

TOWNSHIP OF LIBERTY

COUNTY OF WARREN

REPORT OF AUDIT

2017

*NISIVOCIA LLP
CERTIFIED PUBLIC ACCOUNTANTS*

TOWNSHIP OF LIBERTY

COUNTY OF WARREN

REPORT OF AUDIT

2017

TOWNSHIP OF LIBERTY
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TOWNSHIP OF LIBERTY

PART I

FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2017

Mount Arlington Corporate Center
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Mt. Arlington, NJ 07856
973-328-1825 | 973-328-0507 Fax
Lawrence Business Center
11 Lawrence Road
Newton, NJ 07860
973-383-6699 | 973-383-6555 Fax

Independent Auditors' Report

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, 2017 and 2016, 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, 2017 and 2016, 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 of the Township as of December 31, 2017 and 2016, 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
Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2018 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

March 23, 2018
Mount Arlington, New Jersey



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

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2017
CURRENT FUND

TOWNSHIP OF LIBERTY
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

| | | December 31, | |
|---|-------------|------------------------|------------------------|
| <u>ASSETS</u> | <u>Ref.</u> | 2017 | 2016 |
| Regular Fund: | | | |
| Cash and Cash Equivalents: | | | |
| Treasurer | A-4 | \$ 2,621,937.65 | \$ 2,402,282.03 |
| Petty Cash Fund | | 200.00 | 200.00 |
| Change Fund | | 50.00 | 50.00 |
| | | 2,622,187.65 | 2,402,532.03 |
| Due From State of New Jersey | | | |
| Senior Citizen and Veterans Deductions | | 2,887.75 | 3,456.25 |
| | | 2,625,075.40 | 2,405,988.28 |
| Receivables and Other Assets With Full Reserves: | | | |
| Delinquent Property Taxes Receivable | A-7 | 218,221.00 | 195,028.16 |
| Tax Title Liens Receivable | A-8 | 271,200.82 | 239,563.36 |
| Property Acquired for Taxes at Assessed Valuation | | 108,200.00 | 108,200.00 |
| End of Year Tax Penalty Receivable | | 2,198.02 | 2,576.43 |
| Due From State and Federal Grant Fund | A | 43,724.70 | |
| Due From Animal Control Fund | B | | 123.60 |
| Due From General Capital Fund | C | 60,099.48 | 170,099.48 |
| | | 703,644.02 | 715,591.03 |
| Total Receivables and Other Assets | | | |
| Total Regular Fund | | 3,328,719.42 | 3,121,579.31 |
| Federal and State Grant Fund: | | | |
| Cash and Cash Equivalents | A-6 | 2,337.90 | 151,332.46 |
| Federal and State Grants Receivable | A-13 | 262,977.13 | 123,916.12 |
| | | 265,315.03 | 275,248.58 |
| Total Federal and State Grant Fund | | | |
| <u>TOTAL ASSETS</u> | | <u>\$ 3,594,034.45</u> | <u>\$ 3,396,827.89</u> |

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

| | Ref. | December 31, | |
|---|----------|------------------------|------------------------|
| | | 2017 | 2016 |
| <u>LIABILITIES, RESERVES AND FUND BALANCE</u> | | | |
| Regular Fund: | | | |
| Appropriation Reserves: | | | |
| Encumbered | A-3;A-11 | \$ 73,516.51 | \$ 30,122.67 |
| Unencumbered | A-3;A-11 | 299,883.49 | 251,313.72 |
| | | <u>373,400.00</u> | <u>281,436.39</u> |
| Prepaid Taxes | | 169,821.52 | 51,578.71 |
| Tax Overpayments | | 1,645.59 | |
| County Taxes Payable | | 4,357.56 | 1,742.09 |
| Regional School Tax Payable | A-12 | 987,198.30 | 1,100,480.30 |
| Accounts Payable - Vendors | | 18,575.36 | 16,960.36 |
| Payroll Deductions Payable | | 11,632.79 | 9,956.77 |
| Due to State of New Jersey: | | | |
| Marriage License Fees | | 50.00 | 75.00 |
| Reserve for: | | | |
| Redemption of Third Party Liens | | 6,567.70 | 6,567.70 |
| | | <u>1,573,248.82</u> | <u>1,468,797.32</u> |
| Reserve for Receivables and Other Assets | A | 703,644.02 | 715,591.03 |
| Fund Balance | A-1 | 1,051,826.58 | 937,190.96 |
| | | <u>3,328,719.42</u> | <u>3,121,579.31</u> |
| Total Regular Fund | | | |
| Federal and State Grant Fund: | | | |
| Due to Current Fund | A | 43,724.70 | |
| Appropriated Reserve for Grants | A-14 | 214,814.97 | 110,383.46 |
| Unappropriated Reserve for Grants | A-15 | 6,775.36 | 164,865.12 |
| | | <u>265,315.03</u> | <u>275,248.58</u> |
| Total Federal and State Grant Fund | | | |
| <u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u> | | <u>\$ 3,594,034.45</u> | <u>\$ 3,396,827.89</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, | |
|--|------|-------------------------|----------------------|
| | | 2017 | 2016 |
| <u>Revenue and Other Income Realized</u> | | | |
| Fund Balance Utilized | | \$ 595,000.00 | \$ 580,000.00 |
| Miscellaneous Revenue Anticipated | | 590,084.80 | 279,803.98 |
| Receipts from: | | | |
| Delinquent Taxes | | 190,887.86 | 176,150.48 |
| Current Taxes | | 7,657,872.25 | 7,872,503.68 |
| Nonbudget Revenue | | 112,214.89 | 34,885.10 |
| Other Credits to Income: | | | |
| Unexpended Balance of Appropriation Reserves | | 137,778.51 | 110,911.66 |
| Interfund Returned | | 110,123.60 | |
| | | <u>9,393,961.91</u> | <u>9,054,254.90</u> |
| <u>Expenditures</u> | | | |
| Budget and Emergency Appropriations: | | | |
| Municipal Purposes | | 1,595,094.21 | 1,303,015.16 |
| County Taxes | | 2,096,201.19 | 2,098,922.49 |
| Regional School Districts Taxes | | 4,894,546.00 | 5,121,110.00 |
| Open Space Trust Taxes | | 53,573.20 | 53,812.69 |
| Prior Year Senior Citizen/ Veteran Deductions Disallowed | | 1,186.99 | 250.00 |
| Interfund Advanced | | 43,724.70 | 170,223.08 |
| | | <u>8,684,326.29</u> | <u>8,747,333.42</u> |
| Excess in Revenue | | 709,635.62 | 306,921.48 |
| <u>Fund Balance</u> | | | |
| Balance January 1 | | 937,190.96 | 1,210,269.48 |
| | | <u>1,646,826.58</u> | <u>1,517,190.96</u> |
| Decreased by: | | | |
| Utilized as Anticipated Revenue | | 595,000.00 | 580,000.00 |
| Balance December 31 | A | <u>\$ 1,051,826.58</u> | <u>\$ 937,190.96</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, 2017

| | <u>Budget</u> | <u>Realized</u> | <u>Excess or Deficit *</u> |
|--|------------------------|------------------------|--------------------------------|
| Fund Balance Anticipated | \$ 595,000.00 | \$ 595,000.00 | |
| Miscellaneous Revenue: | | | |
| Alcoholic Beverage Licenses | 5,000.00 | 5,231.58 | \$ 231.58 |
| Interest and Costs on Taxes | 28,500.00 | 37,413.42 | 8,913.42 |
| Interest on Investments | 13,500.00 | 26,318.59 | 12,818.59 |
| Consolidated Municipal Property Tax Relief Act | 3,903.00 | 3,903.00 | |
| Energy Receipts Tax | 184,700.00 | 184,700.00 | |
| Garden State Preservation Trust Fund | 34,362.00 | 34,362.00 | |
| Reserve for Clean Communities | 3,758.80 | 3,758.80 | |
| Clean Communities Grant | 11,061.47 | 9,397.41 | 1,664.06 * |
| DOT Grant | 210,000.00 | 210,000.00 | |
| FEMA Hazard Mitigation Generator Grant | 75,000.00 | 75,000.00 | |
| | <u>569,785.27</u> | <u>590,084.80</u> | <u>20,299.53</u> |
| Receipts from Delinquent Taxes | <u>175,000.00</u> | <u>190,887.86</u> | <u>15,887.86</u> |
| Amount to be Raised by Taxes for Support of Municipal Budget: | | | |
| Local Tax for Municipal Purposes | <u>851,973.00</u> | <u>1,208,551.86</u> | <u>356,578.86</u> |
| Budget Totals | 2,191,758.27 | 2,584,524.52 | 392,766.25 |
| Nonbudget Revenue | | <u>112,214.89</u> | <u>112,214.89</u> |
| | <u>\$ 2,191,758.27</u> | <u>\$ 2,696,739.41</u> | <u>\$ 504,981.14</u> |

