

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

**REPORT OF AUDIT
DECEMBER 31, 2012**

TOWNSHIP OF LEBANON

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PART I
REPORT ON EXAMINATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2012

AUDITORS' REPORTS

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the Township Committee
Township of Lebanon
530 West Hill Road
Glen Gardner, New Jersey 08826

Report on the Financial Statements

We have audited the accompanying balance sheets-regulatory basis of the various funds of the Township of Lebanon as of December 31, 2012 and 2011, and the related statements of operations and changes in fund balance-regulatory basis for the year then ended and the related statement of revenues-regulatory basis and statement of expenditures-regulatory basis of the various funds for the year then ended. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audits.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our 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 the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the

-Continued-

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

As described in Note 1, the Township 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 regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the Township's policy to prepare its financial statements on the basis of accounting discussed in the fifth paragraph, the financial statements referred to above do not present fairly the respective financial position of the Township of Lebanon at December 31, 2012 and 2011, or the results of its operations, in conformity with generally accepted accounting principles in the United States of America.

However, in our opinion, the financial statements-regulatory basis referred to above present fairly, in all material respects, the financial position-regulatory basis of the various funds of the Township, as of December 31, 2012 and 2011, and the results of operations and changes in fund balance-regulatory basis of such funds for the year then ended and the statement of revenues-regulatory basis and statement of expenditures-regulatory basis of the various funds for the year then ended, on the basis of accounting described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

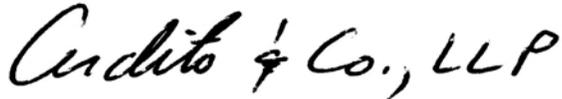
In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole, on the basis of accounting described in Note 1 to the financial statements.

-Continued-

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 30, 2013, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance with the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Township's internal control over financial reporting and compliance.

ARDITO & CO., LLP

A handwritten signature in black ink that reads "Ardito & Co., LLP". The script is cursive and somewhat stylized.

Frenchtown, New Jersey

April 30, 2013

A handwritten signature in black ink that reads "Anthony Ardito". The script is cursive and fluid.

Certified Public Accountant

Registered Municipal Accountant No.524

ARDITO & CO., LLP

Frenchtown, New Jersey

April 30, 2013

FINANCIAL STATEMENTS

CURRENT FUND
COMPARATIVE BALANCE SHEET

A
Sheet 1

ASSETS	<u>REF.</u>	<u>BALANCE</u> <u>12/31/12</u>	<u>BALANCE</u> <u>12/31/11</u>
Cash and Cash Equivalents:			
Cash - Treasurer	A-4	\$ 4,271,937	\$ 4,837,337
Due From State of New Jersey - Veterans and Sr. Citizens Deductions	A-19	<u>3,682</u>	<u>3,682</u>
Subtotal		<u>4,275,619</u>	<u>4,841,019</u>
Receivables And Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-6	395,049	389,864
Tax Title Liens Receivable	A-7	113,775	94,917
Property Acquired for Taxes - Assessed Valuation	A-9	94,200	94,200
Due from Grants Fund	A	-	184,343
Due from Animal Control Fund	B	5	5
Due from General Capital Fund	C	<u>1,053</u>	<u>-</u>
Subtotal		<u>604,082</u>	<u>763,329</u>
Deferred Charges:			
Special Emergency	A-10	<u>82,813</u>	<u>-</u>
Subtotal		<u>82,813</u>	<u>-</u>
Subtotal		<u>4,962,514</u>	<u>5,604,348</u>
Federal and State Grant Fund:			
Cash	A-4	13,270	11,664
Due From Current Fund	A	25,119	
State Grants Receivable	A-21	<u>179,010</u>	<u>281,510</u>
Subtotal		<u>217,399</u>	<u>293,174</u>
TOTAL ASSETS		<u>\$ 5,179,913</u>	<u>\$ 5,897,522</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
COMPARATIVE BALANCE SHEET

A
Sheet 2

	<u>REF.</u>	<u>BALANCE</u> <u>12/31/12</u>	<u>BALANCE</u> <u>12/31/11</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Liabilities:			
Reserve for Encumbrances	A-11	\$ 72,939	\$ 115,895
Appropriation Reserves	A-3:12	151,009	184,197
Due to Grants Fund	A	25,119	
Amount Due To Other Trust Funds	B	64,237	46,438
Amount Due General Capital Fund	C	-	174,003
Taxes Collected In Advance	A-13	159,767	132,180
Reserve for Codification of Ordinances	A-14	5,625	5,625
Amount Due County For Added Taxes	A-15	23,190	21,373
Local District School Tax Payable	A-16	1,152,325	1,612,034
Regional High School Taxes Payable	A-17	1,436,604	1,529,626
Due Municipal Open Space Trust Fund	A-18	996	719
Reserve for Garden State Trust	A-20	<u>15,409</u>	<u>15,409</u>
Subtotal		3,107,220	3,837,499
Reserve For Receivables And Other Assets	A	604,082	763,329
Fund Balance	A-1	<u>1,251,212</u>	<u>1,003,520</u>
Subtotal		<u>4,962,514</u>	<u>5,604,348</u>
Federal and State Grant Fund:			
Due To Current Fund	A	-	184,343
Appropriated Reserves	A-22	215,800	92,294
Unappropriated Reserves	A-23	<u>1,599</u>	<u>16,537</u>
Subtotal		<u>217,399</u>	<u>293,174</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 5,179,913</u>	<u>\$ 5,897,522</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE

A-1

	<u>REF.</u>	<u>YEAR</u> <u>2012</u>	<u>YEAR</u> <u>2011</u>
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 999,838	\$ 1,000,000
Miscellaneous Revenue Anticipated	A-2	2,962,523	3,044,355
Receipts From Delinquent Taxes	A-2	391,139	394,507
Receipts from Current Taxes	A-2	19,075,672	19,542,169
Non-Budget Revenues	A-2	207,744	81,858
<u>Other Credits To Income:</u>			
Interfund Returns Realized-Grants Fund	A	183,475	3,187
Canceled Purchase Orders	A-11	118,822	-
Unexpended Balance Of Appropriation Reserves	A-12	<u>153,621</u>	<u>17,721</u>
Total Income		<u>24,092,834</u>	<u>24,083,797</u>
EXPENDITURES			
Budget and Emergency Appropriations:			
Operations:			
Salaries and Wages	A-3	1,908,047	1,882,694
Other Expenses	A-3	1,984,903	1,938,020
Deferred Charges and Statutory Expenditures	A-3	437,868	459,900
Capital Improvements	A-3	23,000	36,500
Municipal Debt Service	A-3	243,536	192,619
County Taxes	A-15	3,289,765	3,314,282
Amount Due County For Added and Omitted Taxes	A-15	23,190	21,373
Local District School Taxes	A-16	9,737,176	9,686,595
Regional High School Taxes	A-17	5,198,112	5,384,156
Municipal Open Space	A-6	75,517	75,713
Interfund Advances-Grants Fund	C	1,048	116,806
Refund of Prior Year Revenue	A-4	<u>5,955</u>	<u>-</u>
Total Expenditures		<u>22,928,117</u>	<u>23,108,658</u>
Excess in Revenues		1,164,717	975,139
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	A-10	<u>82,813</u>	<u>-</u>
Statutory Excess To Fund Balance		1,247,530	975,139
Fund Balance January 1	A	<u>1,003,520</u>	<u>1,028,381</u>
		2,251,050	2,003,520
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>999,838</u>	<u>1,000,000</u>
Fund Balance December 31	A	<u>\$ 1,251,212</u>	<u>\$ 1,003,520</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF REVENUES

A-2
Sheet 1

		<u>ANTICIPATED</u>	<u>SPECIAL N.J.S.</u>		<u>EXCESS OR</u>
	<u>REF.</u>	<u>BUDGET</u>	<u>40A:4-87</u>	<u>REALIZED</u>	<u>DEFICIT</u>
Fund Balance Anticipated	A-2	\$ 999,838		\$ 999,838	
Miscellaneous Revenues:					
Local Revenues:					
Licenses:					
Alcoholic Beverages	A-8	15,000		15,000	\$ -
Fines and Costs:					
Municipal Court	A-8	42,500		29,677	(12,823)
Interest and Costs On Taxes	A-5	85,000		77,722	(7,278)
Interest on Investments	A-8	5,500		3,344	(2,156)
Total Local Revenues		148,000		125,743	(22,257)
State Aid:					
Energy Receipts Tax	A-8	2,627,013		2,627,013	
Garden State Trust Fund	A-21	15,409		15,409	
Total State Aid		2,642,422		2,642,422	
Special Items Of Revenue Anticipated With Prior Written Consent of Local Government Services-					
Public and Private Revenues:					
Clean Communities Grant	A-21	20,177		20,177	
Drunk Driving Enforcement Grant	A-23	4,060		4,060	
Body Armor Grant	A-21		\$ 1,288	1,288	
Law and Public Safety Grant	A-23	12,188		12,188	
Highlands Water Protection Grant	A-21	147,800		147,800	
Total Special Items Of Revenues		184,225	1,288	185,513	

