

**TOWNSHIP OF LEBANON  
COUNTY OF HUNTERDON  
STATE OF NEW JERSEY**

**REPORT OF AUDIT  
DECEMBER 31, 2011**



TOWNSHIP OF LEBANON

TABLE OF CONTENTS

**PART I - REPORT ON EXAMINATION OF FINANCIAL STATEMENTS**

<b><u>AUDITORS' REPORTS</u></b>		<b><u>PAGE</u></b>
Independent Auditor's Report		1-2
Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		3-4
<b><u>FINANCIAL STATEMENTS</u></b>		5
	<b><u>EXHIBIT</u></b>	
Comparative Balance Sheet	A	6-7
Comparative Statement of Operations and Change in Fund Balance	A-1	8
Statement of Revenues	A-2	9-12
Statement of Expenditures	A-3	13-18
<b><u>TRUST FUND</u></b>		
Comparative Balance Sheet	B	19
<b><u>GENERAL CAPITAL FUND</u></b>		
Comparative Balance Sheet	C	20
<b><u>PUBLIC ASSISTANCE FUND</u></b>		
Comparative Balance Sheet	E	N/A
<b><u>GENERAL FIXED ASSETS</u></b>		
Statement of General Fixed Assets	F	21
<b><u>PAYROLL AGENCY FUND</u></b>		
Comparative Balance Sheet	G	22
<b><u>GENERAL LONG-TERM DEBT</u></b>		
Statement of General Long-Term Debt	H	23
<b><u>NOTES TO FINANCIAL STATEMENTS</u></b>		24-41

TOWNSHIP OF LEBANON

TABLE OF CONTENTS

**PART II - SUPPLEMENTARY INFORMATION**

<b><u>CURRENT FUND</u></b>	<b><u>EXHIBIT</u></b>	<b><u>PAGE</u></b>
Schedule of Cash – Treasurer	A-4	42
Schedule of Cash - Collector	A-5	43
Schedule of Taxes Receivable and Analysis of Property Tax Levy	A-6	44
Schedule of Tax Title Liens	A-7	45
Schedule of Revenue Accounts Receivable	A-8	46
Schedule of Property Acquired for Taxes (At Assessed Valuation)	A-9	47
Schedule of Deferred Charges	A-10	48
Schedule of Reserve for Encumbrances	A-11	49
Schedule of Appropriation Reserves - 2010	A-12	50
Schedule of Taxes Collected in Advance	A-13	51
Schedule of Reserve for Codification of Ordinances	A-14	52
Schedule of County Taxes Payable	A-15	53
Schedule of Local District School Tax Payable	A-16	54
Schedule of Regional High School Tax Payable	A-17	55
Schedule of Municipal Open Space Tax Payable	A-18	56
Schedule of Amount Due to State of New Jersey for Senior Citizens and Veterans Deductions	A-19	57
Schedule of Reserve for Garden State Grant Fund	A-20	58
Schedule of State Grants Receivable	A-21	59
Schedule of Reserve for State Grants-Appropriated	A-22	60
Schedule of Reserve for State Grants-Unappropriated	A-23	61
Schedule of Tax Overpayments	A-24	62
<b><u>TRUST FUND</u></b>		63
Schedule of Cash - Treasurer	B-2	64
Schedule of Reserve for Dog Fund Expenditures	B-3	65
Schedule of Amount Due to State of New Jersey Department of Health	B-4	66
Schedule of Amount Due Current Fund-Dog License Fund	B-5	67
Schedule of Amount Due Current Fund-Other Trust Fund	B-6	68
Schedule of Reserve for Macrone Services	B-7	69
Schedule of Reserve for Museum Donations	B-8	70
Schedule of Reserve for Developers' Deposits	B-9	71
Schedule of Reserve for Driveway Bonds	B-10	72
Schedule of Unemployment Compensation Insurance Trust Deposits	B-11	73
Schedule of Reserve for Library Fund	B-12	74
Schedule of Reserve for Recreation Commission	B-13	75
Schedule of Reserve for Fair Share Housing (COAH) Deposits	B-14	76

TOWNSHIP OF LEBANON

TABLE OF CONTENTS

**PART II - SUPPLEMENTARY INFORMATION Continued**

<b><u>TRUST FUND Continued</u></b>	<b><u>EXHIBIT</u></b>	<b><u>PAGE</u></b>
Schedule of Reserve for Voorhees Municipal Alliance	B-15	77
Schedule of Reserve for Off-Track Improvements	B-16	78
Schedule of Reserve for Open Space Trust Deposits	B-17	79
Schedule of Reserve for Snow Removal	B-18	80
Schedule of Reserve for Accumulated Absences	B-19	81
Schedule of Reserve for Developers' Trust Escrow Deposits	B-20	82
Schedule of Reserve for Tax Sale Premiums	B-21	83
 <b><u>GENERAL CAPITAL FUND</u></b>		
Schedule of Cash – Treasurer	C-2	84
Schedule of Amount Due from Open Space Trust Fund	C-3	85
Schedule of Deferred Charges to Future Taxation-Funded	C-4	86
Schedule of Deferred Charges to Future Taxation-Unfunded	C-5	87
Schedule of Amount Due Current Fund	C-6	88
Schedule of Capital Improvement Fund	C-7	89
Schedule of New Jersey Trust Loan Program	C-8	90
Schedule of Bond Anticipation Notes	C-9	91
Schedule of Various Reserves	C-10	92
Schedule of Improvement Authorizations	C-11	93
 <b><u>PUBLIC ASSISTANCE FUND</u></b>		
Schedule of Cash - Treasurer	E-1	N/A
 <b><u>GENERAL FIXED ASSETS</u></b>		
Schedule of Additions and Deletions	F-1	94

**PART III – SUPPLEMENTARY INFORMATION**

	<b><u>PAGE</u></b>
General Comments	95-102
Schedule of Federal/State Awards	103
Status of Prior Audit Findings	104-105
Schedule of Findings and Recommendations-General Findings	106-107
Municipal Corrective Action Plan	N/A

**PART I**  
**REPORT ON EXAMINATION OF FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

## **AUDITORS' REPORTS**



## **ARDITO & Co., LLP**

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### INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and  
Members of the Township Committee  
Township of Lebanon  
County of Hunterdon, New Jersey

I have audited the accompanying balance sheets-statutory basis of the various funds of the Township of Lebanon as of December 31, 2011 and 2010, and the related statements of operations and changes in fund balance-statutory basis for the years then ended and the related statement of revenues-statutory basis and statement of expenditures-statutory basis of the various funds for the years then ended. These financial statements are the responsibility of the Township of Lebanon's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards in the United States of America; audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and Government Audit Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

As described in Note 1, the Township of Lebanon prepares its financial statements in conformity with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than generally accepted accounting principles. The effects on the financial statements of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In my opinion, because of the Township's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with generally accepted accounting principles in the United States of America, the financial position of the Township of Lebanon at December 31, 2011, and 2010, or the results of its operations.

-Continued-

However, in my opinion, the financial statements-statutory basis referred to above present fairly, in all material respects, the financial position-statutory basis of the various funds of the Township of Lebanon, as of December 31, 2011 and 2010, and the results of operations and changes in fund balance-statutory basis of such funds for the years then ended and the statement of revenues-statutory basis and statement of expenditures-statutory basis of the various funds for the years then ended, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued my report dated May 15, 2012, on my consideration of the Township of Lebanon's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance with the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be read in conjunction with this report in considering the results of the audit.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Lebanon's financial statements as a whole. The supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary information exhibits are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole, on the basis of accounting described in Note 1 to the financial statements.



Anthony Ardito  
Certified Public Accountant  
Registered Municipal Accountant No.524  
ARDITO & CO., LLP  
Frenchtown, New Jersey  
May 15, 2012



## **ARDITO & Co., LLP**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and  
Members of the Township Committee  
Township of Lebanon  
County of Hunterdon, New Jersey  
Glen Gardner, New Jersey 08826

We have audited the financial statements of the Township of Lebanon in the County of Hunterdon, State of New Jersey, as of and for the fiscal year ended December 31, 2011 and 2010, and have issued our report thereon dated May 15, 2012, which indicated that the financial statements have been prepared on an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Local Governments Services, Department of Community Affairs, State of New Jersey.

### **Internal Control Over Financial Reporting**

Management of the Township is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **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.

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



Anthony Ardito  
Certified Public Accountant  
Registered Municipal Accountant No.524  
ARDITO & CO., LLP  
Frenchtown, New Jersey  
May 15, 2012

## **FINANCIAL STATEMENTS**

CURRENT FUND  
COMPARATIVE BALANCE SHEET

A  
Sheet 1

<b>ASSETS</b>	<u>REF.</u>	<u>BALANCE</u> <u>12/31/11</u>	<u>BALANCE</u> <u>12/31/10</u>
<b>Cash and Cash Equivalents:</b>			
Cash - Treasurer	A-4	\$ 4,837,337	\$ 8,258,741
Due From State of New Jersey - Veterans and Sr. Citizens Deductions	A-19	<u>3,682</u>	<u>3,682</u>
<b>Subtotal</b>		<u>4,841,019</u>	<u>8,262,423</u>
<b>Receivables And Other Assets With Full Reserves:</b>			
Delinquent Property Taxes Receivable	A-6	389,864	400,682
Tax Title Liens Receivable	A-7	94,917	91,676
Property Acquired for Taxes - Assessed Valuation	A-9	94,200	94,200
Due from Grants Fund	A	184,343	65,639
Due from Animal Control Fund	B	<u>5</u>	<u>263</u>
<b>Subtotal</b>		<u>763,329</u>	<u>652,460</u>
<b>Deferred Charges:</b>			
Special Emergency	A-10	<u>-</u>	<u>2,372</u>
<b>Subtotal</b>		<u>-</u>	<u>2,372</u>
<b>Subtotal</b>		<u>5,604,348</u>	<u>8,917,255</u>
<b>Federal and State Grant Fund:</b>			
Cash	A-4	11,664	7,600
Deferred Charge	A-10	-	31,283
State Grants Receivable	A-21	<u>281,510</u>	<u>113,853</u>
<b>Subtotal</b>		<u>293,174</u>	<u>152,736</u>
<b>TOTAL ASSETS</b>		<u>\$ 5,897,522</u>	<u>\$ 9,069,991</u>

CURRENT FUND  
COMPARATIVE BALANCE SHEET

A  
Sheet 2

	<u>REF.</u>	<u>BALANCE</u> <u>12/31/11</u>	<u>BALANCE</u> <u>12/31/10</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Reserve for Encumbrances	A-11	\$ 115,895	\$ 39,872
Appropriation Reserves	A-3:12	184,197	93,057
Amount Due To Other Trust Funds	B	46,438	32,124
Amount Due General Capital Fund	C	174,003	2,998,427
Taxes Collected In Advance	A-13	132,180	124,680
Reserve for Codification of Ordinances	A-14	5,625	5,625
Amount Due County For Added Taxes	A-15	21,373	14,924
Local District School Tax Payable	A-16	1,612,034	2,407,034
Regional High School Taxes Payable	A-17	1,529,626	1,470,341
Due Municipal Open Space Trust Fund	A-18	719	34,921
Reserve for Garden State Trust	A-20	<u>15,409</u>	<u>15,409</u>
<b>Subtotal</b>		<b>3,837,499</b>	<b>7,236,414</b>
Reserve For Receivables And Other Assets	A	763,329	652,460
Fund Balance	A-1	<u>1,003,520</u>	<u>1,028,381</u>
<b>Subtotal</b>		<b><u>5,604,348</u></b>	<b><u>8,917,255</u></b>
<b>Federal and State Grant Fund:</b>			
Due To Current Fund	A	184,343	65,639
Appropriated Reserves	A-22	92,294	86,377
Unappropriated Reserves	A-23	<u>16,537</u>	<u>720</u>
<b>Subtotal</b>		<b><u>293,174</u></b>	<b><u>152,736</u></b>
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>		<b><u>\$ 5,897,522</u></b>	<b><u>\$ 9,069,991</u></b>

CURRENT FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND  
CHANGE IN FUND BALANCE

A-1

	<u>REF.</u>	<u>YEAR</u> <u>2011</u>		<u>YEAR</u> <u>2010</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>				
Fund Balance Utilized	A-2	\$ 1,000,000	\$	1,006,000
Miscellaneous Revenue Anticipated	A-2	3,044,355		2,849,113
Receipts From Delinquent Taxes	A-2	394,507		402,028
Receipts from Current Taxes	A-2	19,542,169		19,813,460
Non-Budget Revenues	A-2	81,858		132,353
<u>Other Credits To Income:</u>				
Interfund Returns Realized	B/C	3,187		83,679
Unexpended Balance Of Appropriation Reserves	A-12	<u>17,721</u>		<u>158,717</u>
<b>Total Income</b>		<u>24,083,797</u>		<u>24,445,350</u>
<b>EXPENDITURES</b>				
Budget and Emergency Appropriations:				
Operations:				
Salaries and Wages	A-3	1,882,694		1,779,013
Other Expenses	A-3	1,938,020		1,688,991
Deferred Charges and Statutory Expenditures	A-3	459,900		381,064
Capital Improvements	A-3	36,500		36,500
Municipal Debt Service	A-3	192,619		258,801
County Taxes	A-15	3,314,282		3,546,041
Amount Due County For Added and Omitted Taxes	A-15	21,373		14,924
Local District School Taxes	A-16	9,686,595		10,231,595
Regional High School Taxes	A-17	5,384,156		5,265,586
Municipal Open Space	A-6	75,713		228,514
Interfund Advances-Grants Fund	A	116,806		-
Refund of Prior Year Revenue	A-4	<u>-</u>		<u>4,904</u>
<b>Total Expenditures</b>		<u>23,108,658</u>		<u>23,435,933</u>
Excess in Revenues		975,139		1,009,417
Statutory Excess To Fund Balance		975,139		1,009,417
Fund Balance January 1	A	<u>1,028,381</u>		<u>1,024,964</u>
		2,003,520		2,034,381
Decreased by:				
Utilization as Anticipated Revenue	A-1	<u>1,000,000</u>		<u>1,006,000</u>
<b>Fund Balance December 31</b>	A	<b><u>\$ 1,003,520</u></b>		<b><u>\$ 1,028,381</u></b>