TOWNSHIP OF LIBERTY
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

| | | |
|--|-------------------|-------------------------------|
| Allocation of Current Tax Collections: | | |
| Revenue from Collection of Current Taxes | \$ 7,657,872.25 | |
| Allocated to School, County and Open Space Taxes | 7,044,320.39 | |
| Balance for Support of Municipal Budget | <u>613,551.86</u> | |
| Add: Appropriation "Reserve for Uncollected Taxes" | <u>595,000.00</u> | |
| Realized for Support of Municipal Budget | | <u><u>\$ 1,208,551.86</u></u> |
| | | |
| Receipts from Delinquent Taxes: | | |
| Delinquent Tax Collections | \$ 188,846.07 | |
| Tax Title Liens | <u>2,041.79</u> | |
| | | <u><u>\$ 190,887.86</u></u> |
| | | |
| Analysis of Nonbudget Revenue: | | |
| Treasurer: | | |
| Cable TV Franchise Fee | \$ 9,373.08 | |
| Gypsy Moth Spray Reimbursement | 5,083.20 | |
| FEMA Reimbursement (2016 Sever Winter Storm) | 2,183.06 | |
| Prior Year Insurance Refunds | 2,472.00 | |
| Prior Year Reimbursements | 89,062.88 | |
| Other Miscellaneous | <u>1,456.92</u> | |
| | | <u><u>\$ 109,631.14</u></u> |
| | | |
| Tax Collector | | |
| End of Year Tax Penalty | 2,576.43 | |
| Miscellaneous | <u>7.32</u> | |
| | | <u><u>2,583.75</u></u> |
| | | <u><u>\$ 112,214.89</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, 2017

| | Appropriations | | Expended By | | Unexpended Balance Cancelled |
|---------------------------------|----------------|------------------------------|--------------------|-----------|------------------------------------|
| | Budget | Budget After Modification | Paid or Charged | Reserved | |
| GENERAL GOVERNMENT: | | | | | |
| Administrative and Executive: | | | | | |
| Salaries & Wages | \$ 4,650.00 | \$ 4,650.00 | \$ 4,640.00 | \$ 10.00 | |
| Other Expenses | 5,750.00 | 7,750.00 | 7,184.68 | 565.32 | |
| Mayor and Council: | | | | | |
| Salaries & Wages | 11,525.00 | 11,525.00 | 10,645.00 | 880.00 | |
| Other Expenses | 1,718.00 | 1,718.00 | 1,627.00 | 91.00 | |
| Municipal Clerk: | | | | | |
| Salaries & Wages | 87,600.00 | 87,600.00 | 87,235.94 | 364.06 | |
| Other Expenses | 14,200.00 | 14,200.00 | 9,792.04 | 4,407.96 | |
| Financial Administration: | | | | | |
| Salaries & Wages | 26,108.00 | 26,108.00 | 26,108.00 | | |
| Other Expenses | 11,408.00 | 11,408.00 | 11,021.59 | 386.41 | |
| Annual Audit | 18,750.00 | 18,750.00 | 18,750.00 | | |
| Collection of Taxes: | | | | | |
| Salaries & Wages | 24,135.00 | 24,135.00 | 24,040.43 | 94.57 | |
| Other Expenses | 7,000.00 | 7,000.00 | 3,932.13 | 3,067.87 | |
| Assessment of Taxes: | | | | | |
| Salaries & Wages | 22,745.00 | 22,745.00 | 22,744.00 | 1.00 | |
| Other Expenses | 7,735.00 | 7,735.00 | 7,532.26 | 202.74 | |
| Legal Services and Costs: | | | | | |
| Other Expenses | 43,000.00 | 43,000.00 | 30,810.13 | 12,189.87 | |
| Engineering Services and Costs: | | | | | |
| Other Expenses | 17,000.00 | 15,000.00 | 2,630.01 | 12,369.99 | |

TOWNSHIP OF LIBERTY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

| | Appropriations | | Expended By | | Unexpended Balance Cancelled |
|--|----------------|------------------------------|--------------------|-------------|------------------------------------|
| | Budget | Budget After Modification | Paid or Charged | Reserved | |
| GENERAL GOVERNMENT (continued): | | | | | |
| Municipal Land Use Law (N.J.S.A. 40:55D-1) : | | | | | |
| Municipal Land Use Board: | | | | | |
| Salaries & Wages | \$ 8,282.00 | \$ 8,282.00 | \$ 6,211.49 | \$ 2,070.51 | |
| Other Expenses | 5,890.00 | 5,890.00 | 1,759.84 | 4,130.16 | |
| Zoning Officer: | | | | | |
| Salaries & Wages | 10,705.00 | 10,705.00 | 10,705.00 | | |
| Insurance: | | | | | |
| Liability Insurance | 48,500.00 | 48,500.00 | 46,945.00 | 1,555.00 | |
| Worker's Compensation | 27,000.00 | 27,000.00 | 26,365.00 | 635.00 | |
| Group Insurance Plan for Employees | 46,000.00 | 46,000.00 | 44,704.71 | 1,295.29 | |
| Municipal Court: | | | | | |
| Other Expenses | 9,500.00 | 9,500.00 | 8,080.00 | 1,420.00 | |
| PUBLIC SAFETY: | | | | | |
| Emergency Management Service: | | | | | |
| Salaries & Wages | 2,550.00 | 2,550.00 | 2,550.00 | | |
| Other Expenses | 700.00 | 700.00 | | 700.00 | |
| First Aid Organization - Contribution: | | | | | |
| Independence Township | 15,000.00 | 15,000.00 | 15,000.00 | | |
| Aid to Volunteer Fire Companies: | | | | | |
| Liberty Township Fire Companies | 15,000.00 | 15,000.00 | 15,000.00 | | |
| Fire Prevention Bureau: | | | | | |
| Other Expenses | 250.00 | 250.00 | | 250.00 | |
| Fire Department: | | | | | |
| O.S.H.A Required Equipment | 15,000.00 | 15,000.00 | 15,000.00 | | |

TOWNSHIP OF LIBERTY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

| | Appropriations | | Expended By | | Unexpended Balance Cancelled |
|---|---------------------|------------------------------|--------------------|-------------------|------------------------------------|
| | Budget | Budget After Modification | Paid or Charged | Reserved | |
| PUBLIC WORKS FUNCTIONS: | | | | | |
| Road Repairs and Maintenance: | | | | | |
| Salaries & Wages | \$ 184,000.00 | \$ 184,000.00 | \$ 166,761.05 | \$ 17,238.95 | |
| Other Expenses | 145,000.00 | 145,000.00 | 141,193.41 | 3,806.59 | |
| Garbage and Trash Removal: | | | | | |
| Other Expenses | 3,000.00 | 3,000.00 | 1,014.75 | 1,985.25 | |
| Public Buildings and Grounds: | | | | | |
| Other Expenses | 40,000.00 | 40,000.00 | 39,284.30 | 715.70 | |
| HEALTH AND WELFARE: | | | | | |
| Environmental Commission (N.J.S.A. 40A: 56 ET SEQ): | | | | | |
| Salaries & Wages | 3,250.00 | 3,250.00 | 1,326.00 | 1,924.00 | |
| Other Expenses | 6,480.00 | 6,480.00 | 3,221.95 | 3,258.05 | |
| Dog Regulation: | | | | | |
| Salaries & Wages | 5,685.00 | 5,685.00 | 5,685.00 | | |
| PARKS AND RECREATION FUNCTIONS: | | | | | |
| Recreation: | | | | | |
| Salaries & Wages | 38,130.00 | 38,130.00 | 28,302.88 | 9,827.12 | |
| Other Expenses | 22,900.00 | 22,650.00 | 14,225.57 | 8,424.43 | |
| Maintenance of Parks: | | | | | |
| Other Expenses | 4,000.00 | 4,000.00 | 2,400.00 | 1,600.00 | |
| Beach and Boardwalk: | | | | | |
| Other Expenses | 3,945.00 | 4,195.00 | 3,949.26 | 245.74 | |
| Utility Expenses and Bulk Purchases | 38,500.00 | 38,500.00 | 31,566.58 | 6,933.42 | |
| Gypsy Moth Aerial Suppression | 10,200.00 | 10,200.00 | 10,005.80 | 194.20 | |
| Total Operations Within "CAPS" | 1,012,791.00 | 1,012,791.00 | 909,950.80 | 102,840.20 | |
| Detail: | | | | | |
| Salaries & Wages | 429,365.00 | 429,365.00 | 396,954.79 | 32,410.21 | |
| Other Expenses | 583,426.00 | 583,426.00 | 512,996.01 | 70,429.99 | |