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF REVENUES

A-2
Sheet 2

	REF.	ANTICIPATED		REALIZED	EXCESS OR DEFICIT
		BUDGET	SPECIAL N.J.S. 40A:4-87		
Other Special Items:					
Uniform Fire Safety Act	A-8	8,500		8,845	345
Total Miscellaneous Revenue	A-2	2,983,147	1,288	2,962,523	(21,912)
Receipts From Delinquent Taxes	A-2	275,000		391,139	116,139
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax For Municipal Purposes	A-2	740,622		937,087	196,465
Total General Revenues		4,998,607	1,288	5,290,587	290,692
Other Non-Budget Revenues	A-2			207,744	207,744
		\$ 4,998,607	\$ 1,288	\$ 5,498,331	\$ 498,436
		A-3	A-3		

The accompanying Notes to the Financial Statements are an integral part of this statement.

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	\$ 19,021,510
State of New Jersey, Senior Citizens and Veterans Deductions	A-6	<u>54,162</u>
	A-1	19,075,672
Allocated To:		
School and County Taxes	A-6	<u>18,623,760</u>
Balance for Support Of Municipal Budget Appropriations		451,912
Add by: Appropriation "Reserve For Uncollected Taxes"	A-3	<u>485,175</u>
Amount For Support Of Municipal Budget Appropriations	A-2	<u>\$ 937,087</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF REVENUES

A-2
Sheet 4

ANALYSIS OF NON-BUDGET REVENUES REF.

Miscellaneous Revenue Not Anticipated:

Treasurer:

Permits	\$	2,167	
Certified Lists		196	
Cell Tower		37,725	
Copies/Maps		322	
Police		858	
Police Moonlight		10,835	
Newsletter Proceeds		1,899	
Planning Board		6,397	
Zoning Board		5,013	
Marriage License		672	
Board of Health		3,030	
Retail Food		5,600	
Weber		60	
Phase I Study		3,000	
Refunds		14,063	
Cable TV		18,409	
FEMA-Hurricane Irene		50,122	
Voided Checks		6,250	
Fire Department Reimbursements		1,977	
Miscellaneous		26,691	
	A-4		\$ 195,286

Collector:

Miscellaneous		1,358	
Trailer Court Fees	A-5	11,100	12,458
			\$ 207,744

The accompanying Notes to the Financial Statements are an integral part of this statement.

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>MODIFICATION</u>	<u>PAID OR</u> <u>CHARGED</u>	<u>RESERVED</u>	<u>BALANCES</u> <u>CANCELLED</u>	<u>OVEREXPENDED</u>
GENERAL GOVERNMENT FUNCTIONS:						
Mayor and Council:						
Salaries and Wages	\$ 21,000.00	\$ 21,000.00	\$ 21,000.00			
Other Expenses	5,000.00	2,704.53	2,704.53			
Municipal Clerk:						
Salaries and Wages	124,446.00	128,978.28	128,978.28			
Other Expenses:						
Elections	4,500.00	4,390.50	4,390.50			
Miscellaneous Other Expenses	47,450.00	32,110.82	31,843.98	\$ 266.84		
Financial Administration (Treasury):						
Salaries and Wages	18,435.00	14,541.24	14,163.56	377.68		
Other Expenses	10,000.00	9,000.00	8,895.37	104.63		
Audit Services:						
Other Expenses	24,000.00	23,795.00	23,795.00			
Revenue Administration (Tax Collection):						
Salaries and Wages	42,110.00	42,109.92	42,109.92			
Other Expenses	13,100.00	9,600.00	9,171.90	428.10		
Tax Assessment Administration:						
Salaries and Wages	47,900.00	51,223.84	51,223.84			
Other Expenses	14,850.00	4,850.00	4,005.18	844.82		
Legal Services (Legal Dept.):						
Other Expenses	70,000.00	100,465.00	97,504.43	2,960.57		
Engineering Services:						
Other Expenses	7,500.00	16,000.00	15,247.26	752.74		
Historical Sites Office:						
Other Expenses	4,200.00	2,200.00	1,212.48	987.52		
Aid to New Hampton Historic Museum:						
Salaries and Wages	32,900.00	32,800.00	32,800.00			
Other Expenses	4,000.00	4,600.00	4,642.72			\$ 42.72

The accompanying Notes to the Financial Statements are an integral part of this statement.'hm

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 2

<u>OPERATIONS within "CAPS"</u>	<u>APPROPRIATION</u> <u>BUDGET</u>	<u>BUDGET AFTER</u> <u>MODIFICATION</u>	<u>EXPENDED</u> <u>PAID OR</u> <u>CHARGED</u>	<u>RESERVED</u>	<u>UNEXPENDED</u> <u>BALANCES</u> <u>CANCELLED</u>	<u>OVEREXPENDED</u>
LAND USE ADMINISTRATION:						
Planning Board:						
Salaries and Wages	26,215.00	26,378.82	26,378.82			
Other Expenses	35,975.00	25,475.00	25,445.98	29.02		
Zoning Costs:						
Salaries and Wages	27,375.00	27,374.64	27,374.64			
Other Expenses	900.00	120.00	120.00			
Zoning Board of Adjustment(Zoning Officer):						
Salaries and Wages	26,215.00	26,378.82	26,378.82			
Other Expenses	17,800.00	16,800.00	15,627.25	1,172.75		
UNIFORM CONSTRUCTION CODE ENFORCEMENT:						
Other Expenses	100.00					
INSURANCE:						
Liability Insurance	1,184.00	3,429.00	3,429.00			
Other Insurance Premiums	114,460.00	116,467.00	116,467.00			
Workmens' Compensation	76,458.00	76,458.00	76,458.00			
Employee Group Health	432,887.00	464,857.00	462,643.56	2,213.44		
PUBLIC SAFETY FUNCTIONS:						
Police Department:						
Salaries and Wages	929,255.00	984,255.00	983,768.82	486.18		
Other Expenses	90,000.00	85,000.00	84,515.23	484.77		
Office of Emergency Management:						
Salaries and Wages	5,000.00	5,000.00	5,000.00			
Other Expenses	2,500.00	2,500.00		2,500.00		
Aid to Volunteer Fire Companies	50,000.00	50,000.00		50,000.00		
Aid to Volunteer Fire Companies in Adjoining Mun.	6,225.00	6,225.00		6,225.00		
Contribution to First Aid Organizations:						
Other Expenses	12,500.00	12,500.00	156.50	12,343.50		
Other Expenses - EMS Services(Emergency Appropriation per N.J.S.A 40A:4-46, \$80,000.)		80,000.00	38,700.00	41,300.00		
Fire Department/Uniform Fire Safety Code:						
Salaries and Wages	4,000.00					
Other Expenses:						
Fire Hydrant Services	700.00	649.92	649.92			
Miscellaneous Other Expenses	1,500.00	1,020.00	1,020.00			
Municipal Prosecutor's Office:						
Salaries and Wages	4,000.00	2,022.08	2,022.08			

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 3

<u>OPERATIONS within "CAPS"</u>	<u>APPROPRIATION</u> <u>BUDGET</u>	<u>BUDGET AFTER</u> <u>MODIFICATION</u>	<u>EXPENDED</u> <u>PAID OR</u> <u>CHARGED</u>	<u>RESERVED</u>	<u>UNEXPENDED</u> <u>BALANCES</u> <u>CANCELLED</u>	<u>OVEREXPENDED</u>
PUBLIC WORKS FUNCTIONS:						
Streets and Road Maintenance:						
Salaries and Wages	507,906.00	495,000.96	495,000.96			
Other Expenses:						
Snow Removal	90,000.00	50,000.00	49,571.84	428.16		
Miscellaneous Other Expenses	230,000.00	230,000.00	229,075.26	924.74		
Solid Waste Collection(Recycling Program):						
Salaries and Wages	5,000.00	5,000.00	5,000.00			
Other Expenses	5,200.00	5,200.00	4,628.68	571.32		
Buildings and Grounds:						
Other Expenses	30,000.00	25,000.00	23,753.28	1,246.72		
HEALTH AND HUMAN SERVICES FUNCTIONS:						
Public Health Services(Board Of Health):						
Salaries and Wages	2,400.00					
Other Expenses	6,500.00	6,500.00	6,332.40	167.60		
Environmental Health Services:						
Other Expenses	1,000.00	100.00	37.09	62.91		
Animal Control Services:						
Salaries and Wages	8,984.00	8,983.44	8,983.44			
Other Expenses	500.00	5,000.00		5,000.00		
Contribution to Social Services Agencies:						
Other Expenses	100.00	100.00		100.00		
PARK AND RECREATION FUNCTIONS:						
Recreation Services and Programs:						
Other Expenses:						
Senior Citizens	4,000.00					
Miscellaneous Other Expenses	7,500.00	2,500.00	1,517.03	982.97		
Maintenance of Parks:						
Other Expenses	10,000.00	7,600.00	7,296.44	303.56		
EDUCATION FUNCTIONS (Includes Library):						
Municipal/County Library:						
Other Expenses	49,580.00	52,080.00	52,534.63			454.63

The accompanying Notes to the Financial Statements are an integral part of this statement.