CURRENT FUND  
STATEMENT OF REVENUES

A-2  
Sheet 1

		<u>ANTICIPATED</u>	<u>SPECIAL N.J.S.</u>		
	<u>REF.</u>	<u>BUDGET</u>	<u>40A:4-87</u>	<u>REALIZED</u>	<u>EXCESS OR DEFICIT</u>
<b>Fund Balance Anticipated</b>	A-2	\$ 1,000,000		\$ 1,000,000	
<b>Miscellaneous Revenues:</b>					
<b>Local Revenues:</b>					
Licenses:					
Alcoholic Beverages	A-8	15,000		15,000	\$ -
Fines and Costs:					
Municipal Court	A-8	32,500		42,723	10,223
Interest and Costs On Taxes	A-5	90,000		85,194	(4,806)
Interest on Investments	A-8	11,000		5,571	(5,429)
<b>Total Local Revenues</b>		148,500		148,488	(12)
<b>State Aid:</b>					
Energy Receipts Tax	A-8	2,627,013		2,627,013	
Garden State Trust Fund	A-21	15,409		15,409	
<b>Total State Aid</b>		2,642,422		2,642,422	
<b>Special Items Of Revenue Anticipated With Prior Written Consent of Local Government Services-</b>					
<b>Public and Private Revenues:</b>					
Clean Communities Grant	A-21	19,540		19,540	
Body Armor Grant	A-23	720		720	
Body Armor Grant	A-21		\$ 1,267	1,267	
Recycling Tonnage Grant	A-21		4,910	4,910	
2010 FEMA - Mt. Airy Road	A-21		220,300	220,300	
<b>Total Special Items Of Revenues</b>		20,260	226,477	246,737	

CURRENT FUND  
STATEMENT OF REVENUES

A-2  
Sheet 2

		<u>ANTICIPATED</u>			
		SPECIAL N.J.S.			EXCESS OR
	<u>REF.</u>	<u>BUDGET</u>	<u>40A:4-87</u>	<u>REALIZED</u>	<u>DEFICIT</u>
<b>Other Special Items:</b>					
Uniform Fire Safety Act	A-8	8,500		6,708	(1,792)
<b>Total Miscellaneous Revenue</b>	A-2	<b>2,819,682</b>	<b>226,477</b>	<b>3,044,355</b>	<b>(1,804)</b>
<b>Receipts From Delinquent Taxes</b>	A-2	275,000		394,507	119,507
<b>Amount to be Raised by Taxes for Support of Municipal Budget:</b>					
Local Tax For Municipal Purposes	A-2	679,196		878,552	199,356
<b>Total General Revenues</b>		<b>4,773,878</b>	<b>226,477</b>	<b>5,317,414</b>	<b>317,059</b>
<b>Other Non-Budget Revenues</b>	A-2			81,858	81,858
		<b>\$ 4,773,878</b>	<b>\$ 226,477</b>	<b>\$ 5,399,272</b>	<b>\$ 398,917</b>
		A-3	A-3		

CURRENT FUND  
STATEMENT OF REVENUES

A-2  
Sheet 3

<u>ANALYSIS OF REALIZED REVENUES</u>	<u>REF.</u>	
Allocation Of Current Tax Collections:		
Revenue from Collections	A-6	\$ 19,481,952
State of New Jersey, Senior Citizens and Veterans Deductions	A-6	<u>60,217</u>
	A-1	19,542,169
Allocated To:		
School and County Taxes	A-6	<u>19,152,118</u>
Balance for Support Of Municipal Budget Appropriations		390,051
Add by: Appropriation "Reserve For Uncollected Taxes"	A-3	<u>488,501</u>
Amount For Support Of Municipal Budget Appropriations	A-2	<u>\$ 878,552</u>

CURRENT FUND  
STATEMENT OF REVENUES

A-2  
Sheet 4

ANALYSIS OF NON-BUDGET REVENUES      REF.

Miscellaneous Revenue Not Anticipated:

**Treasurer:**

Permits	\$	2,612	
Certified Lists		252	
Books			
Copies/Maps		202	
Police		689	
Police Moonlight		2,455	
Newsletter Proceeds		1,500	
Planning Board		1,572	
Zoning Board		3,127	
Marriage License		858	
Board of Health		1,250	
Retail Food		5,115	
Weber		540	
Hag/Park		5,463	
Refunds		4,684	
Cable TV		18,105	
Miscellaneous		21,615	
	A-4		\$ 70,039

**Collector:**

Miscellaneous		2,939	
Trailer Court Fees	A-5	8,880	11,819
			\$ 81,858

CURRENT FUND  
STATEMENT OF EXPENDITURES

A-3  
Sheet 1

<u>OPERATIONS within "CAPS"</u>	<u>APPROPRIATION</u>	<u>EXPENDED</u>	<u>UNEXPENDED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER</u>	<u>PAID OR</u>
		<u>MODIFICATION</u>	<u>CHARGED</u>
			<u>RESERVED</u>
			<u>BALANCES</u>
			<u>CANCELLED</u>
<b>GENERAL GOVERNMENT FUNCTIONS:</b>			
Mayor and Council:			
Salaries and Wages	\$21,000	\$21,000	\$21,000
Other Expenses	5,000	5,000	3,914
			\$1,086
Municipal Clerk:			
Salaries and Wages	124,446	127,146	127,099
Other Expenses:			
Elections	5,500	4,500	3,548
Miscellaneous Other Expenses	47,450	47,450	40,750
			952
			6,700
Financial Administration (Treasury):			
Salaries and Wages	22,510	16,910	16,535
Other Expenses	14,000	14,000	12,939
			375
			1,061
Audit Services:			
Other Expenses	24,000	24,000	23,796
			204
Revenue Administration (Tax Collection):			
Salaries and Wages	42,110	47,310	45,583
Other Expenses	13,100	13,100	12,390
			1,727
			710
Tax Assessment Administration:			
Salaries and Wages	47,900	50,526	50,526
Other Expenses	21,850	14,850	7,287
			7,563
Legal Services (Legal Dept.):			
Other Expenses	70,000	70,000	60,366
			9,634
Engineering Services:			
Other Expenses	7,500	7,500	2,569
			4,931
Historical Sites Office:			
Other Expenses	2,600	2,600	600
			2,000
Aid to New Hampton Historic Museum:			
Salaries and Wages	32,900	32,985	32,982
Other Expenses	4,000	3,915	3,808
			3
			107

CURRENT FUND  
STATEMENT OF EXPENDITURES

A-3  
Sheet 2

<u>OPERATIONS within "CAPS"</u>	<u>APPROPRIATION</u>		<u>EXPENDED</u>	<u>RESERVED</u>	<u>UNEXPENDED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER</u> <u>MODIFICATION</u>	<u>PAID OR</u> <u>CHARGED</u>		<u>BALANCES</u> <u>CANCELLED</u>
<b>LAND USE ADMINISTRATION:</b>					
Planning Board:					
Salaries and Wages	26,215	26,215	26,215		
Other Expenses	20,825	18,825	16,508	2,317	
Zoning Costs:					
Salaries and Wages	27,375	27,375	27,375		
Other Expenses	900	900	83	817	
Zoning Board of Adjustment(Zoning Officer):					
Salaries and Wages	26,215	26,215	26,215		
Other Expenses	20,650	18,650	16,191	2,459	
<b>UNIFORM CONSTRUCTION CODE ENFORCEMENT:</b>					
Other Expenses	100	100		100	
<b>INSURANCE:</b>					
Liability Insurance	1,637	1,637	957	680	
Other Insurance Premiums	112,000	112,000	112,000		
Workmens' Compensation	76,304	76,304	76,304		
Employee Group Health	376,644	376,644	363,562	13,082	
<b>PUBLIC SAFETY FUNCTIONS:</b>					
Police Department:					
Salaries and Wages	924,260	936,260	917,962	18,298	
Other Expenses	90,000	90,000	79,933	10,067	
Office of Emergency Management:					
Salaries and Wages	5,000	5,000	5,000		
Other Expenses	2,500	2,500	2,487	13	
Aid to Volunteer Fire Companies	40,000	40,000	40,000		
Aid to Volunteer Fire Companies in Adjoining Mun.	6,225	6,225	2,000	4,225	
Contribution to First Aid Organizations	12,500	12,500	12,276	224	
Fire Department/Uniform Fire Safety Code:					
Salaries and Wages	4,000	4,000	2,427	1,573	
Other Expenses:	1,500	1,500	1,298	202	
Fire Hydrant Services	700	700	650	50	
Miscellaneous Other Expenses			0		
Municipal Prosecutor's Office:					
Salaries and Wages	4,284	4,284	2,200	2,084	

CURRENT FUND  
STATEMENT OF EXPENDITURES

A-3  
Sheet 3

<u>OPERATIONS within "CAPS"</u>	<u>APPROPRIATION</u>	<u>EXPENDED</u>	<u>UNEXPENDED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER</u>	<u>PAID OR</u>
		<u>MODIFICATION</u>	<u>CHARGED</u>
			<u>RESERVED</u>
			<u>BALANCES</u>
			<u>CANCELLED</u>
<b>PUBLIC WORKS FUNCTIONS:</b>			
Streets and Road Maintenance:			
Salaries and Wages	505,034	505,034	499,685
Other Expenses:			
Snow Removal	101,000	93,000	76,589
Miscellaneous Other Expenses	270,000	270,000	242,587
Solid Waste Collection(Recycling Program):			
Salaries and Wages	5,000	4,050	4,040
Other Expenses	5,700	5,925	5,521
Buildings and Grounds:			
Other Expenses	30,000	28,273	27,178
<b>HEALTH AND HUMAN SERVICES FUNCTIONS:</b>			
Public Health Services(Board Of Health):			
Salaries and Wages	2,400	2,400	2,400
Other Expenses	6,500	5,500	3,720
Environmental Health Services:			
Other Expenses	1,000	1,000	1,000
Animal Control Services:			
Salaries and Wages	8,984	8,984	8,983
Other Expenses	500	500	500
Contribution to Social Services Agencies:			
Other Expenses	100	100	100
<b>PARK AND RECREATION FUNCTIONS:</b>			
Recreation Services and Programs:			
Other Expenses:			
Senior Citizens	4,000	4,000	4,000
Miscellaneous Other Expenses	7,500	7,126	612
Maintenance of Parks:			
Other Expenses	10,000	10,000	7,387
<b>EDUCATION FUNCTIONS (Includes Library):</b>			
Municipal/County Library:			
Other Expenses	49,580	52,480	52,354

CURRENT FUND  
STATEMENT OF EXPENDITURES

A-3  
Sheet 4

<u>OPERATIONS within "CAPS"</u>	<u>APPROPRIATION</u>	<u>BUDGET AFTER</u>	<u>EXPENDED</u>	<u>UNEXPENDED</u>
	<u>BUDGET</u>	<u>MODIFICATION</u>	<u>PAID OR</u>	<u>BALANCES</u>
			<u>CHARGED</u>	<u>CANCELLED</u>
			<u>RESERVED</u>	
<b>OTHER COMMON OPERATING FUNCTIONS</b>				
<b>(Unclassified):</b>				
Accumulated Leave Compensation	37,000	37,000	37,000	
Celebration of Public Events	5,000	5,000	4,909	91
Underground Storage Tank Remediation	9,000	9,000		9,000
<b>MUNICIPAL COURT:</b>				
Other Expenses	57,494	57,494	57,492	2
Public Defender:				
Other Expenses	1,785	1,785	1,785	
<b>UTILITY EXPENSES AND BULK PURCHASES:</b>				
Electricity	46,000	46,000	45,483	517
Street Lighting	5,500	5,500	5,034	466
Telephone (excluding equipment acquisition)	12,000	12,000	11,880	120
Gasoline	100,000	100,000	92,465	7,535
Subtotal Operations within "CAPS"	3,566,777	3,562,777	3,382,039	180,738
<b>Contingent</b>				
<b>Total Operations Including Contingent</b>	<b>3,566,777</b>	<b>3,562,777</b>	<b>3,382,039</b>	<b>180,738</b>
<b>Detail:</b>				
Salaries and Wages	1,866,633	1,882,694	1,850,827	31,867
Other Expenses	1,700,144	1,680,083	1,531,212	148,871
<b>Deferred Charges and Statutory Expenditures within "CAPS"</b>				
<b>Deferred Charges :</b>				
Expenditure Without Appropriation	31,283	31,283	31,283	
<b>Statutory Expenditures :</b>				
Social Security (O.A.S.I.)	142,663	146,663	143,904	2,759
Contribution to:				
PERS	110,444	110,444	110,444	
PFRS	169,138	169,138	169,138	
<b>Total Deferred Charges and Statutory Expenditures within "CAPS"</b>	<b>453,528</b>	<b>457,528</b>	<b>454,769</b>	<b>2,759</b>
<b>Total General Appropriations within "CAPS"</b>	<b>4,020,305</b>	<b>4,020,305</b>	<b>3,836,808</b>	<b>183,497</b>

CURRENT FUND  
STATEMENT OF EXPENDITURES

A-3  
Sheet 5

	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>EXPENDED PAID OR CHARGED</u>	<u>RESERVED</u>	<u>UNEXPENDED BALANCES CANCELLED</u>
<b>OPERATIONS EXCLUDED FROM "CAPS":</b>					
Fire Department:					
LOSAP	11,200	11,200	10,500	700	
<b>Total Other Operations Excluded from "CAPS"</b>	<b>11,200</b>	<b>11,200</b>	<b>10,500</b>	<b>700</b>	
<b>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES:</b>					
<b>Federal and State Grants:</b>					
Clean Communities Program:					
Other Expenses	19,540	19,540	19,540		
Body Armor Grant:					
Other Expenses	720	720	720		
Body Armor Grant(C159):					
Other Expenses	1,267	1,267	1,267		
Recycling Tonnage Grant(C159):					
Other Expenses	2,531	2,531	2,531		
Recycling Tonnage Grant - 2009(C159):					
Other Expenses	2,379	2,379	2,379		
FEMA - 2010 Flood Event - Mt Airy Road Grant(C159):					
Other Expenses	220,300	220,300	220,300		
<b>Total Public and Private Programs Offset by Revenues Excluded from "CAPS"</b>	<b>246,737</b>	<b>246,737</b>	<b>246,737</b>		
<b>Total Operations Excluded from "CAPS"</b>	<b>257,937</b>	<b>257,937</b>	<b>257,237</b>	<b>700</b>	
<b>Detail:</b>					
Other Expenses	257,937	257,937	257,237	700	

CURRENT FUND  
STATEMENT OF EXPENDITURES

A-3  
Sheet 6

	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>EXPENDED PAID OR CHARGED</u>	<u>RESERVED</u>	<u>UNEXPENDED BALANCES CANCELLED</u>
<b>Capital Improvements Excluded from "CAPS"</b>					
Capital Improvement Fund	36,500	36,500	36,500		
<b>Total Capital Improvements Excluded from "CAPS"</b>	<u>36,500</u>	<u>36,500</u>	<u>36,500</u>		
<b>Municipal Debt Service Excluded from "CAPS"</b>					
Payment of Bond Anticipation and Capital Notes	154,200	154,200	154,200		
Payment of Interest on Notes	40,540	40,540	38,419		2,121
<b>Total Municipal Debt Service Excluded from "CAPS"</b>	<u>194,740</u>	<u>194,740</u>	<u>192,619</u>		<u>2,121</u>
<b>Deferred Charges Excluded from "CAPS"</b>					
Special Emergency Authorizations-5 Years	2,372	2,372	2,372		
<b>Total Deferred Charges Excluded from "CAPS"</b>	<u>2,372</u>	<u>2,372</u>	<u>2,372</u>		
<b>Total Gen. Appropriations Excluded from "CAPS"</b>	<u>491,549</u>	<u>491,549</u>	<u>488,728</u>	<u>700</u>	<u>2,121</u>
Reserve For Uncollected Taxes	488,501	488,501	488,501		
<b>TOTALS</b>	<u>\$ 5,000,355</u>	<u>\$ 5,000,355</u>	<u>\$ 4,814,037</u>	<u>\$ 184,197</u>	<u>\$ 2,121</u>

REF.