TOWNSHIP OF LIBERTY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(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 | \$ 30,369.69 | \$ 3,630.31 | |
| Unemployment Compensation | 2,750.00 | 2,750.00 | 2,425.92 | 324.08 | |
| Public Employees' Retirement System | 39,297.00 | 39,297.00 | 39,297.00 | 100.00 | |
| Defined Contribution Retirement Program | 100.00 | 100.00 | | | |
| | <u>76,147.00</u> | <u>76,147.00</u> | <u>72,092.61</u> | <u>4,054.39</u> | |
| Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS" | <u>1,088,938.00</u> | <u>1,088,938.00</u> | <u>982,043.41</u> | <u>106,894.59</u> | |
| Total General Appropriations for Municipal Purposes Within "CAPS" | | | | | |
| Operations Excluded from "CAPS": | | | | | |
| State and Federal Programs Offset by Revenues: | | | | | |
| Reserve for Clean Communities | 3,758.80 | 3,758.80 | 3,758.80 | | |
| Clean Communities | 11,061.47 | 11,061.47 | 9,397.41 | | 1,644.06 |
| FEMA Hazard Mitigation Generator Grant | 75,000.00 | 75,000.00 | 75,000.00 | | |
| | <u>89,820.27</u> | <u>89,820.27</u> | <u>88,156.21</u> | | <u>1,644.06</u> |
| Total Operations Excluded from "CAPS" | | | | | |
| Detail: | | | | | |
| Other Expenses | <u>89,820.27</u> | <u>89,820.27</u> | <u>88,156.21</u> | | |

TOWNSHIP OF LIBERTY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

| | Appropriations | | Expended By | | Unexpended Balance Cancelled |
|--|----------------|------------------------------|--------------------|---------------|------------------------------------|
| | Budget | Budget After Modification | Paid or Charged | Reserved | |
| Capital Improvements - Excluded from "CAPS": Road Improvements | \$ 208,000.00 | \$ 208,000.00 | \$ 15,011.10 | \$ 192,988.90 | |
| Public and Private Programs Offset by Revenues: New Jersey DOT Trust Fund Authority Act | 210,000.00 | 210,000.00 | 210,000.00 | | |
| Total Capital Improvements - Excluded from "CAPS" | 418,000.00 | 418,000.00 | 225,011.10 | 192,988.90 | |
| Total General Appropriations - Excluded from "CAPS" | 507,820.27 | 507,820.27 | 313,167.31 | 192,988.90 | 1,644.06 |
| Subtotal General Appropriations | 1,596,758.27 | 1,596,758.27 | 1,295,210.72 | 299,883.49 | 1,644.06 |
| Reserve for Uncollected Taxes | 595,000.00 | 595,000.00 | 595,000.00 | | |
| Total General Appropriations | \$2,191,758.27 | \$2,191,758.27 | \$1,890,210.72 | \$ 299,883.49 | \$ 1,644.06 |

Ref.

A

TOWNSHIP OF LIBERTY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017
(Continued)

| | <u>Ref.</u> | <u>Analysis of</u> | |
|----------------------------------|-------------|--|----------------------------------|
| | | <u>Budget After</u> <u>Modification</u> | <u>Paid or</u> <u>Charged</u> |
| Adopted Budget | | <u>\$ 2,191,758.27</u> | |
| | | <u><u>\$ 2,191,758.27</u></u> | |
| Reserve for Uncollected Taxes | | | \$ 595,000.00 |
| Reserve for Encumbrances | A | | 73,516.51 |
| Due Federal and State Grant Fund | | | 298,156.21 |
| Cash Disbursed | | | <u>923,538.00</u> |
| | | | <u><u>\$ 1,890,210.72</u></u> |

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

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2017
TRUST FUNDS

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

| | | December 31, | |
|---|-----|----------------------|----------------------|
| | | 2017 | 2016 |
| <u>ASSETS</u> | | | |
| Animal Control Fund: | | | |
| Cash and Cash Equivalents | B-4 | \$ 7,739.60 | \$ 6,903.60 |
| | | 7,739.60 | 6,903.60 |
| Other Trust Funds: | | | |
| Cash and Cash Equivalents | B-4 | 241,008.80 | 404,800.44 |
| | | 241,008.80 | 404,800.44 |
| TOTAL ASSETS | | \$ 248,748.40 | \$ 411,704.04 |
| <u>LIABILITIES, RESERVES AND FUND BALANCE</u> | | | |
| Animal Control Fund: | | | |
| Due to Current Fund | A | | \$ 123.60 |
| Due to State Board of Health | | 1.20 | 2.40 |
| Reserve for Animal Control Expenditures | B-6 | 7,738.40 | 6,777.60 |
| | | 7,739.60 | 6,903.60 |
| Other Trust Funds: | | | |
| Reserve for: | | | |
| Recreation | | 19,222.07 | 22,697.58 |
| Housing Trust | | | 88,669.59 |
| Open Space Trust | | 26,838.42 | 54,003.29 |
| Performance Escrow and Bonds | | 107,648.31 | 110,129.98 |
| Storm Recovery | | 30,000.00 | 30,000.00 |
| Tax Sale Premiums | | 57,300.00 | 99,300.00 |
| | | 241,008.80 | 404,800.44 |
| TOTAL LIABILITIES, RESERVES AND FUND BALANCE | | \$ 248,748.40 | \$ 411,704.04 |

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, 2017

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, 2017

NOT APPLICABLE

ASSESSMENT TRUST FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

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

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2017
GENERAL CAPITAL FUND

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

| | Ref. | December 31, | |
|---|------|----------------------|----------------------|
| | | 2017 | 2016 |
| <u>ASSETS</u> | | | |
| Cash and Cash Equivalents | C-2 | \$ 259.22 | \$ 851.76 |
| Deferred Charges to Future Taxation: | | | |
| Unfunded | C-4 | 426,100.00 | 476,100.00 |
| TOTAL ASSETS | | \$ 426,359.22 | \$ 476,951.76 |
| <u>LIABILITIES, RESERVES AND FUND BALANCE</u> | | | |
| Improvement Authorizations: | | | |
| Funded | C-5 | \$ 75,231.41 | \$ 75,231.41 |
| Unfunded | C-5 | 83,373.34 | 83,373.34 |
| Due to Current Fund | C-5 | 60,099.48 | 170,099.48 |
| Capital Improvement Fund | C-6 | 117,155.44 | 117,155.44 |
| Reserve for Marble Hill | | 12,255.40 | 12,255.40 |
| Reserve for Road Equipment | | 24,490.00 | |
| Reserve for Road Improvements | | 10,917.46 | |
| Reserve for Municipal Facilities | | 24,000.00 | |
| Fund Balance | C-1 | 18,836.69 | 18,836.69 |
| TOTAL LIABILITIES, RESERVES AND FUND BALANCE | | \$ 426,359.22 | \$ 476,951.76 |

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, 2016 | C | <u>\$ 18,836.69</u> |
| Balance December 31, 2017 | C | <u><u>\$ 18,836.69</u></u> |

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

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2017
WATER OPERATING FUND

NOT APPLICABLE

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2017
SEWER OPERATING FUND

NOT APPLICABLE

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2017
PUBLIC ASSISTANCE FUND

NOT APPLICABLE

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2017
BOND AND INTEREST FUND

NOT APPLICABLE

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2017
GENERAL FIXED ASSETS ACCOUNT GROUP