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>RESERVED</u>	<u>UNEXPENDED</u>	<u>BALANCES</u>
	<u>BUDGET</u>	<u>MODIFICATION</u>	<u>PAID OR</u>		<u>CANCELLED</u>	<u>OVEREXPENDED</u>
			<u>CHARGED</u>			
OTHER COMMON OPERATING FUNCTIONS						
(Unclassified):						
Accumulated Leave Compensation	37,000.00	37,000.00	37,000.00			
Celebration of Public Events	5,000.00	7,000.00	6,120.99	879.01		
Underground Storage Tank Remediation	24,010.00	6,556.00	6,556.00			
MUNICIPAL COURT:						
Other Expenses	73,391.00	73,391.19	73,391.19			
Public Defender:						
Other Expenses	2,549.00	2,549.00	2,549.00			
UTILITY EXPENSES AND BULK PURCHASES:						
Electricity	46,000.00	54,000.00	53,166.34	833.66		
Street Lighting	5,500.00	4,700.00	4,649.06	50.94		
Telephone (excluding equipment acquisition)	12,000.00	14,200.00	14,007.79	192.21		
Gasoline	100,000.00	90,000.00	84,512.00	5,488.00		
Subtotal Operations within "CAPS"	3,620,760.00	3,695,740.00	3,555,527.99	140,709.36		497.35
Contingent						
Total Operations Including Contingent	3,620,760.00	3,695,740.00	3,555,527.99	140,709.36		497.35
Detail:						
Salaries and Wages	1,870,141.00	1,908,047.04	1,907,183.18	863.86		-
Other Expenses	1,750,619.00	1,787,692.96	1,648,344.81	139,845.50		497.35
Deferred Charges and Statutory Expenditures within "CAPS"						
Statutory Expenditures :						
Social Security (O.A.S.I.)	143,560.00	148,560.00	150,876.07			2,316.07
Contribution to:						
PERS	106,533.00	106,553.00	106,553.00			
PFRS	180,439.00	180,439.00	180,439.00			
Total Deferred Charges and Statutory Expenditures within "CAP"S	430,532.00	435,552.00	437,868.07	-		2,316.07
Total General Appropriations within "CAPS"	4,051,292.00	4,131,292.00	3,993,396.06	140,709.36		2,813.42

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 5

	<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>
OPERATIONS EXCLUDED FROM "CAPS":						
Fire Department:						
LOSAP	11,200.00	11,200.00	900.00	10,300.00		
Total Other Operations Excluded from "CAPS"	11,200.00	11,200.00	900.00	10,300.00		
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES:						
Federal and State Grants:						
Clean Communities Program:						
Other Expenses	19,888.00	19,888.00	19,888.00			
Other Expenses - PY Unapprop.	289.00	289.00	289.00			
Drung Driving Grant:						
Other Expenses - PY Unapprop.	4,060.00	4,060.00	4,060.00			
Law and Public Safety Grant:						
Other Expenses - PY Unapprop.	12,188.00	12,188.00	12,188.00			
Highlands Water Protection & Planning Council Grant:						
Other Expenses	147,800.00	147,800.00	147,800.00			
Body Armor Grant:						
Other Expenses	1,288.00	1,288.00	1,288.00			
Total Public and Private Programs Offset by Revenues Excluded from "CAPS"	185,513.00	185,513.00	185,513.00			
Total Operations Excluded from "CAPS"	196,713.00	196,713.00	186,413.00	10,300.00		
Detail:						
Other Expenses	196,713.00	196,713.00	186,413.00	10,300.00		

The accompanying Notes to the Financial Statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 6

	<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>CANCELLED</u>	<u>OVEREXPENDED</u>
Capital Improvements Excluded from "CAPS"						
Capital Improvement Fund	23,000.00	23,000.00	23,000.00			
Total Capital Improvements Excluded from "CAPS"	<u>23,000.00</u>	<u>23,000.00</u>	<u>23,000.00</u>			
Municipal Debt Service Excluded from "CAPS"						
Payment of Bond Anticipation and Capital Notes	206,150.00	206,150.00	206,150.00			
Payment of Interest on Notes	37,565.00	37,565.00	37,386.43		\$ 178.57	
Total Municipal Debt Service Excluded from "CAPS"	<u>243,715.00</u>	<u>243,715.00</u>	<u>243,536.43</u>		<u>178.57</u>	<u>-</u>
Total Gen. Appropriations Excluded from "CAPS"	<u>463,428.00</u>	<u>463,428.00</u>	<u>452,949.43</u>	<u>10,300.00</u>	<u>178.57</u>	<u>-</u>
Reserve For Uncollected Taxes	485,175.00	485,175.00	485,175.00			
TOTALS	<u>\$ 4,999,895.00</u>	<u>\$ 5,079,895.00</u>	<u>\$ 4,931,520.49</u>	<u>\$ 151,009.36</u>	<u>\$ 178.57</u>	<u>\$ 2,813.42</u>

REF.

A

	<u>REF.</u>	
Appropriation 40A:4-87	A-2	\$ 1,288.00
Budget	A-2	<u>4,998,607.00</u>
		4,999,895.00
Appropriation 40A:4-46		<u>80,000.00</u>
		<u>\$ 5,079,895.00</u>
Reserve for State Grants	A-22	\$ 185,513.00
Encumbrances	A-11	4,260,832.49
Reserve for Uncollected Taxes	A-2	485,175.00
		<u>\$ 4,931,520.49</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

TRUST FUND
COMPARATIVE BALANCE SHEET

		B	
		BALANCE	BALANCE
ASSETS	REF.	<u>12/31/12</u>	<u>12/31/11</u>
Dog License Fund:			
Cash and Cash Equivalents	B-2	\$ (1,222)	\$ (3,088)
Total Dog License Fund		<u>(1,222)</u>	<u>(3,088)</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-2	1,544,000	1,508,170
Due from Current Fund	B-6	65,233	47,157
Total Other Trust Funds		<u>1,609,233</u>	<u>1,555,327</u>
TOTAL ASSETS		<u>\$1,608,011</u>	<u>\$1,552,239</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Dog License Fund:			
Due to Current Fund	B-5	\$ 5	\$ 5
Reserve for Dog Fund Expenditures	B-3	(1,227)	(3,093)
Total Dog License Fund		<u>(1,222)</u>	<u>(3,088)</u>
Other Trust Fund:			
Schedule of Reserve for Museum Donations	B-7	8,350	10,101
Schedule of Reserve for Developers' Deposits	B-8	95,584	67,949
Schedule of Reserve for Driveway Bonds	B-9	6,818	7,565
Schedule of Reserve for Unemployment Compensation	B-10	91,840	78,204
Schedule of Reserve for Library Trust	B-11	5,597	4,572
Schedule of Reserve for Recreation Commission	B-12	11,245	11,242
Schedule of Reserve for Fair Share Housing (COAH)	B-13	90,698	128,067
Schedule of Reserve for Off-Track Improvements	B-14	61,671	61,631
Schedule of Reserve for Open Space Deposits	B-15	949,701	941,261
Schedule of Reserve for Emergency Snow Removal	B-16	50,192	20,169
Schedule of Reserve for Accumulated Absences	B-17	115,504	115,375
Schedule of Reserve for Developers' Trust Escrow Deposits	B-18	63,102	75,891
Schedule of Reserve for Tax Sale Premiums	B-19	58,931	33,300
Total Other Trust Fund		<u>1,609,233</u>	<u>1,555,327</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$1,608,011</u>	<u>\$1,552,239</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET

C

	REF.	BALANCE <u>12/31/12</u>	BALANCE <u>12/31/11</u>
ASSETS			
Cash and Cash Equivalents	C-2	\$ 775,745	\$ 2,176,426
Amount Due Current Fund	C-5	-	174,003
Deferred Charges to Future Taxation:			
Funded	C-3	678,684	737,741
Unfunded	C-4	<u>6,883,964</u>	<u>10,236,964</u>
TOTAL ASSETS		<u>\$ 8,338,393</u>	<u>\$ 13,325,134</u>

LIABILITIES, RESERVES AND FUND BALANCE

Amount Due Current Fund	C-5	\$ 1,053	-
Capital Improvement Fund	C-6	124,516	\$ 116,689
State of New Jersey Trust Loan Program	C-7	678,684	737,741
Bond Anticipation Notes	C-8	4,820,962	4,599,112
Reserve for:			
Fire Truck and Ambulance	C-9	17,233	17,233
Fund Balance	C-1	910,866	-
Improvement Authorizations:			
Funded	C-10	31,536	61,363
Unfunded	C-10	<u>1,753,543</u>	<u>7,792,996</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 8,338,393</u>	<u>\$ 13,325,134</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

GENERAL CAPITAL FUND
SCHEDULE OF FUND BALANCE

C-1

REF.