A

	<u>REF.</u>		
Appropriation 40A:4-87	A-2	\$ 226,477	
Budget	A-2	<u>4,773,878</u>	
		<u>\$ 5,000,355</u>	
Reserve for State Grants	A-22	\$ 246,737	
Capital Improvement Fund	C	36,500	
Deferred Charges	A-10	31,283	
Special Emergency-5 Years	A-10	2,372	
Encumbrances	A-11	4,008,644	
Reserve for Uncollected Taxes	A-2	488,501	
		<u>\$ 4,814,037</u>	

TRUST FUND  
COMPARATIVE BALANCE SHEET

		B	
		BALANCE	BALANCE
REF.		<u>12/31/11</u>	<u>12/31/10</u>
<b>ASSETS</b>			
<b>Dog License Fund:</b>			
	Cash and Cash Equivalents	B-2    \$    (3,088)	\$        333
	<b>Total Dog License Fund</b>	<u>          (3,088)</u>	<u>              333</u>
<b>Other Trust Funds:</b>			
	Cash and Cash Equivalents	B-2        1,508,170	1,358,457
	Due from Current Fund	B-6            47,157	67,044
	Due from Capital Fund	C                -	590,863
	<b>Total Other Trust Funds</b>	<u>          1,555,327</u>	<u>          2,016,364</u>
	<b>TOTAL ASSETS</b>	<b><u>\$1,552,239</u></b>	<b><u>\$2,016,697</u></b>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>Dog License Fund:</b>			
	Due to Current Fund	B-5        \$            5	\$        263
	Reserve for Dog Fund Expenditures	B-3            (3,093)	70
	<b>Total Dog License Fund</b>	<u>          (3,088)</u>	<u>              333</u>
<b>Other Trust Fund:</b>			
	Schedule of Reserve for Macrone Services	B-7                -	5
	Schedule of Reserve for Museum Donations	B-8            10,101	10,845
	Schedule of Reserve for Developers' Deposits	B-9            67,949	68,985
	Schedule of Reserve for Driveway Bonds	B-10            7,565	9,061
	Schedule of Reserve for Unemployment Compensation	B-11            78,204	79,411
	Schedule of Reserve for Library Trust	B-12            4,572	14,632
	Schedule of Reserve for Recreation Commission	B-13            11,242	11,236
	Schedule of Reserve for Fair Share Housing (COAH)	B-14            128,067	145,987
	Schedule of Reserve for Voorhees Municipal Alliance	B-15                -	7,866
	Schedule of Reserve for Off-Track Improvements	B-16            61,631	61,595
	Schedule of Reserve for Open Space Deposits	B-17            941,261	1,424,858
	Schedule of Reserve for Emergency Snow Removal	B-18            20,169	1,146
	Schedule of Reserve for Accumulated Absences	B-19            115,375	78,268
	Schedule of Reserve for Developers' Trust Escrow Deposits	B-20            75,891	83,469
	Schedule of Reserve for Tax Sale Premiums	B-21            33,300	19,000
	<b>Total Other Trust Fund</b>	<u>          1,555,327</u>	<u>          2,016,364</u>
	<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>	<b><u>\$1,552,239</u></b>	<b><u>\$2,016,697</u></b>

GENERAL CAPITAL FUND  
COMPARATIVE BALANCE SHEET

C

	<u>REF.</u>	<u>BALANCE</u> <u>12/31/11</u>	<u>BALANCE</u> <u>12/31/10</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	C-2	\$ 2,176,426	\$ 137,784
Amount Due Current Fund	C-6	174,003	2,998,427
Deferred Charges to Future Taxation:			
Funded	C-4	737,741	798,105
Unfunded	C-5	<u>10,236,964</u>	<u>9,676,889</u>
<b>TOTAL ASSETS</b>		<b><u>\$13,325,134</u></b>	<b><u>\$ 13,611,205</u></b>

**LIABILITIES, RESERVES AND FUND BALANCE**

Amount Due Fair Share Housing Trust	B	-	\$ 5,899
Amount Due to Open Space Trust Fund	C-3	-	584,962
Capital Improvement Fund	C-7	\$ 116,689	144,564
State of New Jersey Trust Loan Program	C-8	737,741	798,105
Bond Anticipation Notes	C-9	4,599,112	4,436,662
Reserve for:			
Fire Truck and Ambulance	C-10	17,233	17,233
Improvement Authorizations:			
Funded	C-11	61,363	41,163
Unfunded	C-11	<u>7,792,996</u>	<u>7,582,617</u>
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>		<b><u>\$13,325,134</u></b>	<b><u>\$ 13,611,205</u></b>

GENERAL FIXED ASSETS  
STATEMENT OF GENERAL FIXED ASSETS  
DECEMBER 31, 2011

F

	<u>BALANCE</u> <u>12/31/11</u>	<u>BALANCE</u> <u>12/31/10</u>
General Fixed Assets:		
Land	\$ 3,510,219	\$ 3,510,219
Buildings	2,032,527	1,462,527
Machinery and Equipment	<u>8,049,435</u>	<u>7,423,810</u>
Total General Fixed Assets	<b><u>\$13,592,181</u></b>	<b><u>\$12,396,556</u></b>

PAYROLL AGENCY FUND  
COMPARATIVE BALANCE SHEET

G

BALANCE    BALANCE  
12/31/11    12/31/10

**ASSETS**

**Cash and Cash Equivalents:**

    Cash - Treasurer

\$ 18,129    \$ 33,240

**TOTAL ASSETS**

**18,129    33,240**

**LIABILITIES AND RESERVES**

Payroll Deductions Payable

                    17,431

Imprest Balances

18,129    15,809

**TOTAL LIABILITIES AND RESERVES**

**\$ 18,129    \$ 33,240**

GENERAL LONG-TERM DEBT  
STATEMENT OF GENERAL LONG-TERM DEBT  
DECEMBER 31, 2011

H

	<u>BALANCE</u> <u>12/31/11</u>	<u>BALANCE</u> <u>12/31/10</u>
<b>OTHER DEBTS:</b>		
Amount to be Provided for Retirement of General Long-Term Debt	<u>\$ 122,218</u>	<u>\$ 122,218</u>
Total Amount Available and to be Provided for General Long-Term Debt	<u>\$ 122,218</u>	<u>\$ 122,218</u>
<b>LONG-TERM LIABILITIES:</b>		
Compensated Absences Payable	<u>\$ 122,218</u>	<u>\$ 122,218</u>
Total General Long-Term Liabilities	<u>\$ 122,218</u>	<u>\$ 122,218</u>

## **NOTES TO FINANCIAL STATEMENTS**

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 1: SUMMARY OF SIGNIFICANT POLICIES**

**A. Reporting Entity**

GASB Statement No.14 established criteria to be used to determine which component units should be included in the financial statements of the oversight entity. The Division requires the financial statements of the Township to be reported separately.

The financial statements of the Township of Lebanon include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township, as The financial statements of the Township do not include the operations of the Board of Education.

**B. Description of Funds**

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB Codification establishes seven fund types and two account groups to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America(GAAP).

The accounting policies of the Township of Lebanon conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Township of Lebanon accounts for its financial transactions through the following separate funds, which differ from the fund structure required by GAAP.

**Current Fund**

Resources and expenditures for governmental operations of a general nature, including State grants for operations.

**Trust Funds**

Records the receipts, disbursement and custodianship of monies in accordance with the purpose for which each account was established.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 1: SUMMARY OF SIGNIFICANT POLICIES (Continued)**

**B. Description of Funds (Continued)**

**General Capital Fund**

The receipts and disbursement of funds for the acquisition of general infrastructure and other capital facilities, other than those acquired in the Current Fund. General bonds and notes payable are recorded in this fund offset by deferred charges to future taxation.

**Public Assistance Fund**

Receipt and disbursements of funds that provide assistance to certain residents of the Township pursuant to the provisions of Title 44 of New Jersey statutes.

**General Fixed Assets Account Group**

To account for all fixed assets of the Township. The Township's infrastructure is not reported in the group.

**C. Basis of Accounting**

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local government units. The more significant policies in New Jersey follow.

A modified accrual basis of accounting is followed with minor exceptions.

**Revenues**--are recorded as received in cash except for certain amounts which are due from other governmental units. Receipts from State grants are realized as revenue when anticipated in the Township budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Township's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Township which are susceptible of accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 1: SUMMARY OF SIGNIFICANT POLICIES (Continued)**

**C. Basis of Accounting (Continued)**

**Expenditures**--are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements and constitute part of the Township's statutory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st 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. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis.

**Property Tax Revenue**--Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, Open Space and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1.

The amounts of the first and second installments are determined as one quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally.

If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid to the County by the Township quarterly on February 15, May 15, August 15 and November 15.

The Open Space Levy, is paid quarterly to the Township's other trust funds, on February 15, May 15, August 15 and November 15. When unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on April 1 in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to provisions of the New Jersey Statutes, enforce the lien by placing the property on a tax sale. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Township.

In accordance with the accounting Principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible. GAAP required tax revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 1: SUMMARY OF SIGNIFICANT POLICIES (Continued)**

**C. Basis of Accounting (Continued)**

**Deferred School Taxes**--A portion of the school taxes collected at December 31 relating to the period January 1 to June 30 of the subsequent year have been included in fund balance. GAAP requires such revenue to be deferred and recognized in the accounting period when it becomes susceptible to accrual.

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

**General Fixed Assets**--In accordance with Technical Accounting Directive No. 85-2, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, the municipality develops a fixed asset accounting and reporting system.

Fixed assets used in governmental operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value.

No depreciation is to be provided for in the financial statements. Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

Fixed assets acquired through grants in aid or contributed capital have not been accounted for separately.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 1: SUMMARY OF SIGNIFICANT POLICIES (Continued)**

**C. Basis of Accounting (Continued)**

**Budget and Budgetary Procedures**--The foundation of the New Jersey local finance system is the annual cash basis budget required under the Local Budget Law (N.J.S.A.40A:4-1, et seq.). Every local unit must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the Director of the Division ("Director") prior to final adoption. The normal budget calendar begins early in the fiscal year with introduction, public advertisement and after state approval, budget adoption. The cash basis for revenues and budgetary basis for expenditures is the budget basis of accounting.

The Township is not required to adopt budgets for the following funds:

**General Capital Fund  
Public Assistance Fund  
Trust fund**

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not later than March 20, and prior to adoption, must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board, may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality.

During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Government Body. Expenditures may not legally exceed budgeted appropriations at the line item level.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 1: SUMMARY OF SIGNIFICANT POLICIES (Continued)**

**C. Basis of Accounting (Continued)**

**Expenditures**--Are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations at December 31, are reported as expenditures through the establishment of appropriations reserves unless cancelled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

**Tax Appeals and Other Contingent Losses**--Losses which arise from tax appeals and other contingent losses are recognized at the time an unfavorable decision is rendered by an administrative or judicial body.

**Deferred Charges to Future Taxation Funded and Unfunded**--Upon the authorization of capital projects, the Township establishes deferred charges for the costs of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or non-funding of the authorized cost of capital projects. According to N.J.S.A.40A:2-4, the Township may levy taxes on all taxable property within the local unit to repay the debt. Annually, the Township raises the debt requirements for that particular year in the current budget. As the funds are raised by taxation, the deferred charges are reduced.

**Comparative Data** - Comparative data for the prior year has been presented in the accompanying balance sheets and statements of operations in order to provide an understanding of changes in the municipality's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

**Use of Estimates**--The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 1: SUMMARY OF SIGNIFICANT POLICIES (Continued)**

**C. Basis of Accounting (Continued)**

**Departures from Generally Accepted Accounting Principles**--The accounting principles and practices followed by the Township differ generally accepted accounting principles applicable to local government units. The more significant differences are as follows:

- Taxes and other receivables are fully reserved.
- Interfund receivables in the Current Fund are fully reserved.
- Unexpended and uncommitted appropriations are reflected as expenditures.
- Overexpended appropriations and emergency appropriations are deferred to the succeeding years' operations.
- Undetermined contributions to state-administered pension plans applicable to the six months ended December 31 are not accrued.
- Estimated losses arising from tax appeals and other contingencies are not recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

It was not practicable to determine the effect of such difference.

**Statutory-Basis Financial Statements**--The GASB Codification also defines the financial statements of a governmental unit to be presented to be in accordance with GAAP. The Township presents the financial statements listed in the table of contents which are required by the Division and which differ from the financial statements required by GAAP. In addition, the Division requires the financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from GAAP.

**Note 2: CASH AND CASH EQUIVALENTS**

**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, the Federal Savings and Loan 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.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 2: CASH AND CASH EQUIVALENTS (Continued)**

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

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the 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 of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the municipality's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the municipality would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At December 31, 2011, all of the municipality's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The municipality does not have a policy for custodial credit risk.

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

	Cash and Cash Equivalents	Total
Checking	\$ <u>8,548,638</u>	\$ <u>8,548,638</u>

The carrying amount of the municipality's cash and cash equivalents at December 31, 2011, was \$8,548,638 and the bank balance was \$8,641,886. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$514,345 was covered by federal depository insurances and \$8,127,541 was covered by collateral pool.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 2: CASH AND CASH EQUIVALENTS (Continued)**

**Investments**

Pursuant to the Enabling Act, the funds of the municipality may be invested in any direct obligations of, or obligations as to which the principal and interest thereof is guaranteed by, the United States of America or other obligations as the municipality may approve.

In order to maximize liquidity, the municipality utilizes the New Jersey Cash Management Fund ("NJCMF") as its sole investments. The NJCMF is administered by the New Jersey Department of Treasury. It invests pooled monies from various State and non-State agencies in primarily short-term investments. These investments include: U.S. Treasuries, short-term Commercial Paper, U.S. Agency Bonds, Corporate Bonds, and Certificates of Deposit. Agencies that participate in the NJCMF typically earn returns that mirror short-term investment rates. Monies can be freely added or withdrawn from the NJCMF on a daily basis without penalty.

At December 31, 2011, the municipality's balance was - \$ - .

**Custodial Credit Risk:** Pursuant to GASB 40, the NJCMF, which is a pooled investment, is exempt from custodial credit risk disclosure. The municipality does not have a policy for custodial credit risk.

**Credit Risk:** The municipality does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The NJCMF is not rated by a rating agency.