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

| | December 31, | |
|--------------------------|------------------------|------------------------|
| | 2017 | 2016 |
| <u>ASSETS</u> | | |
| Land | \$ 531,315.48 | \$ 531,315.48 |
| Buildings | 1,485,008.00 | 1,485,008.00 |
| Equipment and Vehicles | 1,297,947.28 | 1,297,947.28 |
| <u>TOTAL ASSETS</u> | <u>\$ 3,314,270.76</u> | <u>\$ 3,314,270.76</u> |
| <u>RESERVES</u> | | |
| Reserve for Fixed Assets | \$ 3,314,270.76 | \$ 3,314,270.76 |
| <u>TOTAL RESERVES</u> | <u>\$ 3,314,270.76</u> | <u>\$ 3,314,270.76</u> |

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

TOWNSHIP OF LIBERTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

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, 2017
(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, 2017
(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, 2017
(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, 2017
(Continued)

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

Summary of Municipal Debt

| | December 31, | | |
|--|---------------|---------------|--------|
| | 2017 | 2016 | 2015 |
| <u>Issued</u> | | | |
| General: | | | |
| Bonds, Notes and Loans | \$ -0- | \$ -0- | \$ -0- |
| <u>Authorized but not Issued:</u> | | | |
| General: | | | |
| Bonds and Notes | 426,100.00 | 476,100.00 | -0- |
| Net Bonds, Notes and Loans Issued and Authorized but not Issued | \$ 426,100.00 | \$ 476,100.00 | \$ -0- |

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 0.154%.

| | Gross Debt | Deductions | Net Debt |
|-------------------------------|-----------------|-----------------|---------------|
| General Debt | \$ 426,100.00 | | \$ 426,100.00 |
| Regional School District Debt | 1,336,505.67 | \$ 1,336,505.67 | |
| | \$ 1,762,605.67 | \$ 1,336,505.67 | \$ 426,100.00 |

Net Debt: \$426,100.00 divided by Average Equalized Valuations of \$276,112,872.33 of Real Property = .154%.

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

| | |
|---|-----------------|
| 3-1/2% Average Equalized Valuation of Real Property | \$ 9,663,950.53 |
| Net Debt | 426,100.00 |
| Remaining Borrowing Power | \$ 9,237,850.53 |

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, 2017
(Continued)

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

The Township had no debt issued and outstanding on December 31, 2017.

Net Pension Liability

The State of New Jersey Public Employees' Retirement System's (PERS) net pension liability was calculated to be \$1,310,089 at December 31, 2016. See Note 4 for further information on the PERS.

Note 3: Fund Balances Appropriated

The amount of fund balance at December 31, 2017 included in the 2018 Introduced Current Fund budget for the year ending December 31, 2018 is \$620,000.

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.state.nj.us/treasury/pensions/annrprts.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:

TOWNSHIP OF LIBERTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 4. Pension Plans (Cont'd)

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

| <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 |

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 will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Township contributions to PERS amounted to \$39,297 for 2017.

The employee contribution rate was 7.20% effective July 1, 2016 and increased to 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Pension Liabilities and Pension Expense

At December 31, 2016, the Township's liability was \$1,310,089 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. 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.

TOWNSHIP OF LIBERTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 4. Pension Plans (Cont'd)

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

Pension Liabilities and Pension Expense (Cont'd)

At June 30, 2016, the Township's proportion was 0.0044%, which was an increase of 0.0004% from its proportion measured as of June 30, 2015. The Township has rolled forward the net pension liability to December 31, 2016 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, 2016 pension information in the Notes to the Financial Statements as the June 30, 2017 pension information has not been released as of the date of this audit.

For the year ended December 31, 2017, the Township recognized actual pension expense in the amount of \$39,297.

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

| | |
|---------------------------|---------------------------|
| Inflation Rate | 3.08% |
| Salary Increases: | |
| Through 2026 | 1.65 – 4.15% based on age |
| Thereafter | 2.65 – 5.15% based on age |
| Investment Rate of Return | 7.65% |

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. 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, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

TOWNSHIP OF LIBERTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 4. Pension Plans (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2016 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------|------------------------------|---|
| Cash | 5.00% | 0.87% |
| Core Bonds | 1.50% | 1.74% |
| Intermediate-Term Bonds | 8.00% | 1.79% |
| Mortgages | 2.00% | 1.67% |
| High Yield Bonds | 2.00% | 4.56% |
| Inflation-Indexed Bonds | 1.50% | 3.44% |
| Broad U.S. Equities | 26.00% | 8.53% |
| Developed Foreign Equities | 13.25% | 6.83% |
| Emerging Market Equities | 6.50% | 9.95% |
| Private Equity | 9.00% | 12.40% |
| Hedge Funds/Absolute Return | 12.50% | 4.68% |
| Real Estate (Property) | 2.00% | 6.91% |
| Commodities | 0.50% | 5.45% |
| Global Debt ex. U.S. | 5.00% | -0.25% |
| REIT | 5.25% | 5.63% |

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 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, 2017
(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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, 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 December 31, 2016 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 December 31, 2016 | | |
|--|------------------------------|----------------------------|-----------------------|
| | 1% | Current | 1% |
| | Decrease ▾ (2.98%) | Discount Rate ▾ (3.98%) | Increase ▾ (4.98%) |
| Township's proportionate share of the Net Pension Liability | \$ 1,605,361 | \$ 1,310,089 | \$ 1,066,316 |

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 \$42,200 at December 31, 2017. This amount is not reported either as expenditure or a liability. It is expected that the cost of such unpaid compensation would be included in the Township's budget operating expenditures in the year in which it is used.

Note 6: Selected Tax Information

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and the imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the prior year may be placed in 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, 2017
(Continued)

Note 6: Selected Tax Information (Cont'd)

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|----------------------------------|--------------------------|--------------------------|--------------------------|
| <u>Tax Rate</u> | \$ 2.953 | \$ 3.019 | \$ 2.881 |
| <u>Apportionment of Tax Rate</u> | | | |
| Municipal (Includes Open Space) | .338 | .333 | .334 |
| County | .784 | .781 | .745 |
| Regional School District | 1.831 | 1.905 | 1.802 |
| <u>Assessed Valuations</u> | | | |
| 2017 | <u>\$ 267,313,600.00</u> | | |
| 2016 | | <u>\$ 269,048,419.00</u> | |
| 2015 | | | <u>\$ 268,874,400.00</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> |
| 2017 | \$ 7,910,263.89 | \$ 7,657,872.25 | 96.80% |
| 2016 | 8,123,377.14 | 7,872,503.68 | 96.91% |
| 2015 | 7,755,346.79 | 7,504,010.75 | 96.76% |

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, 2017
(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, approved by the Division of Investment of the Department of Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;

TOWNSHIP OF LIBERTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
 (Continued)

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

Investments (Cont'd)

- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in 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, 2017, cash and cash equivalents of the Township of Liberty consisted of the following:

| Fund | Cash on Hand | Savings and Checking Accounts | Totals |
|--------------------------|-----------------|-------------------------------------|-----------------|
| Current | \$ 250.00 | \$ 2,621,937.65 | \$ 2,622,187.65 |
| Federal and State Grants | | 2,337.90 | 2,337.90 |
| Animal Control Trust | | 7,739.60 | 7,739.60 |
| Other Trust | | 241,008.80 | 241,008.80 |
| General Capital | | 259.22 | 259.22 |
| | \$ 250.00 | \$ 2,873,283.17 | \$ 2,873,533.17 |

During the period ended December 31, 2017, the Township did not hold any investments. The carrying amount of the Township's cash and cash equivalents at December 31, 2017, was \$2,873,533.17 and the bank balance was \$2,774,487.66.

