.64
Municipal Land Use Law:				
Municipal Land Use Board:				
Salaries & Wages	8,448.00	8,448.00		8,448.00
Other Expenses	1,401.25	1,401.25	1,150.00	251.25
Insurance:				
Group Insurance Plan for Employees	1,013.50	1,013.50		1,013.50
Workers' Compensation	984.00	984.00		984.00
Liability Insurance	1,572.00	1,572.00		1,572.00
Municipal Court:				
Other Expenses	1,185.17	1,810.17	1,729.42	80.75
Emergency Management:				
Salaries & Wages	1,274.50	1,274.50		1,274.50
Other Expenses	650.00	650.00		650.00
Fire Prevention Bureau:				
Other Expenses	250.00	250.00		250.00
Fire Department:				
O.S.H.A. Required Equipment	850.00	850.00		850.00

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

	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
<b>GENERAL GOVERNMENT:</b>				
Streets and Roads:				
Road Repair and Maintenance:				
Salaries & Wages	\$ 11,428.80	\$ 11,428.80		\$ 11,428.80
Other Expenses	47,207.15	47,207.15	\$ 31,699.41	15,507.74
Sanitation:				
Garbage and Trash Removal:				
Other Expenses	1,807.00	1,807.00	136.40	1,670.60
Public Buildings and Grounds:				
Other Expenses	17,099.75	17,099.75	1,224.38	15,875.37
Environmental Commission :				
Salaries & Wages	1,868.09	1,868.09	618.02	1,250.07
Other Expenses	4,695.50	4,695.50	1,240.00	3,455.50
<b>RECREATION AND EDUCATION:</b>				
Recreation:				
Salaries & Wages	5,507.56	5,507.56	669.63	4,837.93
Other Expenses	6,673.93	6,673.93	1,071.88	5,602.05
Maintenance of Parks:				
Other Expenses	733.75	733.75	208.18	525.57
Beach and Boardwalk:				
Other Expenses	97.11	97.11		97.11
Utility Expenses and Bulk Purchases	4,233.91	5,733.91	5,272.66	461.25
Statutory Expenditures:				
Contributions to:				
Social Security System (O.A.S.I.)	3,970.44	3,970.44		3,970.44
Unemployment Compensation	333.03	333.03		333.03
Defined Contribution Retirement Program	119.55	119.55		119.55
Capital Improvements:				
Road Improvements	143,452.21	143,452.21	143,452.21	
	<u>\$ 305,023.00</u>	<u>\$ 305,023.00</u>	<u>\$ 199,508.47</u>	<u>\$ 105,514.53</u>

Analysis of Balance as of 12/31/18:

	<u>Ref.</u>	
Unencumbered	A	\$ 120,962.14
Encumbered	A	184,060.86
		<u>\$ 305,023.00</u>

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

Balance December 31, 2018	<u>Ref.</u>		
School Taxes Deferred		\$ 1,520,074.75	
School Taxes Payable	A	<u>1,122,434.80</u>	
			\$ 2,642,509.55
Increased by:			
Levy - School Year July 1, 2019 to June 30, 2020			<u>5,185,646.00</u>
			<u>7,828,155.55</u>
Decreased by:			
Payments to Regional School Districts			<u>5,175,332.50</u>
			<u>2,652,823.05</u>
Balance December 31, 2019			
School Taxes Deferred		1,520,074.75	
School Taxes Payable	A	<u>1,132,748.30</u>	
			<u>\$ 2,652,823.05</u>

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

	Balance Dec. 31, 2018	Budget Revenue Realized	Cash Receipts	Transferred from Unappropriated Reserves	Cancelled	Balance Dec. 31, 2019
Department of Transportation Pequest Road - 2017	\$ 19,549.87					\$ 19,549.87
Clean Communities Grant - 2019	24,922.50	\$ 8,978.00	\$ 8,978.00			24,922.50
Highlands Plan Conformance Grant - 2009						
NJ Department of Transportation (DOT):						
Marble Hill Road - 2018	300,000.00	156,000.00				456,000.00
US Conservation Service Grant	98,993.62				\$ 98,993.62	
ANJEC Environmental Grant - 2019		1,427.00		\$ 951.33		475.67
	<u>\$ 443,465.99</u>	<u>\$ 166,405.00</u>	<u>\$ 8,978.00</u>	<u>\$ 951.33</u>	<u>\$ 98,993.62</u>	<u>\$ 500,948.04</u>

Ref.