**Interest Rate Risk:** The municipality does not have a policy to limit interest rate risk. The average maturity of the municipality's investments is less than one year.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 3: LONG-TERM DEBT**

The Local Bond Law governs the issuance of bonds and notes to finance general municipal expenditures. All bonds issued by the Township are general obligation bonds, backed by the full faith and credit of the Township. Bond anticipation notes, which are issued by temporarily finance capital projects, must be paid off within ten years or retired by issuance of bonds.

The Township debt is summarized as follows:

**Summary of Municipal Debt**

	YEAR <u>2011</u>	YEAR <u>2010</u>	YEAR <u>2009</u>
<b>Issued</b>			
General:			
Bonds and Notes	\$ 5,336,853	\$ 5,234,767	\$ 3,067,721
Total Deductions	<u>-</u>	<u>-</u>	<u>-</u>
Net Debt Issued	<u>5,336,853</u>	<u>5,234,767</u>	<u>3,067,721</u>
<b>Authorized But Not Issued</b>			
Total Authorized But Not Issued	<u>5,637,852</u>	<u>5,240,227</u>	<u>7,166,027</u>
<b>Net Bonds and Notes Issued and Authorized But Not Issued</b>			
	<u><b>\$ 10,974,705</b></u>	<u><b>\$ 10,474,994</b></u>	<u><b>\$ 10,233,748</b></u>

**Summary of Statutory Debt Condition - Annual Debt Statement**

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.12%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional School District Debt	\$ 445,002	\$ 445,002	-
General Debt	<u>10,974,705</u>	<u>-</u>	<u>\$ 10,974,705</u>
	<u><u>\$ 11,419,707</u></u>	<u><u>\$ 445,002</u></u>	<u><u>\$ 10,974,705</u></u>

Net Debt \$ 10,974,705	Divided by Equalized Valuation Basis per	
N.J.S.A. 40A:2-2 as amended,	\$979,914,545	= 1.12%

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 34,297,009
Net Debt	<u>10,974,705</u>
Remaining Borrowing Power	<u><u>\$ 23,322,304</u></u>

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 3: LONG-TERM DEBT (Continued)**

**Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding**

Calendar Year	General	
	Principal	Interest
2012	\$ 59,056	\$ 10,232
2013	57,750	9,483
2014	56,441	8,733
2015	55,224	7,832
2016	54,178	7,432
2017-2024	<u>455,092</u>	<u>31,756</u>
	<u>\$ 737,741</u>	<u>\$ 75,468</u>

**General Obligation Loans**

General Obligation Loan-Acquisition of Land-dated January 1, 2004 with the State of New Jersey, Department of Environmental Protection, New Jersey Environmental Infrastructure Trust Financing Program. This loan is payable in semi-annual installments ranging from \$6,823.39 to \$26,294.22 through August 1, 2023. This loan is an interest free loan. The remaining balance as of December 31, 2011, was \$293,624. Outstanding loan principal and interest is paid from the Current Fund of the Township.

General Obligation Loan-Acquisition of Land-dated January 1, 2004 with the State of New Jersey, Department of Environmental Protection, New Jersey Environmental Infrastructure Trust Financing Program. This loan is payable in semi-annual installments ranging from \$3,985 to \$15,356 through August 1, 2023. Interest is calculated at 3.0% - 5.00% and is included in the semi-annual installments. This method of calculating interest is not in conformance with New Jersey Statutes. The Township has received approval from the Local Finance Board to use this method of interest calculation for this issue. The remaining balance as of December 31, 2011, was \$130,000. Outstanding loan principal and interest is paid from the Current Fund of the Township.

General Obligation Loan-Acquisition of Land-dated October 13, 2004 with the State of New Jersey, Department of Environmental Protection, New Jersey Environmental Infrastructure Trust Financing Program. This loan is payable in semi-annual installments ranging from \$8,282 to \$18,836 through August 1, 2024. This loan is an interest free loan. The remaining balance as of December 31, 2011, was \$224,117. Outstanding loan principal and interest is paid from the Current Fund of the Township.

General Obligation Loan-Acquisition of Land-dated October 13, 2004 with the State of New Jersey, Department of Environmental Protection, New Jersey Environmental Infrastructure Trust Financing Program. This loan is payable in semi-annual installments ranging from \$219 to \$11,181 through August 1, 2024. Interest is calculated at 3.0% - 5.00% and is included in the semi-annual installments. This method of calculating interest is not in conformance with New Jersey Statutes. The Township has received approval from the Local Finance Board to use this method of interest calculation for this issue. The remaining balance as of December 31, 2011, was \$90,000. Outstanding loan principal and interest is paid from the Current Fund of the Township.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 3: LONG-TERM DEBT (Continued)**

**Bond Anticipation Notes**

The Township has outstanding at December 31, 2011, a bond anticipation note in the amount of \$3,831,962 payable to Peapack-Gladstone Bank. This note matures on September 7, 2012. The interest rate on the note was 0.69%. Principal and interest on these notes are paid from the current fund budget of the Township and the open space fund.

The Township has outstanding at December 31, 2011, a bond anticipation note in the amount of \$767,150 payable to PNC Bank. This note matures on February 3, 2012. The interest rate on the note was 1.45%. Principal and interest on these notes are paid from the current fund budget of the Township.

	Debt <u>Outstanding</u>
Total General Capital Loans-Above	\$ <u>5,336,853</u>

**Note 4: GENERAL FIXED ASSETS**

The following is a summary of changes in the general fixed assets:

	Balance <u>End of Year</u>	Balance Beginning <u>of Year</u>
Land	\$ 3,510,219	\$ 3,510,219
Buildings	2,032,527	1,462,527
Equipment	<u>8,049,435</u>	<u>7,423,810</u>
	<u>\$ 13,592,181</u>	<u>\$ 12,396,556</u>

**Note 5: FUND BALANCES APPROPRIATED**

Fund Balances at December 31, 2011, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2012, were as follows:

Current Fund - \$999,838\*

\*Approved (Introduced) Budget

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 6: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS**

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2011, the Township recorded the following deferred charges which are included in the following budgets:

<u>Grants Fund</u>	Balance <u>12/31/10</u>	2011 <u>Budget</u>	Succeeding <u>Budgets</u>
Overexpenditure of Appropriations	\$ 31,283	\$ 31,283	
 <u>Current Fund</u>			
Special Emergency (40A:4-55) - Codification of Ordinances	\$ 2,372	\$ 2,372	-
	<u>\$ 33,655</u>	<u>\$ 33,655</u>	<u>-</u>

**Note 7: SCHOOL TAXES**

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district.

The Township of Lebanon had elected in 1975 to raise local district school taxes on a calendar year basis.

Local District Tax and Regional High School Tax have been raised and liabilities deferred by statute (under provisions of C.63, P.L.1991, as amended), resulting in the school taxes payable set forth in the Current Fund liabilities as follows:

	<b>TOTAL DEFERRED TAX <u>12/31/11</u></b>	<b>LOCAL DISTRICT <u>SCHOOL TAX</u> BALANCE BALANCE <u>12/31/11</u> <u>12/31/10</u></b>		<b>TOTAL DEFERRED TAX <u>12/31/10</u></b>	<b>REGIONAL <u>HIGH SCHOOL TAX</u> BALANCE BALANCE <u>12/31/11</u> <u>12/31/10</u></b>		
	Balance of Tax		\$1,612,034	\$ 2,407,034		\$ 1,529,626	\$ 1,470,341
	Deferred		<u>3,566,263</u>	<u>2,896,263</u>		<u>1,162,452</u>	1,162,452
Tax Payable		<u>\$5,178,297</u>	<u>\$ 5,303,297</u>		<u>\$ 2,692,078</u>	<u>\$ 2,632,793</u>	
Tax Deferred	<u>\$ 4,728,715</u>			<u>\$ 4,058,715</u>			

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 8: PENSIONS**

**Description of Plans** - All required employees of the Township are covered by the Public Employees' Retirement System or the Police and Fireman's Retirement System which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, obligations of the System will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System Fund and Police and Fireman's Retirement System Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

***Public Employees' Retirement System (PERS)*** - The Public Employees' Retirement System (PERS) was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

***Police and Fireman's Retirement System (PFRS)*** - The Police and Fireman's Retirement System (PFRS) was established as of January 1, 1944, under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Police and Fireman's Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

**Vesting and Benefit Provisions** - The vesting and benefit provisions for PERS and PFRS are set by N.J.S.A. 43:15A and 43.3B. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

The PERS and PFRS provide for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 8: PENSIONS (Continued)**

**Significant Legislation** - Legislation enacted during the year ended June 30, 1997, (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the Township's normal contributions to the Fund may be reduced based on the revaluation of assets.

**Contribution Requirements** - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS and PFRS provide for employee contributions of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS and PFRS. The actuarially determined contribution includes funding for both cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

<b><u>Three-Year Trend Information for PERS/PFRS</u></b>			
<u>Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2011	\$279,582	100%	-0-
2010	\$121,864	100%	-0-
2008	\$198,636	100%	-0-

**Note 9: POST-RETIREMENT BENEFITS**

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2010, there were 87,288 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in Fiscal Year 2010.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 9: POST-RETIREMENT BENEFITS-(Continued)**

GASB Statement #45 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The Municipality does not provide post-employment benefits other than pension. Healthcare provided to eligible PERS retirees through the NJ State Health Benefits Program are paid by the the State of New Jersey and as such, no municipal OPEB liability exists.

**Note 10: DEFERRED COMPENSATION PLAN**

The Township has a deferred compensation plan available to employees which has been established pursuant to Section 457 of the Internal Revenue Code and in accordance with applicable New Jersey Statutes and the New Jersey Administrative Code (NJAC 5:37). The Plan is fully contributory and the Township has no liabilities in conjunction with this plan.

**Note 11: LEASES**

The Township has not entered into any long-term lease agreements.

**Note 12: ACCRUED SICK AND VACATION BENEFITS**

As discussed in Note 1 and in accordance with accounting principles prescribed by the State of New Jersey, the cash basis of accounting is followed for recording the liability related to unused sick pay.

The Township has permitted employees to carryover vacation, compensatory time, and sick pay, which may be taken off or paid at a later date. At December 31, 2011, the contingent liability associated with this benefit is estimated by management to be approximately \$122,218.

**Note 13: CONTINGENT LIABILITIES**

**GRANT PROGRAMS**

The Township participated in a number of state assisted grant programs administered at the state level. These programs, exclusive of the single audit concept, can be subject to program compliance audits by the grantors or their representatives. Accordingly, the Township's compliance with certain applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Township expects such amounts, if any, to be immaterial.

**LITIGATION**

There are pending lawsuits in which the Township is involved. The municipal attorney estimates that the potential claims against the Township not covered by insurance resulting from such litigation would not materially affect the financial statements of the Township.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 14: OTHER REQUIRED DISCLOSURES**

Generally accepted accounting principles require disclosure of certain information concerning individual funds including:

- A. Summary disclosures of debt service requirements for all types of outstanding debt. This requirement is met by Note 3.
- B. Summary disclosures of changes in general fixed assets by major asset class. This requirement is met by Note 4.
- C. Summary disclosures of changes in general long-term debt. This requirement is met by Note 3.
- D. Excesses of expenditures over appropriations in individual funds. There were no excess of expenditures over appropriations in any of the individual funds where budgets were required or employed as a management control device.
- E. Deficit fund balances or retained earnings balances of individual funds. There were no deficits in fund balances or retained earnings in any of the individual funds, except as noted in Note 6.
- F. Individual fund interfund receivable and payable balances. All interfund receivable and payable balances outstanding at the beginning of the fiscal period were fully liquidated during the fiscal period, with the following exceptions outstanding at December 31, 2011:

<u>FUND</u>	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
Current Fund	\$ 184,348	\$ 221,160
Federal/State Grants Fund		184,343
Dog Fund		5
Trust Fund	47,157	-
General Capital Fund	<u>174,003</u>	<u>-</u>
	<u>\$ 405,508</u>	<u>\$ 405,508</u>

**Note 15: RISK FINANCING**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage. There were no significant reductions in insurance coverage from coverage in the prior year.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 16: OTHER POST-RETIREMENT BENEFITS**

Plan Description. The Lebanon Township contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 1991, Lebanon Township authorized participation in the SHBP's post-retirement benefit program through resolution.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at [www.state.nj.us/treasury/pensions/gasb-43-sept2011.pdf](http://www.state.nj.us/treasury/pensions/gasb-43-sept2011.pdf)

Funding Policy: Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Lebanon Township on a monthly basis.

The Lebanon Township contributions to SHBP for the years ended December 31, 2011, 2010, and 2009, were \$29,774, \$26,045 and \$16,315 respectively, which equaled the required contributions for each year. There were approximately nine retired participants eligible at December 31, 2011, 2010, and 2008.