Note 8: Regional School District Taxes

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district. Regional School District Taxes have been raised and the liability deferred by statute, resulting in the school taxes payable set forth in the Current Fund liabilities as follows:

| | Balance Dec. 31, 2017 | Balance Dec. 31, 2016 |
|----------------------|--------------------------|--------------------------|
| Balance of Tax | \$ 2,507,273.05 | \$ 2,620,555.05 |
| Amount Deferred | 1,520,074.75 | 1,520,074.75 |
| School Taxes Payable | \$ 987,198.30 | \$ 1,100,480.30 |

TOWNSHIP OF LIBERTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 9: Contingent Liabilities

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

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

Note 10: Fixed Assets

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

| | Balance Dec. 31, 2016 | Balance Dec. 31, 2017 |
|------------------------|--------------------------|--------------------------|
| Land | \$ 531,315.48 | \$ 531,315.48 |
| Buildings | 1,485,008.00 | 1,485,008.00 |
| Equipment and Vehicles | 1,297,947.28 | 1,297,947.28 |
| | \$ 3,314,270.76 | \$ 3,314,270.76 |

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, 2017 the balance in the Open Space Trust Fund was \$26,838.42.

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 Town 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.

TOWNSHIP OF LIBERTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 12: Risk Management (Cont'd)

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, 2017 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, 2016 is as follows:

| | Statewide Insurance Fund Dec. 31, 2016 |
|------------------------|---|
| Total Assets | \$ 46,169,539 |
| Net Position | \$ 9,047,661 |
| Total Revenue | \$ 28,868,244 |
| Total Expenditures | \$ 25,148,277 |
| Change in Net Position | \$ 3,719,967 |
| Member Dividends | \$ - 0 - |

Contact information for Statewide Insurance Fund is as follows:

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

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

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.

TOWNSHIP OF LIBERTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 14: Interfund Receivables and Payables

The following interfund balances remain on the balance sheet at December 31, 2017:

| <u>Fund</u> | <u>Interfund Receivable</u> | <u>Interfund Payable</u> |
|------------------------------|---------------------------------|------------------------------|
| Current Fund | \$ 103,824.18 | |
| Federal and State Grant Fund | | \$ 43,724.70 |
| General Capital Fund | | 60,099.48 |
| | <u>\$ 103,824.18</u> | <u>\$ 103,824.18</u> |

The interfund receivable in the Current Fund is comprised of funds advanced to the General Capital Fund and Federal and State Grant Fund.

TOWNSHIP OF LIBERTY

SUPPLEMENTARY DATA

TOWNSHIP OF LIBERTY
OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2017

| <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) | |
| Kevin Lifer | Chief Financial Officer | \$ 50,000.00 | Selective Insurance Company |
| Eleanor Clarkson | Deputy Clerk | (A) | |
| Cindy Eckert | Tax Collector | 200,000.00 | RLI Insurance Company |
| Penny Holenstein | Tax Assessor | (A) | |
| Roger J. Skoog | Attorney | | |
| Ferriero Engineering | Engineer | | |
| Eric Snyder | Zoning Official | (A) | |

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

All bonds were examined and were properly executed.

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2017
CURRENT FUND

TOWNSHIP OF LIBERTY
CURRENT FUND
SCHEDULE OF CASH

| | | |
|--|-----------------|-------------------------------|
| Balance December 31, 2016 | Ref. A | \$ 2,402,282.03 |
| Increased by Receipts: | | |
| Tax Collector | \$ 8,448,081.31 | |
| Revenue Accounts Receivable | 220,153.17 | |
| Miscellaneous Revenue Not Anticipated | 109,631.14 | |
| Due from State of N.J.: | | |
| Marriage License Fees | 275.00 | |
| Veterans and Senior Citizens' Deductions | 19,631.51 | |
| Due from Other Trust Funds: | | |
| Reserve for Tax Sale Premiums | 42,000.00 | |
| Due From General Capital Fund: | | |
| Interfund Returned | 110,000.00 | |
| Due From Animal Control Fund: | | |
| Prior Year Interfund Returned | 123.60 | |
| Garden State Preservation Fund | 34,362.00 | |
| Payroll Deductions Payable | 38,592.80 | |
| | <hr/> | 9,022,850.53 |
| | | <hr/> |
| | | 11,425,132.56 |
| Decreased by Disbursements: | | |
| 2017 Appropriation Expenditures | 923,538.00 | |
| 2016 Appropriation Reserves | 142,042.88 | |
| Regional School Taxes | 5,007,828.00 | |
| County Taxes | 2,093,585.72 | |
| Tax Overpayment Refunds | 5,516.45 | |
| Tax Sale Premiums Refund | 42,100.00 | |
| Due Other Trust Funds: | | |
| Open Space Tax Levy | 53,573.20 | |
| Due Federal and State Grant Fund: | | |
| Appropriated Reserves Expenditures | 43,724.70 | |
| Due To State of New Jersey: | | |
| Marriage License Fees | 300.00 | |
| Payroll Deductions Payable | 36,916.78 | |
| Redemption of Third Party Liens | 454,069.18 | |
| | <hr/> | 8,803,194.91 |
| | | <hr/> |
| | | 8,803,194.91 |
| Balance December 31, 2017 | A | <u><u>\$ 2,621,937.65</u></u> |

TOWNSHIP OF LIBERTY
CURRENT FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2017

Increased by Receipts:

| | | |
|-----------------------------|-----------------|------------------------|
| Taxes Receivable | \$ 7,774,889.61 | |
| Interest and Costs on Taxes | 37,413.42 | |
| 2018 Prepaid Taxes | 169,821.52 | |
| Tax Overpayments | 7,162.04 | |
| Tax Title Lien Redemptions | 2,041.79 | |
| Third Party Liens | 454,069.18 | |
| End of Year Tax Penalty | 2,576.43 | |
| Tax Sale Premium | 100.00 | |
| Miscellaneous | 7.32 | |
| | <hr/> | |
| | | <u>\$ 8,448,081.31</u> |

Decreased by:

| | | |
|----------------------------------|--|-------------------------------|
| Disbursed to Municipal Treasurer | | <u><u>\$ 8,448,081.31</u></u> |
|----------------------------------|--|-------------------------------|

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

| | <u>Ref.</u> | |
|-----------------------------------|-------------|---------------------------|
| Balance December 31, 2016 | A | \$ 151,332.46 |
| Increased by Receipts: | | |
| Unappropriated Reserves | | \$ 1,005.44 |
| Due to Current Fund: | | |
| Interest Earned | | 1,462.09 |
| | | <u>2,467.53</u> |
| | | <u>153,799.99</u> |
| Decreased by Disbursements: | | |
| Due to Current Fund: | | |
| Interest Earned | | 1,462.09 |
| Appropriated Reserve Expenditures | | 150,000.00 |
| | | <u>151,462.09</u> |
| Balance December 31, 2017 | A | <u><u>\$ 2,337.90</u></u> |

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

| Year | Balance | | Collections | | State of NJ Veterans' and Senior Citizens' Deductions | Cancelled | Transferred to Tax Title Liens | Balance Dec. 31, 2017 |
|------|---------------|-----------------|--------------|-----------------|---|-------------|--------------------------------------|--------------------------|
| | Dec. 31, 2016 | 2017 Levy | 2016 | 2017 | | | | |
| 2014 | \$ 7,105.76 | | \$ 7,642.75 | \$ (536.99) | | | | |
| 2015 | 6,995.07 | | 7,026.58 | (31.51) | | | | |
| 2016 | 180,927.33 | | 174,176.74 | (618.49) | \$ 3,915.65 | \$ 3,203.43 | \$ 250.00 | |
| | 195,028.16 | | 188,846.07 | (1,186.99) | 3,915.65 | 3,203.43 | 250.00 | |
| 2017 | | \$ 7,910,263.89 | \$ 51,578.71 | 7,586,043.54 | 20,250.00 | 4,580.50 | 29,840.14 | 217,971.00 |
| | \$ 195,028.16 | \$ 7,910,263.89 | \$ 51,578.71 | \$ 7,774,889.61 | \$ 19,063.01 | \$ 8,496.15 | \$ 33,043.57 | \$ 218,221.00 |

Ref. A

Analysis of 2017 Property Tax Levy:

Tax Yield:

| | |
|---|------------------------|
| General Purpose Tax | \$ 7,893,771.56 |
| Added and Omitted Taxes | 16,492.33 |
| | <u>\$ 7,910,263.89</u> |
| | |
| Regional School District Taxes | \$ 4,894,546.00 |
| County Taxes: | |
| General Tax | \$ 1,838,127.47 |
| Library Tax | 143,992.36 |
| Open Space Tax | 109,723.80 |
| Due County for Added and Omitted Taxes | 4,357.56 |
| Local Tax for Open Space | 2,096,201.19 |
| | 53,573.20 |
| | <u>7,044,320.39</u> |
| Local Tax for Municipal Purposes Levied | 851,973.00 |
| Add: Additional Tax Levied | 13,970.50 |
| | <u>865,943.50</u> |
| | <u>\$ 7,910,263.89</u> |