Increased by:

Canceled Improvement Authorizations - Unfunded	C-10	\$ 900,268	
Bond Anticipation Note Proceeds-Renewal Premium	C-2	<u>10,598</u>	<u>\$ 910,866</u>
Balance December 31, 2012	C		<u>\$ 910,866</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

GENERAL FIXED ASSETS
STATEMENT OF GENERAL FIXED ASSETS
DECEMBER 31, 2012

F

	<u>BALANCE</u> <u>12/31/12</u>	<u>BALANCE</u> <u>12/31/11</u>
General Fixed Assets:		
Land	\$ 3,510,219	\$ 3,510,219
Buildings	3,988,032	2,032,527
Machinery and Equipment	<u>8,049,435</u>	<u>8,049,435</u>
Total General Fixed Assets	<u>\$15,547,686</u>	<u>\$13,592,181</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PAYROLL AGENCY FUND
COMPARATIVE BALANCE SHEET

G

	<u>BALANCE</u> <u>12/31/12</u>	<u>BALANCE</u> <u>12/31/11</u>
<u>ASSETS</u>		
Cash and Cash Equivalents:		
Cash - Treasurer	\$ 53,724	\$ 18,129
TOTAL ASSETS	<u>53,724</u>	<u>18,129</u>

LIABILITIES AND RESERVES

Payroll Deductions Payable	32,503	
Imprest Balances	<u>21,221</u>	<u>18,129</u>
TOTAL LIABILITIES AND RESERVES	<u>\$ 53,724</u>	<u>\$ 18,129</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

GENERAL LONG-TERM DEBT
STATEMENT OF GENERAL LONG-TERM DEBT
DECEMBER 31, 2012

H

	<u>BALANCE</u> <u>12/31/12</u>	<u>BALANCE</u> <u>12/31/11</u>
OTHER DEBTS:		
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>
LONG-TERM LIABILITIES:		
Compensated Absences Payable	<u>\$ 122,218</u>	<u>\$ 122,218</u>
Total General Long-Term Liabilities	<u>\$ 122,218</u>	<u>\$ 122,218</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING 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, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING 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, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING 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 and utility 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 after the eleventh day of the eleventh month in the year in which they are due, 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, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING 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, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING 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, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING 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, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING 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, 2012

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, 2012, 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, 2012, cash and cash equivalents of the municipality consisted of the following:

	Cash and Cash Equivalents	Total
Checking	<u>\$ 6,657,454</u>	<u>\$ 6,657,454</u>

The carrying amount of the municipality's cash and cash equivalents at December 31, 2012, was \$6,657,454 and the bank balance was \$6,685,959. 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, \$314,023 was covered by federal depository insurances and \$6,371,936 was covered by collateral pool.

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.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 3: LONG-TERM DEBT-(Continued)

The Township debt is summarized as follows:

	Beginning Balance	Issued	Paid	Ending Balance
Long Term Obligations:				
Bond Anticipation Notes	\$ 4,599,112	\$ 428,000	\$ 206,150	\$ 4,820,962
State Of New Jersey Loan Programs	737,741		59,057	678,684
Sub-Total Long Term Debt	5,336,853	428,000	265,207	5,499,646
Compensated absences payable	122,218			122,218
Total Long-Term Obligations	\$ 5,459,071	\$ 428,000	\$ 265,207	\$ 5,621,864

Summary of Municipal Debt

	YEAR <u>2012</u>	YEAR <u>2011</u>	YEAR <u>2010</u>
Issued			
General:			
Bonds and Notes	\$ 5,499,646	\$ 5,336,853	\$ 5,234,767
Total Deductions	-	-	-
Net Debt Issued	<u>5,499,646</u>	<u>5,336,853</u>	<u>5,234,767</u>
Authorized But Not Issued	<u>2,063,002</u>	<u>5,637,852</u>	<u>5,240,227</u>
Total Authorized But Not Issued	<u>2,063,002</u>	<u>5,637,852</u>	<u>5,240,227</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 7,562,648</u>	<u>\$ 10,974,705</u>	<u>\$ 10,474,994</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.81%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional School District Debt	\$ 377,432	\$ 377,432	-
General Debt	<u>7,562,648</u>	-	<u>\$ 7,562,648</u>
	<u>\$ 7,940,080</u>	<u>\$ 377,432</u>	<u>\$ 7,562,648</u>

Net Debt \$ 7,562,648	Divided by Equalized Valuation Basis per
N.J.S.A. 40A:2-2 as amended,	\$ 937,317,993 = 0.81%

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 32,806,130
Net Debt	<u>7,562,648</u>
Remaining Borrowing Power	<u>\$ 25,243,482</u>

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 3: LONG-TERM DEBT (Continued)

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

Calendar	<u>General</u>	
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 57,750	\$ 9,483
2014	56,441	8,733
2015	55,224	7,832
2016	54,179	7,432
2017	53,133	6,832
2018-2024	<u>401,957</u>	<u>24,924</u>
	<u>\$ 678,684</u>	<u>\$ 65,236</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, 2012, was \$266,193. Outstanding loan principal and interest is paid from the Open Space Trust 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, 2012, was \$120,000. Outstanding loan principal and interest is paid from the Open Space Trust 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, 2012, was \$207,491. Outstanding loan principal and interest is paid from the Open Space Trust 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, 2012, was \$85,000. Outstanding loan principal and interest is paid from the Open Space Trust Fund of the Township.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 3: LONG-TERM DEBT (Continued)

Bond Anticipation Notes

The Township has outstanding at December 31, 2012, a bond anticipation note in the amount of \$4,076,137 payable to Oppenheimer & Co., Inc. This note matures on September 6, 2013. The interest rate on the note was 1.25%. 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, 2012, a bond anticipation note in the amount of \$744,825 payable to TD Bank. This note matures on February 1, 2013. The interest rate on the note was 1.25%. Principal and interest on these notes are paid from the current fund budget of the Township.

	<u>Debt Outstanding</u>
Total General Capital Loans-Above	<u>\$ 5,499,646</u>

Note 4: GENERAL FIXED ASSETS

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

	<u>Balance End of Year</u>	<u>Balance Beginning of Year</u>
Land	\$ 3,510,219	\$ 3,510,219
Buildings	3,988,032	2,032,527
Equipment	<u>8,049,435</u>	<u>8,049,435</u>
	<u>\$ 15,547,686</u>	<u>\$ 13,592,181</u>

Note 5: FUND BALANCES APPROPRIATED

Fund Balances at December 31, 2012, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2013, were as follows:

Current Fund - \$1,164,000*

*Approved (Introduced) Budget

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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, 2012, the Township recorded the following deferred charges which are included in the following budgets:

<u>Current Fund</u>	<u>Resulting from 2012</u>	<u>Charged to 2012 Budget</u>	<u>Succeeding Budgets</u>
Overexpenditure of Appropriations	\$ 2,813	-	\$ 2,813
Emergency (40A:4-46) - EMS Services	<u>80,000</u>	<u>-</u>	<u>80,000</u>
	<u>\$ 82,813</u>	<u>-</u>	<u>\$ 80,000</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:

	TOTAL DEFERRED TAX <u>12/31/12</u>	LOCAL DISTRICT <u>SCHOOL TAX</u> BALANCE <u>12/31/12</u>	BALANCE <u>12/31/11</u>	TOTAL DEFERRED TAX <u>12/31/11</u>	REGIONAL <u>HIGH SCHOOL TAX</u> BALANCE <u>12/31/12</u>	BALANCE <u>12/31/11</u>
Balance of Tax		\$ 1,152,325	\$ 1,612,034		\$ 1,436,604	\$ 1,529,626
Deferred		<u>3,866,263</u>	<u>3,566,263</u>		<u>1,162,452</u>	1,162,452
Tax Payable		<u>\$ 5,018,588</u>	<u>\$ 5,178,297</u>		<u>\$ 2,599,056</u>	<u>\$ 2,692,078</u>
Tax Deferred	<u>\$ 5,028,715</u>			<u>\$ 4,728,715</u>		

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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, 2012

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.