A

A

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

	Balance Dec. 31, 2018	Transferred from 2019 Budget Appropriations	Added by By 40A:4-87	Paid or Charged	Cancelled	Balance Dec. 31, 2019
Recycling Tonnage Grant - 2004	\$ 996.12					\$ 996.12
Recycling Tonnage Grant - 2012	2,536.60		\$	1,440.00		1,096.60
Recycling Tonnage Grant - 2013	4,201.42					4,201.42
Recycling Tonnage Grant - 2015	2,279.86			784.50		1,495.36
Recycling Tonnage Grant - 2016	2,486.07					2,486.07
Recycling Tonnage Grant - 2017	1,005.44					1,005.44
Beach Donation	100.00					100.00
Clean Communities Grant:						
2019		\$ 8,978.00		8,687.71		290.29
2018	2,515.89			2,515.89		
Highlands Plan Conformance Grant:						
2009	8,914.75					8,914.75
Municipal Alliance Grant - Local Match:						
2010	88.60					88.60
2011	1,260.00					1,260.00
2012	1,260.00					1,260.00
2013	1,260.00					1,260.00
2019 ANJEC Grant			\$ 1,427.00	1,207.78		219.22
NJ DOT Grant- Pequest Road	27,132.87					27,132.87
2019 DOT Grant- Marble Hill Road			156,000.00			156,000.00
2018 DOT Grant- Marble Hill Road	300,000.00					300,000.00
US Conservation Service Grant	85,971.50				\$ 85,971.50	
	\$ 442,009.12	\$ 8,978.00	\$ 157,427.00	\$ 14,635.88	\$ 85,971.50	\$ 507,806.74

Ref. A

A

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

	Balance Dec. 31, 2018	Cash Receipts	Transferred to 2019 Grant Receivable	Balance Dec. 31, 2019
Recycling Tonnage Grant - 2019		\$ 722.99		\$ 722.99
Recycling Tonnage Grant - 2020		1,183.31		1,183.31
Municipal Court Rehabilitation Funds	\$ 1,003.99			1,003.99
Clean Communities - 2019		1,044.36		1,044.36
ANJEC Environmental Grant		951.33	\$ 951.33	
	\$ 1,003.99	3,901.99	\$ 951.33	\$ 3,954.65
<u>Ref.</u>	A			A

TOWNSHIP OF LIBERTY  
COUNTY OF WARREN  
2019  
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, 2018	B	\$ 7,379.20	\$ 217,722.81
Increased by Receipts:			
Animal Control License Fees		\$ 3,515.60	
Late Registration Fees		907.00	
State Dog License Fees		821.40	
Performance Bonds and Escrow Deposits			\$ 3,730.00
Recreation Programs			18,602.10
Tax Sale Premiums			21,500.00
Open Space Trust:			
Open Space Levy			53,589.14
Interest Earned			598.87
Due General Capital Fund - Open Space Trust			220,000.00
Due Current Fund:			
Interest Earned		181.92	3,258.75
		<u>5,425.92</u>	<u>321,278.86</u>
		12,805.12	539,001.67
Decreased by Disbursements:			
Due to State of New Jersey		802.20	
Administrative Expenses		2,805.55	
Reserve for:			
Open Space Trust			18,118.50
Recreation Expenses			10,320.93
Escrow Expenses			9,825.48
Due General Capital Fund - Open Space Trust:			
Deferred Charges to Future Taxation Unfunded			220,000.00
Due Current Fund:			
Interest Earned		181.92	3,258.75
Prior Year Interfund Returned			11,201.03
Statutory Excess in Reserve for Animal Control Expenditures		1,929.85	
		<u>5,719.52</u>	<u>272,724.69</u>
Balance December 31, 2019	B	\$ 7,085.60	\$ 266,276.98