TOWNSHIP OF LIBERTY
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

| | <u>Ref.</u> | |
|--|-------------|---------------|
| Balance December 31, 2016 | A | \$ 239,563.36 |
| Increased by: | | |
| Interest and Costs Accrued at Tax Sale | | \$ 635.68 |
| Transfer from Taxes Receivable - 2016 | | 3,203.43 |
| Transfer from Taxes Receivable - 2017 | | 29,840.14 |
| | | 33,679.25 |
| | | 273,242.61 |
| Decreased by: | | |
| Cash Received | | 2,041.79 |
| | | 2,041.79 |
| Balance December 31, 2017 | A | \$ 271,200.82 |

TOWNSHIP OF LIBERTY
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2017

| | <u>Accrued In</u> <u>2017</u> | <u>Collected by</u> <u>Treasurer</u> |
|--|----------------------------------|---|
| Clerk: | | |
| Alcoholic Beverage Licenses | \$ 5,231.58 | \$ 5,231.58 |
| Interest on Investments | 26,318.59 | 26,318.59 |
| Energy Receipts Tax | 184,700.00 | 184,700.00 |
| Consolidated Municipal Property Tax Relief Act | 3,903.00 | 3,903.00 |
| | <u>\$ 220,153.17</u> | <u>\$ 220,153.17</u> |

TOWNSHIP OF LIBERTY
CURRENT FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

TOWNSHIP OF LIBERTY
CURRENT FUND
SCHEDULE OF 2016 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2017

| | <u>Balance</u> <u>Dec. 31, 2016</u> | <u>Balance After</u> <u>Modification</u> | <u>Paid or</u> <u>Charged</u> | <u>Balance</u> <u>Lapsed</u> |
|------------------------------------|--|---|----------------------------------|---------------------------------|
| GENERAL GOVERNMENT: | | | | |
| Administrative and Executive: | | | | |
| Salaries & Wages | \$ 26.39 | \$ 26.39 | | \$ 26.39 |
| Other Expenses | 544.57 | 544.57 | \$ 240.00 | 304.57 |
| Mayor and Council: | | | | |
| Salaries & Wages | 880.00 | 880.00 | | 880.00 |
| Other Expenses | 134.74 | 134.74 | | 134.74 |
| Municipal Clerk: | | | | |
| Salaries & Wages | 474.07 | 474.07 | | 474.07 |
| Other Expenses | 7,208.81 | 7,208.81 | 246.16 | 6,962.65 |
| Financial Administration: | | | | |
| Other Expenses | 660.16 | 660.16 | 459.50 | 200.66 |
| Assessment of Taxes: | | | | |
| Salaries & Wages | 2.00 | 2.00 | | 2.00 |
| Other Expenses | 1,510.42 | 1,510.42 | 470.67 | 1,039.75 |
| Collection of Taxes: | | | | |
| Salaries & Wages | 3.00 | 3.00 | | 3.00 |
| Other Expenses | 2,255.25 | 2,255.25 | 1,501.58 | 753.67 |
| Legal Services and Costs: | | | | |
| Other Expenses | 11,891.27 | 11,891.27 | 5,601.84 | 6,289.43 |
| Engineering Services and Costs: | | | | |
| Other Expenses | 10,475.34 | 10,475.34 | 3,003.73 | 7,471.61 |
| Municipal Land Use Law: | | | | |
| Municipal Land Use Board: | | | | |
| Other Expenses | 6,489.99 | 6,489.99 | 3,656.55 | 2,833.44 |
| Zoning Officer: | | | | |
| Salaries & Wages | 17.16 | 17.16 | | 17.16 |
| Insurance: | | | | |
| Group Insurance Plan for Employees | 278.12 | 278.12 | | 278.12 |
| Workers' Compensation | 265.00 | 265.00 | | 265.00 |
| Liability Insurance | 1,842.00 | 1,842.00 | | 1,842.00 |
| Municipal Court: | | | | |
| Other Expenses | 6,767.10 | 6,767.10 | 4,000.20 | 2,766.90 |
| Emergency Management: | | | | |
| Salaries & Wages | 50.00 | 50.00 | | 50.00 |
| Other Expenses | 3,683.16 | 3,683.16 | 1,200.00 | 2,483.16 |
| Fire Prevention Bureau: | | | | |
| Other Expenses | 250.00 | 250.00 | | 250.00 |
| Fire Department: | | | | |
| O.S.H.A. Required Equipment | 14,150.00 | 14,150.00 | 14,099.60 | 50.40 |

TOWNSHIP OF LIBERTY
CURRENT FUND
SCHEDULE OF 2016 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2017

| | Balance Dec. 31, 2016 | Balance After Modification | Paid or Charged | Balance Lapsed |
|--|--------------------------|-------------------------------|----------------------|----------------------|
| GENERAL GOVERNMENT: | | | | |
| Streets and Roads: | | | | |
| Road Repair and Maintenance: | | | | |
| Salaries & Wages | \$ 22,766.85 | \$ 22,766.85 | \$ 9,668.96 | \$ 13,097.89 |
| Other Expenses | 54,113.71 | 54,113.71 | 21,976.07 | 32,137.64 |
| Sanitation: | | | | |
| Garbage and Trash Removal: | | | | |
| Other Expenses | 5,034.95 | 5,034.95 | 69.55 | 4,965.40 |
| Public Buildings and Grounds: | | | | |
| Other Expenses | 25,035.08 | 25,035.08 | 804.06 | 24,231.02 |
| Environmental Commission : | | | | |
| Salaries & Wages | 2.00 | 2.00 | | 2.00 |
| Other Expenses | 4,505.00 | 4,505.00 | | 4,505.00 |
| Dog Regulation: | | | | |
| Salaries & Wages | 1.00 | 1.00 | | 1.00 |
| RECREATION AND EDUCATION: | | | | |
| Recreation: | | | | |
| Salaries & Wages | 2,122.94 | 2,122.94 | | 2,122.94 |
| Other Expenses | 9,145.70 | 9,145.70 | \$ 6,916.54 | 2,229.16 |
| Maintenance of Parks: | | | | |
| Other Expenses | 834.45 | 834.45 | 400.00 | 434.45 |
| Beach and Boardwalk: | | | | |
| Other Expenses | 29.38 | 29.38 | | 29.38 |
| Utility Expenses and Bulk Purchases | 17,925.56 | 17,925.56 | 5,534.16 | 12,391.40 |
| Gypsy Moth Aerial Suppression | 1,976.85 | 1,976.85 | | 1,976.85 |
| Statutory Expenditures: | | | | |
| Contributions to: | | | | |
| Social Security System (O.A.S.I.) | 4,130.32 | 4,130.32 | | 4,130.32 |
| Unemployment Compensation | 45.34 | 45.34 | | 45.34 |
| Defined Contribution Retirement Program | 100.00 | 100.00 | | 100.00 |
| Capital Improvements: | | | | |
| Road Improvements | 63,808.71 | 63,808.71 | 63,808.71 | |
| | <u>\$ 281,436.39</u> | <u>\$ 281,436.39</u> | <u>\$ 143,657.88</u> | <u>\$ 137,778.51</u> |
| <u>Analysis of Balance as of 12/31/16:</u> | | | | |
| | <u>Ref.</u> | | | |
| Unencumbered | A | \$ 251,313.72 | | |
| Encumbered | A | 30,122.67 | | |
| | | <u>\$ 281,436.39</u> | | |
| | | | \$ 142,042.88 | |
| | | | 1,615.00 | |
| | | Total | <u>\$ 143,657.88</u> | |

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

| | | | |
|--|-------------|---------------------|------------------------|
| Balance December 31, 2016 | <u>Ref.</u> | | |
| School Taxes Deferred | | \$ 1,520,074.75 | |
| School Taxes Payable | A | <u>1,100,480.30</u> | \$ 2,620,555.05 |
| Increased by: | | | |
| Levy - School Year July 1, 2016 to June 30, 2017 | | | <u>4,894,546.00</u> |
| | | | 7,515,101.05 |
| Decreased by: | | | |
| Payments to Regional School Districts | | | <u>5,007,828.00</u> |
| | | | 2,507,273.05 |
| Balance December 31, 2017 | | | |
| School Taxes Deferred | | 1,520,074.75 | \$ <u>2,507,273.05</u> |
| School Taxes Payable | A | <u>987,198.30</u> | |
| Increase in Deferred School Taxes | | <u>\$ -0-</u> | |