**PART I I**  
**SUPPLEMENTARY INFORMATION**

## **CURRENT FUND SCHEDULES**

CURRENT FUND  
SCHEDULE OF CASH -TREASURER

A-4

	<u>REF.</u>	<u>CURRENT FUND</u>	<u>FEDERAL AND STATE GRANT FUNDS</u>
Balance December 31, 2010	A	\$ 8,258,741	\$ 7,600
<b>Increased by Receipts:</b>			
Collector	A-5	\$20,033,863	
Miscellaneous Revenue Not Anticipated	A-2	70,039	
Revenue Accounts Receivable	A-8	2,697,015	
Amount Due State of New Jersey for Senior Citizens/Veterans Deductions	A-19	60,217	
Garden State Trust	A-21	15,409	
Amount Due Other Trust	B	14,314	
Amount Due Grants Fund	A		\$ 4
State Grant Funds	A-21	78,360	
State Grant Funds - Unappropriated	A-23	<u>12,477</u>	<u>4,060</u>
		<u>22,981,694</u>	<u>4,064</u>
		31,240,435	11,664
<b>Decreased by Disbursements:</b>			
2010 Appropriation Reserves	A-12	115,208	
Reserves for Encumbrances	A-11	3,848,530	
Amount Due General Capital Fund	C	2,824,424	
Amount Due Grants Fund	A	118,704	
Refund of Tax Overpayments	A-25	9,825	
County Taxes	A-15	3,329,206	
Local District School Tax	A-16	10,481,595	
Regional School Tax	A-17	5,324,871	
Municipal Open Space Tax	A-18	109,915	
State Grant Funds	A-22	<u>240,820</u>	<u>-</u>
		<u>26,403,098</u>	<u>-</u>
Balance December 31, 2011	A	<u>\$ 4,837,337</u>	<u>\$ 11,664</u>

CURRENT FUND  
SCHEDULE OF CASH-COLLECTOR

A-5

	<u>REF.</u>		
<b>Received:</b>			
Miscellaneous Not Anticipated	A-2	\$ 11,819	
Interest and Costs on Taxes	A-2	85,194	
Taxes Receivable	A-6	19,751,779	
2012 Prepaid Taxes	A-13	132,180	
Tax Sale Premiums	B	17,800	
Outside Liens	A	25,266	
Tax Overpayments	A-25	<u>9,825</u>	<u>\$ 20,033,863</u>
<b>Decreased by Disbursements:</b>			
Payments To Treasurer	A-4		<u>\$ 20,033,863</u>

CURRENT FUND  
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF TAX LEVY

A-6

YEAR	BALANCE	ADDED	2011 LEVY	CASH COLLECTIONS		CANCELLED	TRANSFER	BALANCE
	12/31/10			2010	2011		TO TAX TITLE LIENS	
2010	\$ 400,682	\$ 7,352		\$ 394,507	\$ 4	\$ 2,758	\$ 10,765	
	400,682	7,352		394,507	4	2,758	10,765	
2011			\$ 19,938,789	\$ 124,680	19,417,489	9,724	7,797	379,099
<b>TOTALS</b>	<b>\$ 400,682</b>	<b>\$ 7,352</b>	<b>\$ 19,938,789</b>	<b>\$ 124,680</b>	<b>\$ 19,811,996</b>	<b>\$ 9,728</b>	<b>\$ 10,555</b>	<b>\$ 389,864</b>

REF.	A	REF.	A-13	A-7	A
State of New Jersey-Senior Citizens/ Veterans Deductions			A-2	\$ 60,217	
Received by Collector			A-5	19,751,779	
				<u>\$ 19,811,996</u>	

ANALYSIS OF PROPERTY TAX LEVY:

**Tax Yield:**

General Purpose Tax	\$ 19,738,478
Special District Taxes	74,994
Added/Omitted Taxes (54:4-63.1 et.seq. )	<u>125,317</u>
	<u>\$ 19,938,789</u>

**Tax Levy:**

Local District School Tax	A-16	\$ 10,356,595
Regional High School Tax	A-17	5,384,156
County Taxes:		
County Tax (Abstract )	A-15	\$ 2,788,221
County Library Tax (Abstract )	A-15	235,088
County Open Space (Abstract )	A-15	290,973
Due County for Added and Omitted Taxes(54.4-63.1, et.seq.)	A-15	<u>21,373</u>
Municipal Open Space	A-18	75,713
Local Tax for Municipal Purposes	A-2	679,196
Add: Additional Tax Levied		<u>107,474</u>
		<u>\$ 19,938,789</u>

CURRENT FUND  
SCHEDULE OF TAX TITLE LIENS

A-7

	<u>REF.</u>	
Balance December 31, 2010	A	\$ 91,676
<b>Increased by:</b>		
Interest and Costs		\$ 4,004
Transfers from Taxes Receivable	A-6	<u>10,555</u>
		<u>14,559</u>
		106,235
<b>Decreased by:</b>		
Canceled		<u>11,318</u>
Balance December 31, 2011	A	<u>\$ 94,917</u>

CURRENT FUND  
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

A-8

	<u>REF.</u>	<u>BALANCE</u> <u>12/31/10</u>	<u>ACCRUED</u> <u>IN 2011</u>	<u>COLLECTED</u> <u>BY</u> <u>TREASURER</u>	<u>BALANCE</u> <u>12/31/11</u>
Clerk:					
Licenses:					
Alcoholic Beverages	A-2		\$ 15,000	\$ 15,000	
Municipal Court:					
Fines and Costs	A-2		42,723	42,723	
Interest on Investments and Deposits	A-2		5,571	5,571	
Energy Receipts Tax	A-2		2,627,013	2,627,013	
Uniform Fire Safety Act	A-2	-	<u>6,708</u>	<u>6,708</u>	-
Totals		<u>-</u>	<u>\$ 2,697,015</u>	<u>\$ 2,697,015</u>	<u>-</u>

REF.

A-4

A

CURRENT FUND  
SCHEDULE OF PROPERTY ACQUIRED FOR TAXES  
(AT ASSESSED VALUATION)

A-9

	<u>REF.</u>	
Balance December 31, 2010	A	<u>\$ 94,200</u>
Balance December 31, 2011	A	<u>\$ 94,200</u>

CURRENT FUND  
SCHEDULE OF DEFERRED CHARGES

A-10

	<u>AMOUNT</u> <u>AUTHORIZED</u>	1/5 of <u>AMOUNT</u> <u>AUTHORIZED</u>	<u>BALANCE</u> <u>12/31/10</u>	<u>RAISED</u> <u>IN 2011</u> <u>BUDGET</u>	<u>BALANCE</u> <u>12/31/11</u>
Codification of Ordinances	\$ 11,860	\$ 2,372	\$ 2,372	\$ 2,372	-
Overexpenditure - Grants Fund	<u>-</u>	<u>-</u>	<u>31,283</u>	<u>31,283</u>	<u>-</u>
 Totals	 <u>\$ 11,860</u>	 <u>\$ 2,372</u>	 <u>\$ 33,655</u>	 <u>\$ 33,655</u>	 <u>-</u>
REF.			A	A-3	A

CURRENT FUND  
SCHEDULE OF RESERVE FOR ENCUMBRANCES

A-11

	<u>REF.</u>		
Balance December 31, 2010	A		\$ 39,872
<b>Increased by:</b>			
Transfer from Current Year Appropriations	A-3	\$ 4,008,644	
Additional Encumbrance Appropriations		<u>-</u>	<u>4,008,644</u>
			4,048,516
<b>Decreased by:</b>			
Transfer to Appropriation Reserve - Prior Year Balance	A-12	39,872	
Canceled	A-1	44,219	
Encumbrances Paid	A-4	<u>3,848,530</u>	<u>3,932,621</u>
Balance December 31, 2011	A		<u>\$ 115,895</u>

CURRENT FUND  
SCHEDULE OF APPROPRIATION RESERVES - 2010

A-12

	<u>BALANCE</u>	<u>BALANCE</u>	<u>PAID</u>	<u>BALANCE</u>
	<u>12/31/10</u>	<u>AFTER</u>	<u>OR</u>	<u>LAPSED</u>
		<u>TRANSFERS</u>	<u>CHARGED</u>	
Municipal Clerk:				
Other Expenses	\$ 2,778	\$ 3,193	\$ 3,191	\$ 2
Financial Administration:				
Salaries And Wages	758	758	758	-
Other Expenses	590	590	590	-
Tax Collection:				
Other Expenses	86	86	86	-
Legal Services:				
Other Expenses	1,515	1,100	807	293
Engineering Services:				
Other Expenses	1,154	1,154	1,154	-
Aid to Historic Museum:				
Other Expenses	1,913	1,913	1,913	-
Historic Sites:				
Other Expenses	2,000	2,000	2,000	-
Planning Board:				
Other Expenses	492	492	492	-
Board of Adjustment:				
Other Expenses	63	63	63	-
Employee Group Insurance	221	221	221	-
Police:				
Salaries And Wages	2,893	2,893	2,893	-
Other Expenses	12,855	12,855	10,868	1,987
Emergency Management:				
Other Expenses	1,455	1,455	1,455	-
Aid to Vol. Fire Companies	6,225	6,225	2,215	4,010
Contribution to First Aid Squads	5,569	5,569	1,165	4,404
Fire Hydrant Services	209	209	209	-
Street and Road Maintenance:				
Salaries And Wages	1,372	1,372	1,372	-
Other Expenses	30,212	19,962	16,720	3,242
Snow Removal	17,120	27,370	27,333	37
Recycling Program:				
Other Expenses	1,076	1,076	1,076	-
Buildings and Grounds:				
Other Expenses	9,958	9,958	9,958	-
Board of Health:				
Other Expenses	670	670	670	-
Environmental Commission:				
Other Expenses	26	26	26	-
Dog Regulation:				
Other Expenses	500	501	501	-
Contribution to Social Services Agency:				
Other Expenses	100	100	100	-
Underground Storage Tank Remed.:				
Other Expenses	12,437	12,437	12,437	-
Recreation:				
Other Expenses	444	444	444	-
Contribution to Seniors	4,000	4,000	4,000	-
Aid to Library	29	118	114	4
Maintenance of Parks:				
Other Expenses	978	978	978	-
Celebration of Public Events	1,031	1,031	1,031	-
Petroleum Products:				
Other Expenses	6,858	6,768	6,648	120
Social Security	645	645	645	-
Public Defender:				
Other Expenses	1,075	1,075	1,075	-
Others - No Change	3,622	3,622		3,622
	<u>\$ 132,929</u>	<u>\$ 132,929</u>	<u>\$ 115,208</u>	<u>\$ 17,721</u>

	REF.	A	A	A-4	A-1
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Analysis of Balance:				
Budget Appropriations	\$ 93,057		\$ 75,336	
Reserve for Encumbrances	<u>39,872</u>		<u>39,872</u>	
	<u>\$ 132,929</u>		<u>\$ 115,208</u>	

CURRENT FUND  
SCHEDULE OF TAXES COLLECTED IN ADVANCE

A-13

	<u>REF.</u>	
Balance December 31, 2010	A	\$ 124,680
<b>Increased by:</b>		
2012 Taxes Collected in Advance	A-5	<u>132,180</u>
		256,860
<b>Decreased by:</b>		
Applied to 2011 Taxes Receivable	A-6	<u>124,680</u>
Balance December 31, 2011	A	<u>\$ 132,180</u>

CURRENT FUND  
SCHEDULE OF RESERVE FOR CODIFICATION OF ORDINANCES

A-14

	<u>REF.</u>	
Balance December 31, 2010	A	<u>\$ 5,625</u>
Balance December 31, 2011	A	<u>\$ 5,625</u>

CURRENT FUND  
SCHEDULE OF COUNTY TAXES PAYABLE

A-15

	<u>REF.</u>	
Balance December 31, 2010	A	\$ 14,924
<b>Increased by:</b>		
2011 Levy:		
County Taxes	A-6	\$ 2,788,221
County Library Taxes	A-6	235,088
County Open Space Tax	A-6	290,973
Prior Year Added and Omitted Taxes	A-6	<u>21,373</u>
		<u>3,335,655</u>
		3,350,579
<b>Decreased by:</b>		
Payments	A-4	<u>3,329,206</u>
Balance December 31, 2011	A	<u>\$ 21,373</u>

CURRENT FUND  
SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

A-16

	<u>REF.</u>		
Balance December 31, 2010:			
School Tax Payable		\$2,407,034	
School Tax Deferred	A	<u>2,896,263</u>	\$ 5,303,297
<b>Increased by:</b>			
Levy - School Year July 1, 2011 to June 30, 2012	A-6		<u>10,356,595</u>
			15,659,892
<b>Decreased by:</b>			
Payments	A-4		<u>10,481,595</u>
Balance December 31, 2011:			
School Tax Payable	A	1,612,034	
School Tax Deferred		<u>3,566,263</u>	<u>\$ 5,178,297</u>
 <b>2011 Liability for Local District School Tax:</b>			
Tax Paid			\$ 10,481,595
Tax Payable 12/31/11			<u>5,178,297</u>
			15,659,892
Less -- Current Year Deferred			670,000
Less -- Tax Payable 12/31/10			<u>5,303,297</u>
 <b>Amount Charged to 2011 Operations</b>	 A-1		 <u>\$ 9,686,595</u>

CURRENT FUND  
SCHEDULE OF REGIONAL HIGH SCHOOL TAX PAYABLE

A-17

	<u>REF.</u>		
Balance December 31, 2010:			
School Tax Payable		\$ 1,470,341	
School Tax Deferred	A	<u>1,162,452</u>	\$ 2,632,793
<b>Increased by:</b>			
Levy - School Year July 1, 2011 to June 30, 2012	A-6		<u>5,384,156</u>
			8,016,949
<b>Decreased by:</b>			
Payments	A-4		<u>5,324,871</u>
Balance December 31, 2011:			
School Tax Payable	A	1,529,626	
School Tax Deferred		<u>1,162,452</u>	<u>\$ 2,692,078</u>
 <b>2011 Liability for Regional High School Tax:</b>			
Tax Paid			\$ 5,324,871
Tax Payable 12/31/11			<u>2,692,078</u>
			8,016,949
Less -- Tax Payable 12/31/10			<u>2,632,793</u>
 <b>Amount Charged to 2011 Operations</b>	 A-1		 <u>\$ 5,384,156</u>

CURRENT FUND  
SCHEDULE OF MUNICIPAL OPEN SPACE TAX PAYABLE

A-18

	<u>REF.</u>	
Balance December 31, 2010	A	\$ 34,921
<b>Increased by:</b>		
2011 Municipal Open Space Tax	A-6	\$ 74,994
Added/Omitted Taxes - 2011	A-6	\$ <u>719</u>
		\$ <u>75,713</u>
		110,634
<b>Increased by:</b>		
Open Space Debt Service Payments	A-4	<u>109,915</u>
Balance December 31, 2011	A	<u>\$ 719</u>

CURRENT FUND  
SCHEDULE OF AMOUNT DUE FROM STATE OF NEW JERSEY FOR  
SENIOR CITIZENS AND VETERANS DEDUCTIONS

A-19

	<u>REF.</u>	
Balance December 31, 2010	A	\$ 3,682
<b>Increased by:</b>		
Senior Citizens Deductions Per Tax Billings		\$ 8,967
Veterans Deductions per Tax Billings		<u>51,250</u>
		<u>60,217</u>
		63,899
<b>Decreased by:</b>		
Senior Citizens Deductions Disallowed by Tax Collector Received in Cash from State	A-4	<u>60,217</u>
Balance December 31, 2011	A	<u><u>\$ 3,682</u></u>

CURRENT FUND  
SCHEDULE OF RESERVE FOR GARDEN STATE GRANT FUND

A-20

	<u>REF.</u>	
Balance December 31, 2010	A	\$ 15,409
<b>Increased by:</b>		
Garden State Grant Fund	A-4	<u>15,409</u>
		30,818
<b>Decreased by:</b>		
Realized As Revenue 2011 Budget	A-2	<u>15,409</u>
Balance December 31, 2011	A	<u>\$ 15,409</u>

CURRENT FUND  
SCHEDULE OF STATE GRANTS RECEIVABLE

A-21

<u>PURPOSE</u>	<u>BALANCE</u> <u>12/31/10</u>	<u>RECEIVABLE</u>	<u>RECEIVED</u>	<u>BALANCE</u> <u>12/31/11</u>
NJ Transit-Penwell Road	\$ 22,500			\$ 22,500
Neighborhood Preservation Balanced Housing	5,000			5,000
Clean Communities		\$ 19,540	\$ 19,540	
Body Armor Grant	1,210	1,267	1,267	1,210
Recycling Tonnage Grant		4,910	4,910	
2010 FEMA - Mt Airy Road		220,300		220,300
Stormwater Grant	2,500			2,500
Highlands Initial Assessment Grant	20,000		20,000	
Highlands Plan Conformance Grant	1,393		1,393	
NJ Transit-Hollow Road	30,000			30,000
NJ Transit-Dutch Hill Road	31,250		31,250	
<b>Totals</b>	<b>\$ 113,853</b>	<b>\$ 246,017</b>	<b>\$ 78,360</b>	<b>\$ 281,510</b>
REF.	A	A-2	A-4	A