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

NOT APPLICABLE

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

	<u>Ref.</u>	
Balance December 31, 2018	B	\$ 7,378.00
Increased by:		
Dog License Fees:		
Collected in Current Year		\$ 3,515.60
Late Registration Fees		907.00
		4,422.60
		11,800.60
Decreased by:		
Expenditures Under RS:4.19-15.1		2,805.55
Statutory Excess Transferred to Current Fund		1,929.85
		4,735.40
Balance December 31, 2019	B	\$ 7,065.20

License Fees Collected

<u>Year</u>	<u>Amount</u>
2018	\$ 3,508.80
2017	3,556.40
	7,065.20
Maximum Allowable Reserve	\$ 7,065.20

TOWNSHIP OF LIBERTY  
COUNTY OF WARREN  
2019  
GENERAL CAPITAL FUND

TOWNSHIP OF LIBERTY  
GENERAL CAPITAL FUND  
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2018	C	\$ 259.22
Increased by:		
2019 Budget Appropriation:		
Capital Improvement Fund		\$ 50,000.00
Due from Open Space Trust:		
Deferred Charges to Future Taxation		220,000.00
Due Current Fund:		
Interest Earned		166.31
		270,166.31
		270,425.53
Decreased by:		
Due Current Fund:		
Improvement Authorization Expenditures		26,511.69
Due Current Fund:		
Interfund Returned		46,661.10
Interest Earned		166.31
		73,339.10
Balance December 31, 2019	C	\$ 197,086.43

TOWNSHIP OF LIBERTY  
GENERAL CAPITAL FUND  
ANALYSIS OF CASH

	Balance/ (Deficit) Dec. 31, 2018	Receipts		Disbursements		Balance/ (Deficit) Dec. 31, 2019
		2019 Budget Appropriation	Miscellaneous	Deferred Charges Unfunded	Miscellaneous	
Capital Improvement Fund	\$ 7,155.44	\$ 50,000.00				\$ 57,155.44
Due Current Fund	46,661.10		\$ 166.31		\$ 73,339.10	
Reserve for Marble Hill	12,255.40					12,255.40
Reserve for Road Equipment	24,490.00					24,490.00
Reserve for Road Improvements	10,917.46					10,917.46
Reserve for Municipal Facilities	24,000.00					24,000.00
Fund Balance	18,836.69					18,836.69
Ord. No.						
98-07	Various Improvements					20,317.87
10-03	Road Improvements and Equipment					4,485.14
10-05	Recreation Facilities Improvement					50,428.40
16-04	Land Acquisition			\$ 220,000.00		(72,726.66)
18-03	Lakeside Drive Wall Restoration				\$ 26,511.69	46,926.69
		\$ 50,000.00	166.31	\$ 220,000.00	\$ 73,339.10	\$ 197,086.43
					\$ 26,511.69	

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

Ord. No.	Improvement Description	Balance		Funded By		Analysis of Balance	
		Dec. 31, 2018	Dec. 31, 2019	Open Space Trust Fund	Balance Dec. 31, 2019	Expenditures	Unexpended Improvement Authorizations
16-04	Land Acquisition	\$ 376,100.00	\$ 156,100.00	\$ 220,000.00	\$ 156,100.00	\$ 72,726.66	\$ 83,373.34
		\$ 376,100.00	\$ 156,100.00	\$ 220,000.00	\$ 156,100.00	\$ 72,726.66	\$ 83,373.34