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

| | Balance Dec. 31, 2016 | Budget Revenue Realized | Transferred from Unappropriated Reserves | Balance Dec. 31, 2017 |
|-------------------------------------|--------------------------|-------------------------------|--|--------------------------|
| Department of Transportation - 2017 | | \$ 210,000.00 | \$ 155,336.40 | \$ 54,663.60 |
| Clean Communities Grant - 2015 | | 1,184.49 | 1,184.49 | |
| Clean Communities Grant - 2016 | | 2,574.31 | 2,574.31 | |
| Clean Communities Grant - 2017 | | 9,397.41 | | 9,397.41 |
| Recycling Grant | | | | |
| FEMA Generator Grant | | 75,000.00 | | 75,000.00 |
| US Conservation Service Grant | \$ 98,993.62 | | | 98,993.62 |
| Highlands Plan Conformance Grant | 24,922.50 | | | 24,922.50 |
| | \$ 123,916.12 | \$ 298,156.21 | \$ 159,095.20 | \$ 262,977.13 |

Ref.

A

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

| | Balance Dec. 31, 2016 | Transferred from 2017 Budget Appropriations | Paid or Charged | Balance Dec. 31, 2017 |
|---|--------------------------|--|----------------------|--------------------------|
| Recycling Tonnage Grant - 2004 | \$ 996.12 | | | \$ 996.12 |
| Recycling Tonnage Grant - 2012 | 2,536.60 | | | 2,536.60 |
| Recycling Tonnage Grant - 2013 | 6,078.42 | \$ | 100.00 | 5,978.42 |
| Beach Donation | 100.00 | | | 100.00 |
| Clean Communities Grant - 2015 | | \$ 1,184.49 | 1,184.49 | |
| Clean Communities Grant - 2016 | 1,917.47 | 2,574.31 | 4,491.78 | |
| Clean Communities Grant - 2017 | | 9,397.41 | 5,918.30 | 3,479.11 |
| Highlands Plan Conformance Grant - 2009 | 8,914.75 | | | 8,914.75 |
| Municipal Alliance Grant - Local Match | 3,868.60 | | | 3,868.60 |
| US Conservation Service Grant | 85,971.50 | | | 85,971.50 |
| 2017 FEMA Generator grant | | 75,000.00 | | 75,000.00 |
| 2017 DOT Grant | | 210,000.00 | 182,030.13 | 27,969.87 |
| | <u>\$ 110,383.46</u> | <u>\$ 298,156.21</u> | <u>\$ 193,724.70</u> | <u>\$ 214,814.97</u> |

Ref.

A

A

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

| | Balance Dec. 31, 2016 | Cash Receipts | Transferred to 2017 Budget Revenue | Balance Dec. 31, 2017 |
|---------------------------------------|--------------------------|--------------------|--|--------------------------|
| Recycling Tonnage Grant - 2015 | \$ 2,279.86 | | | \$ 2,279.86 |
| Recycling Tonnage Grant - 2016 | 2,486.07 | | | 2,486.07 |
| Recycling Tonnage Grant - 2017 | | \$ 1,005.44 | | 1,005.44 |
| Clean Communities - 2015 | 1,184.49 | | \$ 1,184.49 | |
| Clean Communities - 2016 | 2,574.31 | | 2,574.31 | |
| Municipal Court Rehabilitation Funds | 1,003.99 | | | 1,003.99 |
| NJ Department of Transportation Grant | 155,336.40 | | 155,336.40 | |
| | <u>\$ 164,865.12</u> | <u>\$ 1,005.44</u> | <u>\$ 159,095.20</u> | <u>\$ 6,775.36</u> |
| <u>Ref.</u> | A | | | A |

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2017
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, 2016 | B | \$ 6,903.60 | \$ 404,800.44 |
| Increased by Receipts: | | | |
| Animal Control License Fees | | \$ 3,556.40 | |
| Late Registration Fees | | 662.00 | |
| State Dog License Fees | | 795.60 | |
| Performance Bonds and Escrow Deposits | | | \$ 4,431.50 |
| Recreation Programs | | | 18,969.46 |
| Open Space Trust: | | | |
| Open Space Levy | | | 53,573.20 |
| Interest Earned | | | 531.43 |
| Due Current Fund: | | | |
| Interest Earned | | 112.75 | 3,597.86 |
| | | <u>5,126.75</u> | <u>81,103.45</u> |
| | | 12,030.35 | 485,903.89 |
| Decreased by Disbursements: | | | |
| Due to State of New Jersey | | 796.80 | |
| Administrative Expenses | | 3,257.60 | |
| Reserve for: | | | |
| Performance Bonds and Escrow Expenses | | | 6,913.17 |
| Open Space Trust | | | 31,269.50 |
| Recreation Expenses | | | 22,444.97 |
| Housing Trust | | | 88,669.59 |
| Due General Capital Fund - Open Space Trust: | | | |
| Deferred Charges to Future Taxation Unfunded | | | 50,000.00 |
| Due Current Fund: | | | |
| Tax Sale Premium Lapsed to Township | | | 42,000.00 |
| Interest Earned | | 112.75 | 3,597.86 |
| Prior Year Interfund Returned | | 123.60 | |
| | | <u>4,290.75</u> | <u>244,895.09</u> |
| Balance December 31, 2017 | B | <u>\$ 7,739.60</u> | <u>\$ 241,008.80</u> |

TOWNSHIP OF LIBERTY
ASSESSMENT TRUST FUND
ANALYSIS OF CASH
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

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

| | <u>Ref.</u> | |
|---------------------------------|-------------|-------------|
| Balance December 31, 2016 | B | \$ 6,777.60 |
| Increased by: | | |
| Dog License Fees: | | |
| Collected in Current Year | | \$ 3,556.40 |
| Late Registration Fees | | 662.00 |
| | | 4,218.40 |
| | | 10,996.00 |
| Decreased by: | | |
| Expenditures Under RS:4.19-15.1 | | 3,257.60 |
| | | 3,257.60 |
| Balance December 31, 2017 | B | \$ 7,738.40 |

License Fees Collected

| <u>Year</u> | <u>Amount</u> |
|---------------------------|---------------|
| 2016 | \$ 3,821.60 |
| 2015 | 3,916.80 |
| | 3,916.80 |
| Maximum Allowable Reserve | \$ 7,738.40 |

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2017
GENERAL CAPITAL FUND

TOWNSHIP OF LIBERTY
GENERAL CAPITAL FUND
SCHEDULE OF CASH

| | <u>Ref.</u> | |
|-------------------------------------|--------------|------------|
| Balance December 31, 2016 | C | \$ 851.76 |
| Increased by: | | |
| Due from Open Space Trust: | | |
| Deferred Charges to Future Taxation | \$ 50,000.00 | |
| 2016 Budget Appropriation Reserves | | |
| Reserve for Road Equipment | 24,490.00 | |
| Reserve for Road Improvements | 10,917.46 | |
| Reserve for Municipal Facilities | 24,000.00 | |
| Due Current Fund: | | |
| Interest Earned | 22.54 | |
| | | 109,430.00 |
| | | 110,281.76 |
| Decreased by: | | |
| Due Current Fund: | | |
| Transfer to Current Fund | 110,000.00 | |
| Interest Earned | 22.54 | |
| | | 110,022.54 |
| Balance December 31, 2017 | C | \$ 259.22 |