CURRENT FUND  
SCHEDULE OF RESERVE FOR STATE GRANTS-APPROPRIATED

A-22

	<u>BALANCE</u> <u>12/31/10</u>	<u>TRANSFER</u> <u>FROM</u> <u>2011 BUDGET</u> <u>APPROPRIATIONS</u>	<u>EXPENDED</u>	<u>BALANCE</u> <u>12/31/11</u>
Clean Communities - 11	-	\$ 19,540		\$ 19,540
Clean Communities - 10	\$ 5,656		\$ 5,394	262
Clean Communities - 07	13,287		13,287	
Drunk Driving Enforcement Fund	2,807			2,807
Recycling Tonnage Grant CY 05	836		836	-
Recycling Tonnage Grant CY 08	1,331		795	536
Recycling Tonnage Grant CY 09	2,865			2,865
Recycling Tonnage Grant CY 10		720		720
Recycling Tonnage Grant CY 11		4,910		4,910
NJDOT-Penwell Road	27,593			27,593
Body Armor CY11		1,267		1,267
Body Armor CY10	656		208	448
Stormwater Grant CY 05	5,000			5,000
Stormwater Grant CY 06	5,000			5,000
Stormwater Grant CY 07	5,000			5,000
Stormwater Grant CY 08	5,000			5,000
Tree Grant	1,887			1,887
Click it or Ticket Grant	4,000			4,000
Highlands Initial Assessment Grant	5,104			5,104
2010 FEMA - Mt Airy Road	-	220,300	220,300	-
Neighborhood Preservation - Balanced Housing	355			355
<b>Totals</b>	<b>\$ 86,377</b>	<b>\$ 246,737</b>	<b>\$ 240,820</b>	<b>\$ 92,294</b>

REF .      A                      A-3                      A-4                      A

CURRENT FUND  
SCHEDULE OF RESERVE FOR STATE GRANTS-UNAPPROPRIATED

A-23

	<u>BALANCE</u> <u>12/31/10</u>	TRANSFER TO 2011 BUDGET <u>APPROPRIATIONS</u>	<u>RECEIVED</u>	<u>BALANCE</u> <u>12/31/11</u>
Clean Communities			\$ 289	\$ 289
Drunk Driving Enforcement Fund			4,060	4,060
Law and Public Safety Grant			12,188	12,188
Body Armor Grant	\$ 720	\$ 720		-
<b>Totals</b>	<u>\$ 720</u>	<u>\$ 720</u>	<u>\$ 16,537</u>	<u>\$ 16,537</u>
REF .	A	A-2:3	A-4	A

CURRENT FUND  
SCHEDULE OF TAX OVERPAYMENTS

A-24

	<u>REF.</u>	
<b>Increased by:</b>		
2011 Tax Overpayments	A-5	<u>\$ 9,825</u>
<b>Decreased by:</b>		
Refunds	A-4	<u>\$ 9,825</u>

## **TRUST FUND SCHEDULES**

TRUST FUND  
SCHEDULE OF CASH - TREASURER

B-2

	<u>REF.</u>	<u>DOG LICENSES</u>	<u>OTHER</u>
Balance December 31, 2010	B	\$ <u>333</u>	\$ <u>1,358,457</u>
<b>Increased by Receipts:</b>			
Dog License Fees	B-3	11,704	
State Dog License Fees	B-4	2,596	
Due Current Fund	B-5:6	5	34,921
Interfund Returned - General Capital	C		590,863
Museum Deposits	B-8		156
Developers Deposits	B-9		6,756
Driveway Bond Deposits	B-10		754
Unemployment Compensation Insurance	B-11		47
Library Fund Deposits	B-12		3,160
Recreation Commission Deposits	B-13		6
Fair Share Housing(COAH) Deposits	B-14		5,776
Municipal Alliance	B-15		4
Off-Track Improvements Deposits	B-16		36
Open Space Deposits	B-17		196,075
Emergency Snow Removal	B-18		19,023
Accumulated Absences Deposits	B-19		37,107
Developers Escrow Deposits	B-20		124
<b>Total Receipts</b>		<u>14,305</u>	<u>894,808</u>
		<b>14,638</b>	<b>2,253,265</b>
<b>Decreased by Disbursements:</b>			
Expenditures Under R. S. 4:19-15.11	B-3	14,867	
State Dog License Fees	B-4	2,596	
Due Current Fund	B-5:6	263	15
McCrane Services	B-7		5
Museum Disbursements	B-8		900
Developers Expenses	B-9		7,792
Driveway Bonds	B-10		2,250
Unemployment Compensation Insurance Transfers	B-11		1,254
Library Payments	B-12		13,220
Fair Share Housing	B-14		23,696
Municipal Alliance	B-15		7,870
Open Space Payments	B-17		680,391
Developers Escrow	B-20		7,702
<b>Total Disbursements</b>		<u>17,726</u>	<u>745,095</u>
Balance December 31, 2011	B	<b>\$ (3,088)</b>	<b>\$ 1,508,170</b>

TRUST FUND  
SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES

B-3

	<u>REF.</u>	
Balance December 31, 2010	B	\$ 70
<b>Increased by:</b>		
Dog License Fees Collected	B-2	<u>11,704</u> 11,774
<b>Decreased by:</b>		
Expenditures Under R.S. 4:29-15.11	B-2	<u>14,867</u>
Balance December 31, 2011	B	<u>\$ (3,093)</u>

TRUST FUND  
SCHEDULE OF AMOUNT DUE TO STATE OF  
NEW JERSEY DEPARTMENT OF HEALTH

B-4

REF.

**Increased by:**

Collected in 2011:

State Board of Health Fees

B-2    \$ 2,596

**Decreased By:**

Payments

B-2    \$ 2,596

TRUST FUND  
SCHEDULE OF AMOUNT DUE CURRENT FUND  
DOG LICENSE FUND

B-5

	<u>REF.</u>	
Balance December 31, 2010	B	\$ 263
<b>Increased by:</b>		
Interest Credits Due Current Fund	B-2	<u>    5</u> 268
<b>Decreased by:</b>		
Returned to Current Fund	B-2	<u>  263</u>
Balance December 31, 2011	B	<u>    5</u>

TRUST FUND  
SCHEDULE OF AMOUNT DUE CURRENT FUND  
OTHER TRUST FUND

B-6

	<u>REF.</u>	<u>DUE</u>	<u>FROM</u>
Balance December 31, 2010	B	\$	67,044
<b>Increased by:</b>			
Tax Sale Premiums Received in Current Fund	B-21	\$	17,800
McCrane Escrow Services-Beginning Balance Interfund Advanced	B-2		15
Open Space Added/Omitted Taxes	B-17		719
			18,534
			85,578
<b>Decreased by:</b>			
Tax Sale Premiums Paid from Current Fund	B-21		3,500
Open Space - Beginning Balance Interfund Returned	B-2		34,921
			38,421
Balance December 31, 2011	B	\$	47,157

**Detail:**

Driveway Bond Interest	\$	1,982
McCrane Escrow Services		1
Debt Service Adjustment Prior Year		8,832
Recreation Trust		4,244
Off Track Improvements		(1,921)
Tax Sale Premiums		33,300
Open Space Trust Fund		719
	\$	47,157

TRUST FUND  
SCHEDULE OF RESERVE FOR MACRONE SERVICES

B-7

	<u>REF.</u>		
Balance December 31, 2010	B	\$	5
<b>Decreased by:</b>			
Account Closed	B-2	\$	<u>5</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR MUSEUM DONATIONS

B-8

	<u>REF.</u>	
Balance December 31, 2010	A	\$ 10,845
<b>Increased by:</b>		
Museum Deposits	B-2	<u>156</u> 11,001
<b>Decreased by:</b>		
Museum Disbursements	B-2	<u>900</u>
Balance December 31, 2011	A	<u>\$ 10,101</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR DEVELOPERS' DEPOSITS

B-9

	<u>REF.</u>	
Balance December 31, 2010	A	\$ 68,985
<b>Increased by:</b>		
Developers Deposits	B-2	<u>6,756</u>
		75,741
<b>Decreased by:</b>		
Developers Payments	B-2	<u>7,792</u>
Balance December 31, 2011	A	<u>\$ 67,949</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR DRIVEWAY BONDS

B-10

	<u>REF.</u>
Balance December 31, 2010	A \$ 9,061
<b>Increased by:</b>	
Driveway Deposits	B-2 <u>754</u> 9,815
<b>Decreased by:</b>	
Driveway Refunds	B-2 <u>2,250</u>
Balance December 31, 2011	A <u>\$ 7,565</u>

TRUST FUND  
SCHEDULE OF UNEMPLOYMENT COMPENSATION INSURANCE  
TRUST DEPOSITS

B-11

	<u>REF.</u>			
Balance December 31, 2010	B	\$ 79,411		
<b>Increased by:</b>				
Interest Credits	B-2	<table style="margin-left: auto; margin-right: 0;"> <tr> <td style="border-bottom: 1px solid black; width: 50px; text-align: right;">47</td> </tr> <tr> <td style="text-align: right;">79,458</td> </tr> </table>	47	79,458
47				
79,458				
<b>Decreased by:</b>				
Transfers to Current Fund	B-2	<table style="margin-left: auto; margin-right: 0;"> <tr> <td style="border-bottom: 1px solid black; width: 50px; text-align: right;">1,254</td> </tr> </table>	1,254	
1,254				
Balance December 31, 2011	B	<u>\$ 78,204</u>		

TRUST FUND  
SCHEDULE OF RESERVE FOR LIBRARY FUND

B-12

	<u>REF.</u>
Balance December 31, 2010	A \$ 14,632
<b>Increased by:</b>	
Deposits and Interest Credits	B-2 <u>3,160</u>
<b>Decreased by:</b>	
Payments	B-2 <u>13,220</u>
Balance December 31, 2011	A <u>\$ 4,572</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR RECREATION COMMISSION

B-13

	<u>REF.</u>	
Balance December 31, 2010	A	\$ 11,236
<b>Increased by:</b>		
Recreation Deposits	B-2	<u>        6</u>
		11,242
Balance December 31, 2011	A	<u>\$ 11,242</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR FAIR SHARE HOUSING (COAH) DEPOSITS

B-14

	<u>REF.</u>	
Balance December 31, 2010	A	\$ 145,987
<b>Increased by:</b>		
COAH Deposits Received	B-2	<u>5,776</u>
		151,763
<b>Decreased by:</b>		
COAH Payments	B-2	<u>23,696</u>
Balance December 31, 2011	A	<u>\$ 128,067</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR VOORHEES MUNICIPAL ALLIANCE

B-15

	<u>REF.</u>	
Balance December 31, 2010	A	\$ 7,866
<b>Increased by:</b>		
Municipal Alliance - Interest	B-2	<u>    4</u> 7,870
<b>Decreased by:</b>		
Municipal Alliance Payments	B-2	<u>\$ 7,870</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR OFF-TRACK IMPROVEMENTS

B-16

	<u>REF.</u>	
Balance December 31, 2010	A	\$ 61,595
<b>Increased by:</b>		
Off-Track Improvement Deposits	B-2	<u>        36</u> 61,631
Balance December 31, 2011	A	<u>\$ 61,631</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR OPEN SPACE TRUST DEPOSITS

B-17

	<u>REF.</u>		
Balance December 31, 2010	B		\$ 1,424,858
<b>Increased by:</b>			
2011 Added/Omitted Taxes	B-6	\$ 719	
Open Space Levy	B-2	74,994	
State of NJ - Fisher Parcel	B-2	120,545	
Interest Credits	B-2	<u>536</u>	<u>196,794</u>
			1,621,652
<b>Decreased by:</b>			
Payment to Township Attorney Escrow - Open Space Acquisition	B-2	114,000	
Professional Fees	B-2	7,775	
NJ Environment Infrastructure Trust Debt Service	B-2	70,120	
Bond Anticipation Note Principle & Interest	B-2	<u>488,496</u>	<u>680,391</u>
Balance December 31, 2011	B		<u>\$ 941,261</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR EMERGENCY SNOW REMOVAL

B-18

	<u>REF.</u>	
Balance December 31, 2010	B	\$ 1,146
<b>Increased by:</b>		
Current Fund Budget Appropriation	B-2	\$ 19,000
Deposits-Interest	B-2	<u>23</u> <u>19,023</u>
		20,169
Balance December 31, 2011	B	<u>\$ 20,169</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR ACCUMULATED ABSENCES

B-19

	<u>REF.</u>	
Balance December 31, 2010	A	\$ 78,268
<b>Increased by:</b>		
Current Fund Budget Appropriation	B-2	\$ 37,000
Deposits-Interest	B-2	<u>107</u>
		<u>37,107</u>
 Balance December 31, 2011	 A	 <u>\$ 115,375</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR DEVELOPERS ESCROW

B-20

	<u>REF.</u>	
Balance December 31, 2010	B	\$ 83,469
<b>Increased by:</b>		
Deposits	B-2	<u>    124</u>
		83,593
<b>Decreased by:</b>		
Deposits Returned	B-2	<u>    7,702</u>
Balance December 31, 2011	B	<u>\$ 75,891</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR TAX SALE PREMIUMS

B-21

	<u>REF.</u>	
Balance December 31, 2010	B	\$ 19,000
<b>Increased by:</b>		
Tax Sale Premiums Received in Current Fund	B-6	<u>17,800</u>
		36,800
<b>Decreased by:</b>		
Tax Sale Premiums Refunded in Current Fund	B-6	<u>3,500</u>
Balance December 31, 2011	B	<u>\$ 33,300</u>

# **GENERAL CAPITAL FUND SCHEDULES**

GENERAL CAPITAL FUND  
SCHEDULE OF CASH -TREASURER

C-2

	<u>REF.</u>		
Balance December 31, 2010	C	\$	137,784
<b>Increased by Receipts:</b>			
Interest Credits	C-6	\$	65
Interfund Balances Advanced	C-6		3,625,427
Capital Improvement Fund Budget Appropriation	C-7		36,500
Bond Anticipation Note Proceeds-New Note	C-9		164,800
Bond Anticipation Note Proceeds-Renewal	C-6		<u>3,667,162</u>
			<u>7,493,954</u>
			7,631,738
<b>Decreased by Disbursements:</b>			
Improvements Authorizations Paid	C-11		1,029,421
Interfund Balances Returned - Open Space Fund	C-3		584,962
Interfund Balances Returned - Open Trust Fund	B		5,899
Bond Anticipation Note Payment	C-6		<u>3,835,030</u>
			<u>5,455,312</u>
Balance December 31, 2011	C		<u>\$ 2,176,426</u>

GENERAL CAPITAL FUND  
SCHEDULE OF AMOUNT DUE TO OPEN SPACE TRUST FUND

C-3

	<u>REF.</u>	
Balance December 31, 2010	C	\$ 584,962
<b>Decreased By:</b>		
Interfund Returned	C-2	<u>\$ 584,962</u>