Ref. C C

TOWNSHIP OF LIBERTY  
GENERAL CAPITAL FUND  
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance Date	Ordinance Amount	Balance Dec. 31, 2018		Paid or Charged	Balance Dec. 31, 2019	
				Funded	Unfunded		Funded	Unfunded
98-07	Various Improvements	03/12/98	\$ 627,100.00	\$ 20,317.87		\$ 20,317.87		
10-03	Road Improvements and Equipment	08/05/10	111,000.00	4,485.14		4,485.14		
10-05	Recreation Facilities Improvement	11/04/10	64,700.00	50,428.40		50,428.40		
16-04	Land Acquisition	06/02/16	500,000.00		\$ 83,373.34			\$ 83,373.34
18-03	Lakeside Drive Wall Restoration	08/23/18	110,000.00	73,438.38		\$ 26,511.69	46,926.69	
				\$ 148,669.79	\$ 83,373.34	\$ 26,511.69	\$ 122,158.10	\$ 83,373.34

Ref.

C

C

C

C

TOWNSHIP OF LIBERTY  
GENERAL CAPITAL FUND  
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2018	C	\$ 7,155.44
Increased by:		
2019 Budget Appropriation		<u>50,000.00</u>
Balance December 31, 2019	C	<u>\$ 57,155.44</u>

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

NOT APPLICABLE

TOWNSHIP OF LIBERTY  
GENERAL CAPITAL FUND  
SCHEDULE OF SERIAL BONDS PAYABLE  
YEAR ENDED DECEMBER 31, 2019

NOT APPLICABLE

TOWNSHIP OF LIBERTY  
GENERAL CAPITAL FUND  
SCHEDULE OF GREEN ACRES LOAN PAYABLE  
YEAR ENDED DECEMBER 31, 2019

NOT APPLICABLE

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

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2018</u>	<u>Funded by Open Space Trust Fund</u>	<u>Balance Dec 31, 2019</u>
16-04	Land Acquisition	\$ 376,100.00	\$ 220,000.00	\$ 156,100.00
		<u>\$ 376,100.00</u>	<u>\$ 220,000.00</u>	<u>\$ 156,100.00</u>

TOWNSHIP OF LIBERTY  
COUNTY OF WARREN  
2019  
WATER OPERATING FUND

NOT APPLICABLE

TOWNSHIP OF LIBERTY  
COUNTY OF WARREN  
2019  
SEWER OPERATING FUND

NOT APPLICABLE

TOWNSHIP OF LIBERTY  
COUNTY OF WARREN  
2019  
PUBLIC ASSISTANCE FUND

NOT APPLICABLE

TOWNSHIP OF LIBERTY

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2019

TOWNSHIP OF LIBERTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2019

Federal Funding Department	Federal Program	CFDA #	Pass Through Entity ID	Grant Period		Grant Award Amount	Grant Receipts	Amount of Expenditures	Cumulative Expenditures
				From	To				

Not Applicable

SEE NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

TOWNSHIP OF LIBERTY  
 SCHEDULE OF EXPENDITURES OF STATE AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2019

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	01/01/19	12/31/20	\$ 8,978.00	\$ 8,978.00	\$ 8,687.71	\$ 8,687.71
		-004-V42Y	01/01/18	12/31/20	9,397.41		2,515.89	8,978.13
			01/01/20	12/31/20	1,044.36	1,044.36		
	Recycling Grant	452-042-4900	01/01/04	12/31/20	6,178.42		2,224.50	4,201.50
		001-V42Y	01/01/19	12/31/20	722.99	722.99		
			01/01/20	12/31/20	1,183.31	1,183.31		
Total Department of Environmental Protection						11,928.66	13,428.10	430,831.32
Total State Awards						\$ 11,928.66	\$ 13,428.10	\$ 430,831.32

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, 2019

Note 1.      BASIS OF PRESENTATION

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

Note 2.      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.



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

11 Lawrence Road  
Newton, NJ 07860  
973.383.6699

[nisivoccia.com](http://nisivoccia.com)

Independent Member  
BKR International

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements – *regulatory basis* - of the various funds of the Township of Liberty, in the County of Warren (the "Township") as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated April 10, 2020. These financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

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

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

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

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

We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as Finding 2019-001, that we consider to be a significant deficiency.