<u>Three-Year Trend Information for PERS/PFRS</u>			
<u>Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2012	\$286,992	100%	-0-
2011	\$279,582	100%	-0-
2010	\$121,864	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, 2011 there were 93,323 retirees receiving 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 \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in Fiscal Year 2011.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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, 2012, 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, 2012

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, 2012:

<u>FUND</u>	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
Current Fund	\$ 1,058	\$ 90,352
Federal/State Grants Fund	25,119	-
Dog Fund	-	5
Trust Fund	65,233	-
General Capital Fund	-	1,053
	<u>\$ 91,410</u>	<u>\$ 91,410</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, 2012

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-sept2012.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, 2012, 2011, and 2010, 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, 2012, 2011, and 2010.

PART II
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, 2011	A	\$ 4,837,337	\$ 11,664
Increased by Receipts:			
Collector	A-5	\$19,658,302	
Miscellaneous Revenue Not Anticipated	A-2	195,286	
Revenue Accounts Receivable	A-8	2,683,879	
Amount Due State of New Jersey for Senior Citizens/Veterans Deductions	A-19	54,162	
Garden State Trust	A-20	15,409	
Amount Due Grants Fund	A	-	\$ 7
State Grant Funds	A-21	271,047	
State Grant Funds - Unappropriated	A-23	-	1,599
		<u>22,878,085</u>	<u>1,606</u>
		27,715,422	13,270
Decreased by Disbursements:			
2011 Appropriation Reserves	A-12	146,471	
Reserves for Encumbrances	A-11	4,076,951	
Outside Liens	B	98,534	
Amount Due General Capital Fund	C	174,003	
Refund of Tax Overpayments	A-25	11,551	
County Taxes	A-15	3,311,138	
Local District School Tax	A-16	10,196,885	
Regional School Tax	A-17	5,291,134	
Municipal Open Space Tax	A-18	75,240	
State Grant Funds	A-22	61,578	-
		<u>23,443,485</u>	<u>-</u>
Balance December 31, 2012	A	<u>\$ 4,271,937</u>	<u>\$ 13,270</u>

CURRENT FUND
SCHEDULE OF CASH-COLLECTOR

A-5

	<u>REF.</u>		
Received:			
Miscellaneous Not Anticipated	A-2	\$ 12,458	
Interest and Costs on Taxes	A-2	77,722	
Taxes Receivable	A-6	19,280,469	
2013 Prepaid Taxes	A-13	159,767	
Tax Sale Premiums	B	24,800	
Outside Liens	A	91,535	
Tax Overpayments	A-25	<u>11,551</u>	<u>\$ 19,658,302</u>
Decreased by Disbursements:			
Payments To Treasurer	A-4		<u>\$ 19,658,302</u>

CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF TAX LEVY

A-6

YEAR	BALANCE	ADDED	2012 LEVY	CASH COLLECTIONS		CANCELLED	TRANSFER	BALANCE
	<u>12/31/11</u>			<u>2011</u>	<u>2012</u>		TO TAX TITLE LIENS	
2010	\$ 10,765			\$	10,765			
2011	379,099	\$ 7,673			380,373	\$ 194	\$ 2,533	\$ 3,672
	389,864	7,673			391,138	194	2,533	3,672
2012			\$ 19,482,121	\$ 132,180	18,943,493	2,094	12,977	391,377
TOTALS	\$ 389,864	\$ 7,673	\$ 19,482,121	\$ 132,180	\$ 19,334,631	\$ 2,288	\$ 15,510	\$ 395,049

REF.	A	A-13	A-7	A
State of New Jersey-Senior Citizens/ Veterans Deductions Received by Collector		A-2 A-5	\$ 54,162 <u>19,280,469</u> <u>\$ 19,334,631</u>	

ANALYSIS OF PROPERTY TAX LEVY:

Tax Yield:

General Purpose Tax		\$ 19,270,720
Special District Taxes		74,995
Added/Omitted Taxes (54:4-63.1 et.seq.)		<u>136,406</u>
		<u>\$ 19,482,121</u>

Tax Levy:

Local District School Tax	A-16	\$ 10,037,176
Regional High School Tax	A-17	5,198,112
County Taxes:		
County Tax (Abstract)	A-15	\$ 2,735,794
County Library Tax (Abstract)	A-15	273,330
County Open Space (Abstract)	A-15	280,641
Due County for Added and Omitted Taxes(54.4-63.1, et.seq.)	A-15	<u>23,190</u> 3,312,955
Municipal Open Space	A-18	75,517
Local Tax for Municipal Purposes	A-2	740,622
Add: Additional Tax Levied		<u>117,739</u> <u>\$ 19,482,121</u>

CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

A-7

	<u>REF.</u>	
Balance December 31, 2011	A	\$ 94,917
Increased by:		
Interest and Costs		\$ 3,348
Transfers from Taxes Receivable	A-6	<u>15,510</u>
		<u>18,858</u>
		113,775
Balance December 31, 2012	A	<u>\$ 113,775</u>

CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

A-8

	<u>REF.</u>	<u>BALANCE</u> <u>12/31/11</u>	<u>ACCRUED</u> <u>IN 2012</u>	<u>COLLECTED</u> <u>BY</u> <u>TREASURER</u>		<u>BALANCE</u> <u>12/31/12</u>
Clerk:						
Licenses:						
Alcoholic Beverages	A-2		\$ 15,000	\$ 15,000		
Municipal Court:						
Fines and Costs	A-2		29,677	29,677		
Interest on Investments and Deposits	A-2		3,344	3,344		
Energy Receipts Tax	A-2		2,627,013	2,627,013		
Uniform Fire Safety Act	A-2	-	<u>8,845</u>	<u>8,845</u>		-
 Totals			 <u>-</u>	 <u>\$ 2,683,879</u>	 <u>\$</u>	 <u>2,683,879</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, 2011	A	<u>\$ 94,200</u>
Balance December 31, 2012	A	<u>\$ 94,200</u>

CURRENT FUND
SCHEDULE OF DEFERRED CHARGES

A-10

	<u>AMOUNT AUTHORIZED</u>	<u>DATE AUTHORIZED</u>	<u>RESULTING FROM 2012</u>	<u>BALANCE 12/31/12</u>
EMS Services-Emergency Authorization N.J.S.A. 40A:4-46	\$ 80,000	7/18/2012	\$ 80,000	\$ 80,000
Overexpended Appropriations	<u>-</u>		<u>2,813</u>	<u>2,813</u>
 Totals	 <u>\$ 80,000</u>		 <u>\$ 82,813</u>	 <u>\$ 82,813</u>
REF.	A-3		A-3	A

CURRENT FUND
SCHEDULE OF RESERVE FOR ENCUMBRANCES

A-11

	<u>REF.</u>		
Balance December 31, 2011	A		\$ 115,895
Increased by:			
Transfer from Current Year Appropriations	A-3	\$ 4,260,832	
Additional Encumbrance Appropriations		<u>7,880</u>	<u>4,268,712</u>
			4,384,607
Decreased by:			
Transfer to Appropriation Reserve - Prior Year Balance	A-12	115,895	
Canceled	A-1	118,822	
Encumbrances Paid	A-4	<u>4,076,951</u>	<u>4,311,668</u>
Balance December 31, 2012	A		<u>\$ 72,939</u>