GENERAL CAPITAL FUND  
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

C-4

	<u>REF.</u>	
Balance December 31, 2010	C	\$ 798,105
<b>Decreased by:</b>		
Serial Bonds Paid	C-8	<u>60,364</u>
Balance December 31, 2011	C	<u>\$ 737,741</u>

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

C-5

ORDINANCE NUMBER	IMPROVEMENT DESCRIPTION	BALANCE 12/31/10	2011 AUTHORIZATIONS	NOTES PAID BY BUDGET APPROPRIATION	BALANCE 12/31/11	ANALYSIS OF BALANCE DEBT	
						AUTHORIZED, NOT ISSUED	DEBT ISSUED (BAN'S)
01-48	Acquisition of Development Rights	\$ 490,600		\$ 288,600	\$ 202,000	\$ 202,000	-
03-07	Purchase of Fire Truck and Ambulance	238,428		30,000	208,428	88,428	\$ 120,000
03-10	Acquisition of Land	1,254,865			1,254,865	1,254,865	-
04-08	Acquisition of Land	1,153,734			1,153,734	1,153,734	-
04-09	Acquisition of Development and Easement Rights	1,380,000			1,380,000	1,380,000	-
05-06	Acquisition of Development and Easement Rights	192,750		192,750	-		-
05-11	Fire Pumper, Dump Truck, Various Improvements	356,490		71,297	285,193		285,193
05-14	Acquisition of Development and Easement Rights	528,000			528,000	528,000	-
06-08	Loader, Fuel Tanks, Windows, Police Equip.	156,275		22,325	133,950		133,950
07-10	Road Resurfacing, Library Roof, Well, Traffic Safety Sign, Trailer, Salt Spreader, Tarps, Pick-up Turck & Plow, Fire ATV	214,047		30,578	183,469		183,469
08-07	Police Garage, Generator, File Cabs, IT equip, Mason Dump Truck, Road Resurfacing	329,500			329,500		329,500
09-03	DPW Garage Feasibility	190,000			190,000		190,000
09-06; 10-03	Road Resurfacing, DPW vehicles & Lift, Fire Tanker	659,000			659,000		659,000
09-07	DPW Garage	1,900,000			1,900,000		1,900,000
10-14	Road Resurfacing, Fueling Station, Tractor, Mower, Backhoe	633,200			633,200		633,200
11-02	Fire and Rescue Squad Ambulance		\$ 164,800		164,800		164,800
11-07	DPW Vehicle and Apparatus, Road Resurfacing of Various Township Roads, Supplemental Funding of DPW Garage		428,000		428,000	428,000	-
11-07	Amendment of Ordinance #2007-10 for Inclusion of Fire Department ATV and Ambulance Equipment.		32,825		32,825	32,825	-
11-10	Supplemental Funding of DPW Garage, Amendment of Ordinance #2011-07 and 2009-07		570,000		570,000	570,000	-
		<b>\$ 9,676,889</b>	<b>\$ 1,195,625</b>	<b>\$ 635,550</b>	<b>\$ 10,236,964</b>	<b>\$ 5,637,852</b>	<b>\$ 4,599,112</b>

REF.

C

C-11

C-9

C

A-3

\$ 154,200

B-17

481,350

\$ 635,550

GENERAL CAPITAL FUND  
SCHEDULE OF AMOUNT DUE CURRENT FUND

C-6

	REF.		
Balance December 31, 2010	C		\$ (2,998,427)
<b>Increased by:</b>			
Interest Credits	C-2	\$ 65	
Interfund Balances Advanced	C-2	<u>3,625,427</u>	<u>3,625,492</u>
			627,065
<b>Decreased by:</b>			
Bond Anticipation Notes Principle and Interest Paid from General Capital Fund	C-2	167,868	
Bond Anticipation Notes received in Current Fund	C-9	<u>633,200</u>	<u>801,068</u>
Balance December 31, 2011	C		<u>\$ (174,003)</u>

GENERAL CAPITAL FUND  
SCHEDULE OF CAPITAL IMPROVEMENT FUND

C-7

	<u>REF.</u>	
Balance December 31, 2010	C	\$ 144,564
<b>Increased by:</b>		
2011 Budget Appropriations	C-2	<u>36,500</u>
		181,064
<b>Decreased by:</b>		
Appropriation to Finance Improvement Authorizations	C-11	<u>64,375</u>
Balance December 31, 2011	C	<u>\$ 116,689</u>

GENERAL CAPITAL FUND  
SCHEDULE OF NEW JERSEY TRUST LOAN PROGRAM

C-8

<u>IMPROVEMENT DESCRIPTION</u>	<u>DATE OF ISSUE</u>	<u>ORD#</u>	<u>ORIGINAL ISSUE</u>	<u>MATURITIES DATE</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>	<u>BALANCE 12/31/10</u>	<u>DECREASED</u>	<u>BALANCE 12/31/11</u>
New Jersey Environmental Infrastructure Trust-Loan Program	1/1/04	03-10	\$470,135	2012-2023	\$22,208 to \$26,904	None	\$ 321,911	\$ 28,287	\$ 293,624
New Jersey Environmental Infrastructure Trust-Loan Program	1/1/04	03-10	\$175,000	2012-2023	\$5,000 to \$15,000.	3.0% to 5.0%	140,000	10,000	130,000
New Jersey Environmental Infrastructure Trust-Loan Program	10/13/04	04-08	\$341,266	2012-2024	\$8,282 to \$18,836	None	241,194	17,077	224,117
New Jersey Environmental Infrastructure Trust-Loan Program	10/13/04	04-08	\$120,000	2012-2024	\$5,000 to \$10,000	3.0% to 5.0%	95,000	5,000	90,000
							<b>\$ 798,105</b>	<b>\$ 60,364</b>	<b>\$ 737,741</b>
REF.							C	C-4	C

GENERAL CAPITAL FUND  
SCHEDULE OF BOND ANTICIPATION NOTES

C-9

ORDINANCE NUMBER	IMPROVEMENT DESCRIPTION	DATE OF ORIGINAL NOTE	DATE OF ISSUE	DATE OF MATURITY	INTEREST RATE	BALANCE 12/31/10	ISSUED	DECREASED	BALANCE 12/31/11
05-11	Fire Pumper, Dump Truck, Road Resurfacing Computer, Municipal Bldg.Imps., Breathalyzer	9/16/05	9/9/11	9/7/12	0.69%	\$ 356,490		\$ 71,297	\$ 285,193
03-07	Purchase of Fire Truck and Ambulance	9/16/05	9/9/11	9/7/12	0.69%	150,000		30,000	120,000
07-10	Road Resurfacing, Library Roof, Well, Traffic Safety Sign, Trailer, Salt Spreader, Tarps, Pick- up Turck & Plow, Fire ATV	9/14/07	9/9/11	9/7/12	0.69%	214,047		30,578	183,469
08-07	Police Garage, Generator, File Cabs, IT equip, Mason Dump Truck, Road Resurfacing	12/23/09	9/9/11	9/7/12	0.69%	329,500			329,500
09-03	DPW Garage Feasibility	12/23/09	9/9/11	9/7/12	0.69%	190,000			190,000
09-07	DPW Garage	9/10/10	9/9/11	9/7/12	0.69%	1,900,000			1,900,000
10-03	Road Resurfacing, DPW Trucks, Vehicle Lift, Library Heating, Tanker Fire Turck	9/10/10	9/9/11	9/7/12	0.69%	659,000			659,000
11-02	Fire and Rescue Squad Ambulance	9/9/11	9/9/11	9/7/12	0.69%		\$ 164,800		164,800
01-48	Acquisition of Development Rights	5/13/02	2/5/10	2/4/11	1.49%	288,600		288,600	-
05-06	Acquisition of Development Rights	12/28/06	2/5/10	2/4/11	1.49%	192,750		192,750	-
06-08	Loader, Fuel Tanks, Windows, Police Equip.	2/9/07	2/4/11	2/3/12	1.45%	156,275		22,325	133,950
10-14	Road Resurfacing, Fueling Station, Tractor, Mower, Backhoe	2/4/11	2/4/11	2/3/12	1.45%		633,200		633,200
						<b>\$ 4,436,662</b>	<b>\$ 798,000</b>	<b>\$ 635,550</b>	<b>\$ 4,599,112</b>

REF.

C

C-5

C

C-6	\$ 633,200
C-2	164,800
	<u>\$ 798,000</u>

Charged As Follows:

	<u>Principal</u>	<u>Interest</u>
Current Fund Budget	\$ 154,200	\$ 38,419
Open Space Trust Fund	481,350	7,172
Total	<u>\$ 635,550</u>	<u>\$ 45,591</u>

GENERAL CAPITAL FUND  
SCHEDULE OF VARIOUS RESERVES

C-10

<u>DESCRIPTION</u>	<u>BALANCE</u> <u>12/31/10</u>	<u>BALANCE</u> <u>12/31/11</u>
Fire Truck and Ambulance	<u>\$ 17,233</u>	<u>\$ 17,233</u>
	<u>\$ 17,233</u>	<u>\$ 17,233</u>
REF.	C	C

GENERAL CAPITAL FUND  
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

C-11

<u>IMPROVEMENT DESCRIPTION</u>	<u>NUMBER</u>	<u>ORDINANCE DATE</u>	<u>AMOUNT</u>	<u>BALANCE 12/31/10</u>		<u>CAPITAL IMPROVEMENT FUND</u>	<u>DEFERRED CHARGES TO FUTURE TAXATION UNFUNDED</u>	<u>PAID OR CHARGED</u>	<u>BALANCE 12/31/11</u>	
				<u>FUNDED</u>	<u>UNFUNDED</u>				<u>FUNDED</u>	<u>UNFUNDED</u>
Acquisition of Development Rights	01-48	12/5/01			\$ 276,699					\$ 276,699
Acquisition of Land	03-10	7/16/03			1,273,612					1,273,612
Various Road Improvements and Overlay	04-06	5/5/04	\$ 138,000	\$ 7,827				\$ 7,827		
Acquisition of Land	04-08	7/21/04	1,615,000		1,699,105					1,699,105
Acquisition of Develop. & Easement Rights	04-09	7/21/04	1,450,000		941,168					941,168
Acquisition of Develop. & Easement Rights	05-06	3/16/05	270,000		125,779					125,779
Fire Pumper, Dump Truck, Various Imps	05-11	8/3/05	750,500		91,437					91,437
Acquisition of Develop. & Easement Rights	05-14	10/19/05	555,000		32,083					32,083
Loader, Fuel Tanks, Windows, Police Equip.	06-08	7/19/06	188,000		10,016					10,016
Road Resurfacing, Library Roof, Well, Traffic Safety Sign, Trailer, Salt Spreader, Tarps, Pick-up Turck & Plow, Fire	07-10	6/20/07	257,500		1,027					1,027
Police Garage, Generator, File Cabs, IT equip, Mason Dump Truck, Road Resurfacing	08-07	9/3/08	346,500		53,203			\$ 20,011		33,192
New Municipal Garage	08-12	12/17/08	38,058	1,536					\$ 1,536	
DPW Garage Feasibility	09-03	4/15/09	200,000		111,343					111,343
Road Resurfacing, DPW Trucks, Vehicle Lift, Library Heating, Tanker Fire Truck	09-06; 10-03	9/2/09; 2/17/10	695,000		333,945			333,945		-
DPW Garage	09-07	10/7/09	2,000,000		2,000,000			224,449		1,775,551
Road Resurfacing, Fueling Station, Tractor, Mower, Backhoe	10-14	10/20/10	665,000	31,800	633,200			252,674		412,326
Fire and Rescue Squad Ambulance	11-02	1/19/11	175,000			\$ 10,200	\$ 164,800	174,822		178
DPW Vehicle and Apparatus, Road Resurfacing of Various Township Roads, Supplemental Funding of DPW Garage	11-07	8/3/11	450,000			22,000	428,000		22,000	428,000
Amendment of Ordinance #2007-10 for Inclusion of Fire Department ATV and Ambulance Equipment.	11-07	8/3/11	35,000			2,175	32,825	23,520		11,480
Supplemental Funding of DPW Garage, Amendment of Ordinance #2011-07 and 2009-07	11-10	11/2/11	600,000			30,000	570,000		30,000	570,000

<b>\$ 41,163</b>	<b>\$7,582,617</b>	<b>\$ 64,375</b>	<b>\$ 1,195,625</b>	<b>\$ 1,029,421</b>	<b>\$ 61,363</b>	<b>\$7,792,996</b>
C	C	C-7	C-5	C-2	C	C

REF.

## **SCHEDULE OF GENERAL FIXED ASSETS**

GENERAL FIXED ASSETS  
SCHEDULE OF ADDITIONS AND DELETIONS  
DECEMBER 31, 2011

F-1

	<u>BALANCE</u> <u>12/31/10</u>	<u>ADDITIONS</u>	<u>BALANCE</u> <u>12/31/11</u>
General Fixed Assets:			
Land	\$ 3,510,219		\$ 3,510,219
Buildings	1,462,527	\$ 570,000	2,032,527
Machinery and Equipment	<u>7,423,810</u>	<u>625,625</u>	<u>8,049,435</u>
 Total General Fixed Assets	 <b><u>\$ 12,396,556</u></b>	 <b><u>\$ 1,195,625</u></b>	 <b><u>\$ 13,592,181</u></b>

**PART III  
SUPPLEMENTARY INFORMATION**

**GENERAL COMMENTS**

**SCHEDULE OF FEDERAL/STATE AWARDS**

**STATUS OF PRIOR AUDIT FINDINGS**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS-  
GENERAL FINDINGS**

## **GENERAL COMMENTS**

## **GENERAL COMMENTS**

### **Scope of Audit**

The audit of the financial statements of the Township of Lebanon, County of Hunterdon, New Jersey, as required by the Division of Local Government Services, covered the financial transactions of the Treasurer, Tax Collector, the activities of the Township and the records of the various outside departments.

### **Contracts and Agreements Requiring Advertisement for Bids**

Effective April 17, 2000, N.J.S.A.40A:11-1 et.seq (Local Public Contracts Law) was revised by P.L.1999,c.440 (originally known as Assembly Bill No. 3519). Rules and regulations pertaining to the amended law are to be promulgated by the Division of Local Government Services.

N.J.S.A. 40A:11-3 is amended to read as follows:

- a. When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in the contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by resolution of the governing body without public advertising for bids and bidding therefore, except that the governing body may adopt a 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. (pending before the Legislature as section 15 of this bill) of section 9 of P.L.1971,c.198(C.40A:11-9) the governing body 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 paragraph (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. Commencing in the fifth year after the year in which P.L.1999,c.440 takes effect, and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall 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 N.J.S.18A:18A-2(pending before the Legislature as section 50 of this bill), and shall round the adjustment to the nearest \$1,000. The Governor shall notify all municipal units of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of the year in which it is made.