TOWNSHIP OF LIBERTY
GENERAL CAPITAL FUND
ANALYSIS OF CASH

| | Balance/ (Deficit) Dec. 31, 2016 | Receipts | | | Disbursements | | | Balance/ (Deficit) Dec. 31, 2017 |
|----------------------------------|--|-------------------------|---------------|---------------|---------------|---------------|---------------|--|
| | | Budget Appropriation | Miscellaneous | Miscellaneous | Miscellaneous | Miscellaneous | | |
| Capital Improvement Fund | \$ 117,155.44 | | | | | | \$ 117,155.44 | |
| Due Current Fund | 170,099.48 | | \$ 22.54 | | \$ 110,022.54 | | 60,099.48 | |
| 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. | Improvement Description | | | | | | | |
| 98-07 | 20,317.87 | | | | | | 20,317.87 | |
| 10-03 | 4,485.14 | | | | | | 4,485.14 | |
| 10-05 | 50,428.40 | | | | | | 50,428.40 | |
| 16-04 | (392,726.66) | | 50,000.00 | | | | (342,726.66) | |
| | \$ 851.76 | \$ 59,407.46 | \$ 50,022.54 | \$ 110,022.54 | \$ 259.22 | | | |

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

| Ord. No. | Improvement Description | Balance Dec. 31, 2016 | Funded By Open Space | Balance Dec. 31, 2017 | Analysis of Balance Dec 31, 2017 | |
|----------|-------------------------|--------------------------|-------------------------|--------------------------|-------------------------------------|---|
| | | | | | Expenditures | Unexpended Improvement Authorizations |
| 16-04 | Land Acquisition | \$ 476,100.00 | \$ 50,000.00 | \$ 426,100.00 | \$ 342,726.66 | \$ 83,373.34 |
| | | <u>\$ 476,100.00</u> | <u>\$ 50,000.00</u> | <u>\$ 426,100.00</u> | <u>\$ 342,726.66</u> | <u>\$ 83,373.34</u> |

Ref. C C

TOWNSHIP OF LIBERTY
 GENERAL CAPITAL FUND
 SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

| Ord. No. | Improvement Description | Ordinance Date | Amount | Balance Dec. 31, 2016 | | Balance Dec. 31, 2017 | |
|----------|-----------------------------------|----------------|---------------|-----------------------|--------------|-----------------------|--------------|
| | | | | 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 |
| | | | | \$ 75,231.41 | \$ 83,373.34 | \$ 75,231.41 | \$ 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, 2016 | C | \$ 117,155.44 |
| Balance December 31, 2017 | C | <u>\$ 117,155.44</u> |

TOWNSHIP OF LIBERTY
GENERAL CAPITAL FUND
SCHEDULE OF BONDS ANTICIPATION NOTES PAYABLE
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

TOWNSHIP OF LIBERTY
GENERAL CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE
YEAR ENDED DECEMBER 31, 2017

NOT APPLICABLE

TOWNSHIP OF LIBERTY
GENERAL CAPITAL FUND
SCHEDULE OF GREEN ACRES LOAN #1 PAYABLE
YEAR ENDED DECEMBER 31, 2017

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, 2016</u> | <u>Funded by Open Space</u> | <u>Balance Dec 31, 2017</u> |
|---------------------|------------------------------------|----------------------------------|---------------------------------|---------------------------------|
| 16-04 | Land Acquisition | \$ 476,100.00 | \$ 50,000.00 | \$ 426,100.00 |
| | | <u>\$ 476,100.00</u> | <u>\$ 50,000.00</u> | <u>\$ 426,100.00</u> |

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2017
WATER OPERATING FUND

NOT APPLICABLE

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2017
SEWER OPERATING FUND

NOT APPLICABLE

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2017
PUBLIC ASSISTANCE FUND

NOT APPLICABLE

TOWNSHIP OF LIBERTY

PART II

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2017

TOWNSHIP OF LIBERTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2017

| Federal Funding Department | Federal Program | CFDA # | Pass Through Entity ID | Grant Period | | Grant Award Amount | Grant Receipts | Amount of Expenditures | Cumulative Expenditures |
|--|---|--------|------------------------------------|--------------|----------|--------------------|----------------|------------------------|-------------------------|
| | | | | From | To | | | | |
| U.S. Department of Homeland Security: (Passed through New Jersey Department of Law and Public Safety) | Disaster Grants - Public Assistance - F.E.M.A | 97.036 | N/A | 01/01/17 | 12/31/17 | \$ 2,183.06 | \$ 2,183.06 | \$ 2,183.06 | 2,183.06 |
| Total Department of Homeland Security | | | | | | | | | |
| US Department of Agriculture: (Pass Through New Jersey Department of Agriculture) | Gypsy Moth Suppression Program | 10.680 | 3320-100-010-3320 035-RS10-5810 | 01/01/17 | 12/31/17 | \$ 5,083.20 | 5,083.20 | 5,083.20 | 5,083.20 |
| Total US Department of Agriculture | | | | | | | | | |
| U.S. Department of Transportation (Passed through New Jersey Department of Transportation) | Municipal Aid - Marble Hill Road | 20.205 | 480-078-6310 AIZ-TCAP-6010 | 01/01/17 | 12/31/18 | \$ 210,000.00 | 182,030.13 | 182,030.13 | 182,030.13 |
| Total Department of Transportation | | | | | | | | | |
| Total Federal Awards | | | | | | | \$ 7,266.26 | \$ 189,296.39 | \$ 189,296.39 |

TOWNSHIP OF LIBERTY
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2017

| 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 | 01/01/16 | 12/31/17 | \$ 11,061.47 | \$ | \$ 4,491.78 | \$ 11,061.47 |
| | | -004-V42Y | 01/01/17 | 12/31/18 | 9,397.41 | | 5,918.30 | 5,918.30 |
| | | | 1/1/2015 | 12/31/17 | 9671.65 | | 1,184.49 | 9,617.65 |
| | Recycling Grant | 452-042-4900 | 01/01/04 | 12/31/17 | 1,209.37 | | 100.00 | 413.25 |
| | | 001-V42Y | 01/01/17 | 12/31/18 | 1,005.44 | \$ 1,005.44 | | |
| Total Department of Environmental Protection | | | | | 1,005.44 | | 11,694.57 | 27,010.67 |
| Total State Awards | | | | | \$ 1,005.44 | \$ 11,694.57 | \$ 27,010.67 | |

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, 2017

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, 2017. 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.



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

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

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

Independent 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, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated March 23, 2018. 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 2017-1, 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
March 23, 2018

NISIVOCCIA, LLP



William F. Schroeder

Certified Public Accountant

Registered Municipal Accountant No. 452

TOWNSHIP OF LIBERTY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2017

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, 2017 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 2017-1

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, 2017

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

Finding 2017-1 (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.

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, 2017

The Township's prior year audit finding 2016-1 regarding segregation of duties has not been resolved due to budgetary constraints and is included as finding 2017-1.

TOWNSHIP OF LIBERTY
PART III
COMMENTS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2017

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.

TOWNSHIP OF LIBERTY
COMMENTS AND RECOMMENDATIONS
(Continued)

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

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

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

Collection of Interest on Delinquent Taxes and Assessments

The statute provides the method for authorizing interest and the maximum rate to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent.

On January 7, 2017, 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, 2017, at the rate or rates heretofore governing, and on all delinquents on and after January 1, 2017 at the rate of 8% per annum for and upon the first \$1,500 of the delinquency, the rate of 18% per annum for and upon any amount of the delinquency in excess of \$1,500, and the rate of 6% per annum for and upon any amount in excess of \$10,000; and that a grace period of 10 days will be allowed on taxes due February 1, May 1, August 1, and November 1. If taxes are not paid by the 10th, interest shall be charged from the due date.

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

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

Delinquent Taxes and Tax Title Liens

The last tax sale was held on December 1, 2017, and included all items which were eligible for sale.

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

| <u>Year</u> | <u>Number of Liens</u> |
|-------------|------------------------|
| 2017 | 37 |
| 2016 | 35 |
| 2015 | 67 |

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

TOWNSHIP OF LIBERTY
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 2017 and 2018 Taxes | 20 |
| Delinquent Taxes | 15 |
| Tax Title Liens | 3 |

Verification notices were mailed to confirm balances and payments as of December 31, 2017. 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.

Segregation of Duties

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

Management's Response

The Township is aware of this situation and will attempt to more properly segregate recording and treasury functions as personnel and budgetary constraints allow.

TOWNSHIP OF LIBERTY
COMMENTS AND RECOMMENDATIONS
(Continued)

Management Suggestion

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

Summary of Prior Year Recommendations

The recommendations from the 2016 audit concerning segregation of duties has not been resolved and is included in the 2017 audit report.

TOWNSHIP OF LIBERTY
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. An adequate segregation of duties be maintained with respect to the recording and treasury functions.

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