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - 2011

A-12

	<u>BALANCE</u> <u>12/31/11</u>	<u>BALANCE</u> <u>AFTER</u> <u>TRANSFERS</u>	<u>PAID</u> <u>OR</u> <u>CHARGED</u>	<u>BALANCE</u> <u>LAPSED</u>
Municipal Clerk:				
Other Expenses	\$ 8,362	\$ 8,362	\$ 1,352	\$ 7,010
Mayor and Council:				
Other Expenses	1,097	1,097	11	1,086
Financial Administration:				
Other Expenses	2,167	2,167	1,105	1,062
Tax Collection:				
Other Expenses	1,260	1,260	625	635
Assessment of Taxes:				
Other Expenses	7,563	7,563	7,499	64
Legal Services:				
Other Expenses	9,634	9,634	9,502	132
Engineering Services:				
Other Expenses	4,931	4,931	1,150	3,781
Aid to Historic Museum:				
Other Expenses	110	210	171	39
Planning Board:				
Other Expenses	2,396	2,296	1,002	1,294
Board of Adjustment:				
Other Expenses	2,571	2,571	342	2,229
Employee Group Insurance	47,406	47,406	34,649	12,757
Police:				
Other Expenses	32,218	32,218	25,266	6,952
Emergency Management:				
Other Expenses	2,500	2,500	2,487	13
Aid to Vol. Fire Companies	6,225	6,225	2,000	4,225
Contribution to First Aid Squads	263	263	78	185
Street and Road Maintenance:				
Other Expenses	44,652	44,652	21,752	22,900
Snow Removal	34,044	34,044	18,221	15,823
Recycling Program:				
Other Expenses	803	803	799	4
Buildings and Grounds:				
Other Expenses	2,335	2,335	2,327	8
Board of Health:				
Other Expenses	1,780	1,780	1,300	480
Aid to Library	293	293	167	126
Petroleum and Utility Products:				
Other Expenses	22,838	22,838	14,666	8,172
Others - No Change	64,644	64,644		64,644
	\$ 300,092	\$ 300,092	\$ 146,471	\$ 153,621
REF.	A	A	A-4	A-1

Analysis of Balance:				
Appropriation Reserves	\$ 184,197		\$ 30,576	
Reserve for Encumbrances	115,895		115,895	
	<u>\$ 300,092</u>		<u>\$ 146,471</u>	

CURRENT FUND
SCHEDULE OF TAXES COLLECTED IN ADVANCE

A-13

	<u>REF.</u>	
Balance December 31, 2011	A	\$ 132,180
Increased by:		
2013 Taxes Collected in Advance	A-5	<u>159,767</u>
		291,947
Decreased by:		
Applied to 2012 Taxes Receivable	A-6	<u>132,180</u>
Balance December 31, 2012	A	<u>\$ 159,767</u>

CURRENT FUND
SCHEDULE OF RESERVE FOR CODIFICATION OF ORDINANCES

A-14

	<u>REF.</u>	
Balance December 31, 2011	A	<u>\$ 5,625</u>
Balance December 31, 2012	A	<u>\$ 5,625</u>

CURRENT FUND
SCHEDULE OF COUNTY TAXES PAYABLE

A-15

	<u>REF.</u>	
Balance December 31, 2011	A	\$ 21,373
Increased by:		
2012 Levy:		
County Taxes	A-6	\$ 2,735,794
County Library Taxes	A-6	273,330
County Open Space Tax	A-6	280,641
Prior Year Added and Omitted Taxes	A-6	<u>23,190</u>
		<u>3,312,955</u>
		3,334,328
Decreased by:		
Payments	A-4	<u>3,311,138</u>
Balance December 31, 2012	A	<u>\$ 23,190</u>

CURRENT FUND
SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

A-16

	<u>REF.</u>		
Balance December 31, 2011:			
School Tax Payable		\$1,612,034	
School Tax Deferred	A	<u>3,566,263</u>	\$ 5,178,297
Increased by:			
Levy - School Year July 1, 2012 to June 30, 2013	A-6		<u>10,037,176</u>
			15,215,473
Decreased by:			
Payments	A-4		<u>10,196,885</u>
Balance December 31, 2012:			
School Tax Payable	A	1,152,325	
School Tax Deferred		<u>3,866,263</u>	<u>\$ 5,018,588</u>
 2012 Liability for Local District School Tax:			
Tax Paid			\$ 10,196,885
Tax Payable 12/31/12			<u>5,018,588</u>
			15,215,473
Less -- Current Year Deferred			300,000
Less -- Tax Payable 12/31/11			<u>5,178,297</u>
 Amount Charged to 2012 Operations	 A-1		 <u>\$ 9,737,176</u>

CURRENT FUND
SCHEDULE OF REGIONAL HIGH SCHOOL TAX PAYABLE

A-17

	<u>REF.</u>		
Balance December 31, 2011:			
School Tax Payable		\$ 1,529,626	
School Tax Deferred	A	<u>1,162,452</u>	\$ 2,692,078
Increased by:			
Levy - School Year July 1, 2012 to June 30, 2013	A-6		<u>5,198,112</u>
			7,890,190
Decreased by:			
Payments	A-4		<u>5,291,134</u>
Balance December 31, 2012:			
School Tax Payable	A	1,436,604	
School Tax Deferred		<u>1,162,452</u>	<u>\$ 2,599,056</u>
 2012 Liability for Regional High School Tax:			
Tax Paid			\$ 5,291,134
Tax Payable 12/31/12			<u>2,599,056</u>
			7,890,190
Less -- Tax Payable 12/31/11			<u>2,692,078</u>
 Amount Charged to 2012 Operations	 A-1		 <u>\$ 5,198,112</u>

CURRENT FUND
SCHEDULE OF MUNICIPAL OPEN SPACE TAX PAYABLE

A-18

	<u>REF.</u>	
Balance December 31, 2011	A	\$ 719
Increased by:		
2012 Municipal Open Space Tax	A-6	\$ 74,995
Added/Omitted Taxes - 2012	A-6	<u>522</u> \$ <u>75,517</u>
		76,236
Increased by:		
Transfer to Open Space Trust Fund	A-4	<u>75,240</u>
Balance December 31, 2012	A	<u>\$ 996</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, 2011	A	\$ 3,682
Increased by:		
Senior Citizens Deductions Per Tax Billings		\$ 6,912
Veterans Deductions per Tax Billings		<u>47,250</u>
		<u>54,162</u>
		57,844
Decreased by:		
Senior Citizens Deductions Disallowed by Tax Collector Received in Cash from State	A-4	<u>54,162</u>
Balance December 31, 2012	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, 2011	A	\$ 15,409
Increased by:		
Garden State Grant Fund	A-4	<u>15,409</u>
		30,818
Decreased by:		
Realized As Revenue 2012 Budget	A-2	<u>15,409</u>
Balance December 31, 2012	A	<u>\$ 15,409</u>

CURRENT FUND
SCHEDULE OF STATE GRANTS RECEIVABLE

A-21

<u>PURPOSE</u>	<u>BALANCE</u> <u>12/31/11</u>	<u>RECEIVABLE</u>	<u>RECEIVED</u>	<u>CANCELED</u>	<u>BALANCE</u> <u>12/31/12</u>
NJ Transit-Penwell Road	\$ 22,500				\$ 22,500
Neighborhood Preservation Balanced Housing	5,000				5,000
Clean Communities		\$ 19,888	\$ 19,459	\$ 429	
Body Armor Grant	1,210	1,288	1,288		1,210
2010 FEMA - Mt Airy Road	220,300		220,300		
Stormwater Grant	2,500				2,500
Highlands Water Protection		147,800			147,800
NJ Transit-Hollow Road	30,000		30,000		
Totals	\$ 281,510	\$ 168,976	\$ 271,047	\$ 429	\$ 179,010
REF.	A	A-2	A-4	A-22	A

CURRENT FUND
SCHEDULE OF RESERVE FOR STATE GRANTS-APPROPRIATED

A-22

	BALANCE <u>12/31/11</u>	TRANSFER FROM 2012 BUDGET <u>APPROPRIATIONS</u>	<u>EXPENDED</u>	<u>CANCELED</u>	BALANCE <u>12/31/12</u>
Clean Communities - 12	-	\$ 19,888	\$ 8,418	\$ 429	\$ 11,041
Clean Communities - 11	\$ 19,540	289	19,829		-
Clean Communities - 10	262		262		-
Drunk Driving Enforcement Fund	2,807	4,060	4,060		2,807
Recycling Tonnage Grant CY 05					-
Recycling Tonnage Grant CY 08	536		536		-
Recycling Tonnage Grant CY 09	2,865		98		2,767
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 CY12		1,288			1,288
Body Armor CY11	1,267		310		957
Body Armor CY10	448		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
Highlands Water Protection		147,800	15,429		132,371
Law and Public Safety Grant		12,188	12,188		
Neighborhood Preservation - Balanced Housing	355				355
Totals	\$ 92,294	\$ 185,513	\$ 61,578	\$ 429	\$ 215,800

REF . A A-3 A-4 A-21 A

Budget	\$ 184,225
By 40A:4-87	1,288
	<u>\$ 185,513</u>

CURRENT FUND
SCHEDULE OF RESERVE FOR STATE GRANTS-UNAPPROPRIATED

A-23

	<u>BALANCE</u> <u>12/31/11</u>	TRANSFER TO 2012 BUDGET <u>APPROPRIATIONS</u>	<u>RECEIVED</u>	<u>BALANCE</u> <u>12/31/12</u>
Clean Communities	\$ 289	\$ 289		-
Drunk Driving Enforcement Fund	4,060	4,060	\$ 1,599	\$ 1,599
Law and Public Safety Grant	12,188	12,188		-
Totals	<u>\$ 16,537</u>	<u>\$ 16,537</u>	<u>\$ 1,599</u>	<u>\$ 1,599</u>
REF .	A	A-22	A-4	A