### **Compliance and Other Matters**

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

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

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

### **Purpose of this Report**

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

Mount Arlington, New Jersey  
April 10, 2020

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John J. Mooney  
Certified Public Accountant  
Registered Municipal Accountant No. 560

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

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the Township prepared in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey.
- A significant deficiency was disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. No material weaknesses are reported.
- No instances of noncompliance material to the financial statements of the Township which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- The Township was not subject to the single audit provisions of the Uniform Guidance and New Jersey's OMB Circular 15-08 for the year ended December 31, 2019 as both state and federal grant expenditures were less than the single audit thresholds of \$750,000 identified in the Uniform Guidance and NJOMB 15-08.

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

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

Finding 2019-001

Segregation of Duties

Criteria

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

Condition

The Township does not maintain an adequate segregation of duties with respect to the recording and treasury functions.

The various departments/offices of the Township are responsible for the issuance of permits and licenses; collections of taxes and permit and license fees; and recording of collections. Also, the reconciliation of bank accounts, the preparation of the general ledger including recording cash receipts and disbursements for the various funds as well as the preparation of payroll are performed by one person with limited oversight review.

Cause

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

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

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

Finding 2019-001 (Cont'd)

Effect or Potential Effect

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

Recommendation

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

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 since federal expenditures were below the single audit threshold

Findings and Questioned Costs for State Awards:

- Not applicable since state expenditures were below the Single Audit threshold.

TOWNSHIP OF LIBERTY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2019

The Township's prior year audit finding 2018-001 regarding segregation of duties has not been resolved due to personnel and budgetary constraints and is included as finding 2019-001.

TOWNSHIP OF LIBERTY

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2019

TOWNSHIP OF LIBERTY  
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 July 1, 2015 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 \$40,000.

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.

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.

TOWNSHIP OF LIBERTY  
COMMENTS AND RECOMMENDATIONS  
(Continued)

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

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 1, 2019, 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, 2019, at the rate or rates heretofore governing, and on all delinquents on and after January 1, 2019 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 October 3, 2019, and was complete. Inspection of tax sale certificates revealed that tax sale certificate were available for audit.

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

<u>Year</u>	<u>Number of Liens</u>
2019	42
2018	40
2017	37

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. During the course of our audit, it was found that an excessive number of tax title liens are outstanding as of December 31, 2019. This has been communicated to management and they are taking it under advisement. Therefore, no formal recommendation is deemed necessary at this time.

TOWNSHIP OF LIBERTY  
COMMENTS AND RECOMMENDATIONS  
(Continued)

Verification of Delinquent Taxes and Other Charges

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

<u>Type</u>	<u>Number Mailed</u>
Payments of 2019 and 2020 Taxes	20
Delinquent Taxes	15
Tax Title Liens	2

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

New Jersey Administrative Code Accounting Requirements

The New Jersey Administrative Code has established three (3) accounting requirements which 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 an encumbrance accounting system, a fixed asset accounting and reporting system and a general ledger accounting system.

Accounting Procedures:

During the course of our audit testing, we noted several instances where purchases were made prior to the preparation and approval of purchase orders.

Recommendation:

It is recommended that purchase orders are prepared and approved prior to the purchase of goods or services to ensure the availability of funds.

Management's Response:

All purchase orders will be prepared and approved prior to the purchase of goods or services to ensure the availability of funds.

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.

TOWNSHIP OF LIBERTY  
COMMENTS AND RECOMMENDATIONS  
(Continued)

Segregation of Duties (Cont'd)

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.

Recommendation:

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

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  
COMMENTS AND RECOMMENDATIONS  
(Continued)

Summary of Prior Year Recommendations

The recommendations from the 2018 audit concerning segregation of duties and accounting procedures have not been resolved and are included in the 2019 audit report. The recommendation from 2018 concerning payroll has been resolved in 2019.

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. Purchase orders are prepared and approved prior to the purchase of goods or services to ensure the availability of funds.

\* \* \* \* \*