N.J.S.A.40A:11-4 (as amended) states, "Every contract or agreement 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 to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law."

Effective July 1, 2011, the bid threshold in accordance with N.J.S.A.40A:11-3(c) (as amended) is increased to \$36,000 for Qualified Purchasing Agents (QPA), and \$17,500 for units without QPA's.

The governing body of the municipality has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Township Counsel's opinion should be sought before a commitment is made.

The Minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.40A:11-5.

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 determine whether any clear-cut violations existed.

My examination of expenditures did not reveal any individual payments, contracts or agreements in excess of the statutory thresholds "for the performance of any work or the furnishing or hiring of any materials or supplies" other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S.40A:11-6.

### **Collection of Interest on Delinquent Taxes and Assessments**

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

The governing body, on January 5, 2011, adopted the following resolution authorizing interest to be charged on delinquent taxes:

“Be It Resolved that pursuant to R.S.54:4-67, the Township Committee of the Township of Lebanon, County of Hunterdon, and State of New Jersey, hereby fixes the rate of interest to be charged on all delinquent taxes for the year 2004 at the rate of eight (8) per cent per annum for the first \$1,500 and eighteen (18) per cent for amounts over \$1,500.

Be It Further Resolved, that notwithstanding the above provision, no interest shall be charged if payment of any quarterly installment is made within ten (10) days after the date upon which the same become payable according to the laws in such cases made and provided. If such payment is not made within the ten (10) days grace period, the above rate of interest shall run and accrue from the original due date of such taxes.”

Under provisions of C.75, P.L. 1991 (amending N.J.S. 54:4-67), enacted March 28, 1991, the definition of tax delinquency was defined as the sum of all taxes and municipal charges due on a given parcel or property covering any number of quarters or years. In addition, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed six (6%) per cent of the amount of the delinquency.

The governing body, on January 5, 2011, adopted a resolution enabling the \$10,000 delinquency penalty provisions.

The audit of the Collector's records on a test basis indicated no differences between the amount of interest payable on delinquent tax payments, based on our calculations, and the amount of interest charged.

**Delinquent Taxes and Tax Title Liens**

The delinquent taxes at December 31, 2011, include property taxes outstanding from the 2010 and 2011 tax levy.

A tax sale was held October 2011 and was complete.

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

<u>Year</u>	<u>Number of Liens</u>
2011	17
2010	17
2009	15

**Verification of Delinquent Taxes and Other Charges**

Verification notices were mailed to confirm balances as of November 22, 2011. The items that were returned were compared to and are in agreement with the Township's records. For items not returned, alternative procedures were performed.

A test verification of delinquent charges and current payments was made in accordance with verification procedures approved by the Division of Local Government Services. A summary of such verification is as follows:

Type of Receivable - Real Property Tax				
Date of Circulars - November 22, 2011				
<u>Verification Type</u>	<u>Request Form</u>	<u>Total No. of Items</u>	<u>Total No. of Circular</u>	<u>Total No. Returned</u>
2011 Property Tax	Positive	2,954	25	10
2012 Property Tax	Positive	2,954	25	10
2011 Delinquent Tax	Negative	374	25	8

## Technical Accounting Directives

During the calendar year 1984, the Division of Local Government Services initiated as part of the Single Audit Law, a planned revision of the Requirements of Audit to provide new accounting requirements mandated for most local government units. The revision to the Requirements of Audit and Accounting would be in order to improve fiscal accountability for all local governments, satisfy federal-state audit requirements and enhance the credibility for New Jersey municipal accounting practices with federal-state funding sources and bond rating agencies. The new requirements for most local units started January 1, 1986, unless exemption, based upon amount of federal aid received and population size, was formally secured. The Division in 1988 notified those exempted municipal units of a transition requirement for fully implementation of all accounting directives beginning in the 1989 fiscal periods. The identity and compliance status of the Township of Lebanon to these new directives are as follows:

<u>Requirement</u>	FY 2011 Required	
	<u>Yes</u>	<u>No</u>
A. General Ledger Accounting System	X	
B. Encumbrance Accounting	X	
C. Purchase Order System	X	
D. Fixed Asset Accounting and Reporting System	X	

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE-**  
**CURRENT FUND**

**REVENUE AND OTHER INCOME REALIZED**

	<u>YEAR 2011</u>	<u>%</u>	<u>YEAR 2010</u>	<u>%</u>
Fund Balance Utilized	\$ 1,000,000	4.15%	\$ 1,006,000	4.12%
Miscellaneous - From Other Than				
Local Property Tax Levies	3,147,121	13.07%	3,223,862	13.19%
Collection of Delinquent Taxes and				
Tax Title Liens	394,507	1.64%	402,028	1.64%
Collection of Current Tax Levy	<u>19,542,169</u>	<u>81.14%</u>	<u>19,813,460</u>	<u>81.05%</u>
<b>Total Income</b>	<u>24,083,797</u>	<u>100.00%</u>	<u>24,445,350</u>	<u>100.00%</u>

**EXPENDITURES**

Budget Expenditures:				
Municipal Purposes	4,434,020	19.19%	3,915,855	16.71%
Open Space Trust	75,713	0.33%	228,514	0.98%
County Taxes	3,335,655	14.43%	3,560,965	15.19%
Local and Regional Taxes	15,070,751	65.22%	15,497,181	66.13%
Other Expenditures	<u>192,519</u>	<u>0.83%</u>	<u>233,418</u>	<u>1.00%</u>
<b>Total Expenditures</b>	<u>23,108,658</u>	<u>100.00%</u>	<u>23,435,933</u>	<u>100.00%</u>
Excess in Revenue	975,139		1,009,417	
Statutory Excess To Fund Balance	975,139		1,009,417	
Fund Balance January 1	1,028,381		1,024,964	
Less:				
Utilization as Anticipated Revenue	<u>1,000,000</u>		<u>1,006,000</u>	
Fund Balance December 31	<u>\$ 1,003,520</u>		<u>\$ 1,028,381</u>	

**Comparative Schedule of Tax Rate Information**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>Tax Rate</u>	<u>\$2.642</u>	<u>\$2.661</u>	<u>\$2.708</u>
<u>Apportionment of Tax Rate:</u>			
Municipal Open Space	0.010	0.030	0.040
Municipal	0.091	0.070	0.039
County	0.403	0.427	0.450
County Open Space	0.039	0.041	0.044
Local School	1.381	1.399	1.416
Regional High School	0.718	0.694	0.719

Assessed Valuation:

<u>Year</u>	<u>Amount</u>
2011	\$749,942,158
2010	\$758,391,254
2009	\$754,414,073

**Comparison of Tax Levies and Collection Currently**

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2011	\$ 19,938,789	\$19,542,169	98.01%
2010	\$ 20,264,406	\$19,813,461	97.77%
2009	\$ 20,532,299	\$20,106,850	97.92%

**Delinquent Taxes and Tax Title Liens**

This tabulation includes a comparison, expressed in percentage, of the total of delinquent taxes and tax title liens, in relation to the tax levies of the last three years.

<u>Dec.31 Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2011	\$94,917	\$389,864	\$484,781	2.43%
2010	\$91,676	\$400,682	\$492,358	2.43%
2009	\$77,413	\$406,715	\$484,128	2.36%

**Property Acquired by Tax Title Lien Liquidation**

The value of property acquired by liquidation of tax title liens on December 31, on the basis of the last assessed valuation of such properties, was as follows:

<u>Year</u>	<u>Amount</u>
2011	\$94,200
2010	\$94,200
2009	\$94,200

**Comparitive Schedule of Fund Balances**

<u>Year</u>	<u>Balance December 31</u>		<u>Utilized In Budget of Succeeding Year</u>	
			<u>Regular</u>	<u>Defer School Tax</u>
2011	\$ 1,003,520	*	\$ 329,838	\$670,000
2010	\$ 1,028,381		\$ 625,000	\$375,000
2009	\$ 1,024,964		\$ 406,000	\$600,000
2008	\$ 1,062,338		\$ 816,000	NONE
2007	\$ 991,656		\$ 741,000	\$75,000

\*Approved (Introduced) Budget

**Officials in Office and Surety Bonds**

The following officials were in office during the period under audit:

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name Of Corporate Surety</u>
George Piazza	Mayor		
Patricia Schriver	Committee		
Brian Wunder	Committee		
Frank Morrison	Committee		
Ronald Milkowski	Committee		
Karen Sandorse	Township Clerk		
Gregory J. Della Pia	Chief Financial Officer	\$100,000	Selective Insurance Co.

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name Of Corporate Surety</u>
Mary Hyland	Tax Collector	\$130,000	Selective Insurance Co.
Richard Cushing	Attorney		
Mary Mastro	Assessor		
Chris J. Mattson	Police Chief		

The minimum bond coverage for the Tax Collector based on prior years' tax levies is as follows:

<u>Year</u>	<u>Amount</u>
2011	\$129,196

All other officials handling monies, except the Collector, CMFO and Treasurer, were covered by a **faithful performance blanket position** bond in the amount of \$10,000 by the Selective Insurance Company.

All the bonds were examined and were properly executed.

## **SCHEDULE OF FEDERAL/STATE AWARDS**

**SCHEDULE OF FEDERAL AWARDS**  
FOR THE YEAR ENDED DECEMBER 31, 2011

K-3

CFDA	STATE ACCOUNT NUMBER	PROGRAM OR AWARD AMOUNT	GRANT PERIOD	FUND REF.	CASH ACCRUED OR DEFERRED REVENUE BALANCE			CASH ACCRUED OR DEFERRED REVENUE BALANCE		TOTAL DISBURSEMENTS
					AT 1/1/11	RECEIPTS PROGRAM OTHER	DISBURSEMENTS	AT 12/31/11	DISBURSEMENTS	
97.029		\$ 220,300	2011	A			\$ 220,300	\$ (220,300)	\$ 220,300	
					-	-	-	\$ 220,300	\$ (220,300)	\$ 220,300

Note: This Schedule was not subject to an audit in accordance with OMB Circular A-133.

**SCHEDULE OF STATE AWARDS**  
FOR THE YEAR ENDED DECEMBER 31, 2011

K-4

STATE GRANTOR/PROGRAM TITLE	ACCOUNT NUMBER	PROGRAM OR AWARD AMOUNT	GRANT PERIOD	FUND REF.	CASH ACCRUED OR DEFERRED REVENUE BALANCE			CASH ACCRUED OR DEFERRED REVENUE BALANCE	
					AT 1/1/11	RECEIPTS PROGRAM OTHER	DISBURSEMENTS	AT 12/31/11	DISBURSEMENTS
<b>DEPT. OF COMMUNITY AFFAIRS</b>									
Neighborhood Preservation Balanced Housing	N/A		Prior Years	A	\$ (4,645)			\$ (4,645)	
<b>DEPT. OF ENVIRON. PROTECTION</b>									
Solid Waste Adm.-Clean Communities Program	4900-765-178900	\$19,829	2011 Prior Years	A A		\$ 19,829		19,829	263
<b>DEPT. OF PUBLIC SAFETY</b>									
Criminal Justice - Body Armor	N/A	1,267	2011	A		1,267		1,267	
Criminal Justice - Body Armor	N/A	720	2010	A	166		208	(42)	
Drunk Driving Enforcement	4250-760-050000-63	4,060	2011	A		4,060		4,060	
Drunk Driving Enforcement	4250-760-050000-63	1,483	2009	A	1,483			1,483	
Drunk Driving Enforcement	4250-760-050000-63	2,646	2008	A	1,324			1,324	
Law and Public Safety Grant	N/A	12,188	2011	A		12,188		12,188	
<b>DEPT. OF TRANSPORTATION</b>									
NJ Transportation Fund Authority Act Hollow Road		120,000	2008	A	(30,000)			(30,000)	
Dutch Hill Road		125,000	2007	A	(31,250)	31,250		-	
Penwell Road	8220-635-40000-01	N/A	Prior Year	A	5,093			5,093	
<b>OTHER STATE AIDS</b>									
Recycling Tonnage Program	N/A	4,910	2011	A		4,910		4,910	
Recycling Tonnage Program	N/A	2,865	2009	A	2,865			2,865	
Recycling Tonnage Program	N/A	1,766	2008	A	1,331		795	536	
Recycling Tonnage Program	N/A	N/A	Prior Years	A	836		836	-	
Storm Water Grant	02-1736-00	5,000	2004-2009	A	17,500			17,500	
Tree Grant	N/A	N/A	2005	A	1,887			1,887	
Click it or Ticket	N/A	N/A	2007	A	4,000			4,000	
Highlands Initial Assessment Grant	N/A	20,000	2008	A	(14,896)	20,000		5,104	
Highlands Initial Plan Conformance Gr	N/A	50,000	2009	A	(1,393)	1,393		-	
<b>TOTAL STATE ASSISTANCE</b>					<b>\$ (26,755)</b>	<b>\$ 94,897</b>	<b>-</b>	<b>\$ 20,520</b>	<b>\$ 47,622</b>

Note: This Schedule was not subject to an audit in accordance with NJOMB Circular 04-04.

## **STATUS OF PRIOR AUDIT FINDINGS**

**STATUS OF PRIOR AUDIT FINDINGS**

CY  
Occurrence

2010-1(\*) I suggest that all interfunds be transferred to their respective funds.

**STATUS - Finding is repeated in 2011 and further action is required.**

2010-2(\*) I suggest that final documentation for related projects be filed with the proper state agencies for the collection of all outstanding loan proceed balances.

**STATUS - Finding is repeated in 2011 and further action is required.**

2010-3 I suggest that the Township ensure controls are present to prevent overexpenditures in the grants fund by appropriating funds through the adopted annual budget or by subsequent Chapter 159 approvals.

**STATUS - Finding is cleared in 2011.**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS- GENERAL  
FINDINGS**

## SCHEDULE OF FINDINGS AND RECOMMENDATIONS

### GENERAL FINDINGS

#### Reportable Conditions

##### Segregation of Duties:

Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected.

Certain functions, including payroll preparation, are handled by one person. While this situation is not unusual in operations the size of the municipality, management should be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

My audit did not reveal any errors or irregularities resulting from this lack of segregation of employees duties and responsibilities.

#### Other Findings

Ref.#

##### Interfunds:

I noted various interfund balances at year end.

2011-1(\*) I suggest that all interfunds be transferred to their respective funds.

##### General Capital Fund Loans:

I noted that approximately \$632,000 in New Jersey Environmental Trust Loan proceeds have not yet been received by the Township, however loan payments are being made based on the original loan amount.

2011-2(\*) I suggest that final documentation for related projects be filed with the proper state agencies for the collection of all outstanding loan proceed balances.

##### Dog Fund

I noted that the reserve for dog fund expenditures was overexpended by \$3,093.

2011-3 I suggest that the Township ensure controls are present to prevent overexpenditures in the dog fund.

(\*) Prior Year Finding