CURRENT FUND
SCHEDULE OF TAX OVERPAYMENTS

A-24

	<u>REF.</u>	
Increased by:		
2012 Tax Overpayments	A-5	<u>\$ 11,551</u>
Decreased by:		
Refunds	A-4	<u>\$ 11,551</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, 2011	B	\$ (3,088)	\$ 1,508,170
Increased by Receipts:			
Dog License Fees	B-3	12,019	
State Dog License Fees	B-4	2,583	
Due Current Fund	B-5:6		719
Museum Deposits	B-7		1,237
Developers Deposits	B-8		36,642
Driveway Bond Deposits	B-9		3
Unemployment Compensation Insurance	B-10		13,701
Library Fund Deposits	B-11		2,665
Recreation Commission Deposits	B-12		3
Fair Share Housing(COAH) Deposits	B-13		10,421
Off-Track Improvements Deposits	B-14		40
Open Space Deposits	B-15		75,407
Emergency Snow Removal	B-16		30,023
Accumulated Absences Deposits	B-17		129
Tax Sale Premiums	B-19		7,831
Total Receipts		14,602	178,821
		11,514	1,686,991
Decreased by Disbursements:			
Expenditures Under R. S. 4:19-15.11	B-3	10,153	
State Dog License Fees	B-4	2,583	
Museum Disbursements	B-7		2,988
Developers Expenses	B-8		9,007
Driveway Bonds	B-9		750
Unemployment Compensation Insurance Transfers	B-10		65
Library Payments	B-11		1,640
Fair Share Housing	B-13		47,790
Open Space Payments	B-15		67,962
Developers Escrow	B-18		12,789
Total Disbursements		12,736	142,991
Balance December 31, 2012	B	\$ (1,222)	\$ 1,544,000

TRUST FUND
SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES

B-3

	<u>REF.</u>	
Balance December 31, 2011	B	\$ (3,093)
Increased by:		
Dog License Fees Collected	B-2	<u>12,019</u> 8,926
Decreased by:		
Expenditures Under R.S. 4:29-15.11	B-2	<u>10,153</u>
Balance December 31, 2012	B	<u>\$ (1,227)</u>

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

B-4

REF.

Increased by:

Collected in 2012:

State Board of Health Fees

B-2 \$ 2,583

Decreased By:

Payments

B-2 \$ 2,583

TRUST FUND
SCHEDULE OF AMOUNT DUE CURRENT FUND
DOG LICENSE FUND

B-5

	<u>REF.</u>	
Balance December 31, 2011	B	\$ 5
Balance December 31, 2012	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, 2011	B	\$	47,157
Increased by:			
Tax Sale Premiums Received in Current Fund	B-19	\$	24,800
Open Space Remaining 2012 Levy	B-15		473
Open Space Added/Omitted Taxes	B-15		<u>522</u>
			<u>25,795</u>
			72,952
Decreased by:			
Tax Sale Premiums Paid from Current Fund	B-19		7,000
Open Space - Beginning Balance Interfund Returned	B-2		<u>719</u>
			<u>7,719</u>
Balance December 31, 2012	B	\$	<u>65,233</u>

Detail:

Driveway Bond Interest		\$	1,982
Debt Service Adjustment Prior Year			8,832
Recreation Trust			4,244
Off Track Improvements			(1,921)
Tax Sale Premiums			51,100
Open Space Trust Fund			<u>996</u>
		\$	<u>65,233</u>

TRUST FUND
SCHEDULE OF RESERVE FOR MUSEUM DONATIONS

B-7

	<u>REF.</u>	
Balance December 31, 2011	A	\$ 10,101
Increased by:		
Museum Deposits	B-2	<u>1,237</u>
		11,338
Decreased by:		
Museum Disbursements	B-2	<u>2,988</u>
Balance December 31, 2012	A	<u>\$ 8,350</u>

TRUST FUND
SCHEDULE OF RESERVE FOR DEVELOPERS' DEPOSITS

B-8

	<u>REF.</u>	
Balance December 31, 2011	A	\$ 67,949
Increased by:		
Developers Deposits	B-2	<u>36,642</u>
		104,591
Decreased by:		
Developers Payments	B-2	<u>9,007</u>
Balance December 31, 2012	A	<u>\$ 95,584</u>

TRUST FUND
SCHEDULE OF RESERVE FOR DRIVEWAY BONDS

B-9

	<u>REF.</u>
Balance December 31, 2011	A \$ 7,565
Increased by:	
Driveway Deposits	B-2 <u> 3</u> 7,568
Decreased by:	
Driveway Refunds	B-2 <u> 750</u>
Balance December 31, 2012	A \$ <u>6,818</u>

TRUST FUND
SCHEDULE OF UNEMPLOYMENT COMPENSATION INSURANCE
TRUST DEPOSITS

B-10

	<u>REF.</u>	
Balance December 31, 2011	B	\$ 78,204
Increased by:		
Interest Credits	B-2	<u>13,701</u>
		91,905
Decreased by:		
Transfers to Current Fund	B-2	<u>65</u>
Balance December 31, 2012	B	<u>\$ 91,840</u>

TRUST FUND
SCHEDULE OF RESERVE FOR LIBRARY FUND

B-11

	<u>REF.</u>
Balance December 31, 2011	A \$ 4,572
Increased by:	
Deposits and Interest Credits	B-2 <u>2,665</u>
Decreased by:	
Payments	B-2 <u>1,640</u>
Balance December 31, 2012	A <u>\$ 5,597</u>

TRUST FUND
SCHEDULE OF RESERVE FOR RECREATION COMMISSION

B-12

	<u>REF.</u>	
Balance December 31, 2011	A	\$ 11,242
Increased by:		
Recreation Deposits	B-2	<u>3</u> 11,245
Balance December 31, 2012	A	<u>\$ 11,245</u>

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

B-13

	<u>REF.</u>	
Balance December 31, 2011	A	\$ 128,067
Increased by:		
COAH Deposits Received	B-2	<u>10,421</u>
		138,488
Decreased by:		
COAH Payments	B-2	<u>47,790</u>
Balance December 31, 2012	A	<u>\$ 90,698</u>

TRUST FUND
SCHEDULE OF RESERVE FOR OFF-TRACK IMPROVEMENTS

B-14

	<u>REF.</u>	
Balance December 31, 2011	A	\$ 61,631
Increased by:		
Off-Track Improvement Deposits	B-2	<u> 40</u> 61,671
Balance December 31, 2012	A	<u>\$ 61,671</u>

TRUST FUND
SCHEDULE OF RESERVE FOR OPEN SPACE TRUST DEPOSITS

B-15

	<u>REF.</u>	
Balance December 31, 2011	B	\$ 941,261
Increased by:		
2012 Added/Omitted Taxes	B-6	\$ 522
Open Space Levy-2012	B-6	473
Open Space Levy-2012	B-2	74,521
Interest Credits	B-2	886
		76,402
		1,017,663
Decreased by:		
NJ Environment Infrastructure Trust Debt Service	B-2	67,962
		67,962
Balance December 31, 2012	B	\$ 949,701

TRUST FUND
SCHEDULE OF RESERVE FOR EMERGENCY SNOW REMOVAL

B-16

	<u>REF.</u>	
Balance December 31, 2011	B	\$ 20,169
Increased by:		
Current Fund Budget Appropriation	B-2	\$ 30,000
Deposits-Interest	B-2	<u> 23</u> <u>30,023</u>
		50,192
Balance December 31, 2012	B	<u>\$ 50,192</u>

TRUST FUND
SCHEDULE OF RESERVE FOR ACCUMULATED ABSENCES

B-17

	<u>REF.</u>	
Balance December 31, 2011	A	\$ 115,375
Increased by:		
Deposits-Interest	B-2	<u>129</u>
Balance December 31, 2012	A	<u>\$ 115,504</u>

TRUST FUND
SCHEDULE OF RESERVE FOR DEVELOPERS ESCROW

B-18

	<u>REF.</u>	
Balance December 31, 2011	B	\$ 75,891
Decreased by:		
Deposits Returned	B-2	<u>12,789</u>
Balance December 31, 2012	B	<u>\$ 63,102</u>

TRUST FUND
SCHEDULE OF RESERVE FOR TAX SALE PREMIUMS

B-19

	<u>REF.</u>					
Balance December 31, 2011	B	\$ 33,300				
Increased by:						
Premiums Received	B-2	\$ 7,000				
Interest Credits	B-2	831				
Tax Sale Premiums Received in Current Fund	B-6	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;"><u>24,800</u></td> <td style="text-align: right;"><u>32,631</u></td> </tr> <tr> <td></td> <td style="text-align: right;">65,931</td> </tr> </table>	<u>24,800</u>	<u>32,631</u>		65,931
<u>24,800</u>	<u>32,631</u>					
	65,931					
Decreased by:						
Tax Sale Premiums Refunded in Current Fund	B-6	<u>7,000</u>				
Balance December 31, 2012	B	<u>\$ 58,931</u>				

GENERAL CAPITAL FUND SCHEDULES

GENERAL CAPITAL FUND
SCHEDULE OF CASH -TREASURER

C-2

	<u>REF.</u>		
Balance December 31, 2011	C		\$ 2,176,426
Increased by Receipts:			
Interest Credits	C-5	\$ 1,063	
Interfund Balances Advanced	C-5	174,003	
Reimbursement from Current Fund for September BAN Principal & Intere	C-5	210,119	
Capital Improvement Fund Budget Appropriation	C-6	23,000	
Bond Anticipation Note Proceeds-New Note	C-8	428,000	
Bond Anticipation Note Proceeds-Renewal Premium	C-1	10,598	
Bond Anticipation Note Proceeds-Renewal	C-5	<u>3,648,137</u>	<u>4,494,920</u>
			6,671,346
Decreased by Disbursements:			
Improvements Authorizations Paid	C-10	2,037,335	
Bond Anticipation Note Payment	C-5	<u>3,858,266</u>	<u>5,895,601</u>
Balance December 31, 2012	C		<u>\$ 775,745</u>

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

C-3

	<u>REF.</u>	
Balance December 31, 2011	C	\$ 737,741
Decreased by:		
Serial Bonds Paid by Open Space Trust Fund	C-7	<u>59,057</u>
Balance December 31, 2012	C	<u>\$ 678,684</u>

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

C-4

ORDINANCE NUMBER	IMPROVEMENT DESCRIPTION	BALANCE 12/31/11	2012 AUTHORIZATIONS	NOTES PAID BY BUDGET APPROPRIATION	CANCELED	BALANCE 12/31/12	ANALYSIS OF BALANCE DEBT	
							AUTHORIZED, NOT ISSUED	DEBT ISSUED (BAN'S)
01-48	Acquisition of Development Rights	\$ 202,000			\$ 202,000			-
03-07	Purchase of Fire Truck and Ambulance	208,428		\$ 30,000		\$ 178,428	\$ 88,428	\$ 90,000
03-10	Acquisition of Land	1,254,865			1,254,865			-
04-08	Acquisition of Land	1,153,734			1,153,734			-
04-09	Acquisition of Development and Easement Rights	1,380,000			941,168	438,832	438,832	-
05-11	Fire Pumper, Dump Truck, Various Improvements	285,193		71,297		213,896		213,896
05-14	Acquisition of Development and Easement Rights	528,000			32,083	495,917	495,917	-
06-08	Loader, Fuel Tanks, Windows, Police Equip.	133,950		22,325		111,625		111,625
07-10	Road Resurfacing, Library Roof, Well, Traffic Safety Sign, Trailer, Salt Spreader, Tarps, Pick-up Turck & Plow, Fire ATV	183,469		30,578		152,891		152,891
08-07	Police Garage, Generator, File Cabs, IT equip, Mason Dump Truck, Road Resurfacing	329,500		32,950		296,550		296,550
09-03	DPW Garage Feasibility	190,000		19,000		171,000		171,000
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	-
12-01	Road Resurfacing Program ; DPW Dump Truck; DPW Road Maintainer Machine.		\$ 437,000			437,000	437,000	-
		\$ 10,236,964	\$ 437,000	\$ 206,150	\$ 3,583,850	\$ 6,883,964	\$ 2,063,002	\$ 4,820,962
REF.		C	C-10	C-8	C-10	C		C-8

GENERAL CAPITAL FUND
SCHEDULE OF AMOUNT DUE CURRENT FUND

C-5

	REF.	
Balance December 31, 2011	C	\$ (174,003)
Increased by:		
Interest Credits	C-2	\$ 1,063
Reimbursement from Current Fund for September BAN Principal & Interest	C-2	210,119
Interfund Balances Advanced	C-2	<u>174,003</u>
		<u>385,185</u>
		211,182
Decreased by:		
Bond Anticipation Notes Principle and Interest Paid from General Capital Func	C-2	<u>210,129</u>
Balance December 31, 2012	C	<u><u>\$ 1,053</u></u>

GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

C-6

	<u>REF.</u>	
Balance December 31, 2011	C	\$ 116,689
Increased by:		
Canceled Improvement Authorizations - Funded	C-10	\$ 7,827
2012 Budget Appropriations	C-2	<u>23,000</u>
		<u>30,827</u>
		147,516
Decreased by:		
Appropriation to Finance Improvement Authorizations	C-10	<u>23,000</u>
Balance December 31, 2012	C	<u>\$ 124,516</u>

GENERAL CAPITAL FUND
SCHEDULE OF NEW JERSEY TRUST LOAN PROGRAM

C-7

<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 12/31/11</u>	<u>DECREASED</u>	<u>BALANCE 12/31/12</u>
New Jersey Environmental Infrastructure Trust-Loan Program	1/1/04	03-10	\$470,135	2013-2023	\$22,208 to \$26,904	None	\$ 293,624	27,431	\$ 266,193
New Jersey Environmental Infrastructure Trust-Loan Program	1/1/04	03-10	\$175,000	2013-2023	\$5,000 to \$15,000.	3.0% to 5.0%	130,000	10,000	120,000
New Jersey Environmental Infrastructure Trust-Loan Program	10/13/04	04-08	\$341,266	2013-2024	\$8,282 to \$18,836	None	224,117	16,626	207,491
New Jersey Environmental Infrastructure Trust-Loan Program	10/13/04	04-08	\$120,000	2013-2024	\$5,000 to \$10,000	3.0% to 5.0%	90,000	5,000	85,000
							\$ 737,741	\$ 59,057	\$ 678,684
REF.							C	C-3	C

GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES

C-8

ORDINANCE NUMBER	IMPROVEMENT DESCRIPTION	DATE OF ORIGINAL NOTE	DATE OF ISSUE	DATE OF MATURITY	INTEREST RATE	BALANCE 12/31/11	ISSUED	DECREASED	BALANCE 12/31/12
05-11	Fire Pumper, Dump Truck, Road Resurfacing Computer, Municipal Bldg.Imps., Breathalyzer	9/16/05	9/7/12	9/6/13	1.25%	\$ 285,193		\$ 71,297	\$ 213,896
03-07	Purchase of Fire Truck and Ambulance	9/16/05	9/7/12	9/6/13	1.25%	120,000		30,000	90,000
07-10	Road Resurfacing, Library Roof, Well, Traffic Safety Sign, Trailer, Salt Spreader, Tarps, Pick- up Turck & Plow, Fire ATV	9/14/07	9/7/12	9/6/13	1.25%	183,469		30,578	152,891
08-07	Police Garage, Generator, File Cabs, IT equip, Mason Dump Truck, Road Resurfacing	12/23/09	9/7/12	9/6/13	1.25%	329,500		32,950	296,550
09-03	DPW Garage Feasibility	12/23/09	9/7/12	9/6/13	1.25%	190,000		19,000	171,000
09-07	DPW Garage	9/10/10	9/7/12	9/6/13	1.25%	1,900,000			1,900,000
10-03	Road Resurfacing, DPW Trucks, Vehicle Lift, Library Heating, Tanker Fire Turck	9/10/10	9/7/12	9/6/13	1.25%	659,000			659,000
11-02	Fire and Rescue Squad Ambulance	9/9/11	9/7/12	9/6/13	1.25%	164,800			164,800
11-07	DPW Vehicle and Apparatus, Road Resurfacing of Various Township Roads, Supplemental Funding of DPW Garage	9/7/12	9/7/12	9/6/13	1.25%		\$ 428,000		428,000
06-08	Loader, Fuel Tanks, Windows, Police Equip.	2/9/07	2/3/12	2/1/13	1.25%	133,950		22,325	111,625
10-14	Road Resurfacing, Fueling Station, Tractor, Mower, Backhoe	2/4/11	2/3/12	2/1/13	1.25%	633,200			633,200
						\$ 4,599,112	\$ 428,000	\$ 206,150	\$ 4,820,962
REF.						C	C-2	C-4	C

GENERAL CAPITAL FUND
SCHEDULE OF VARIOUS RESERVES

C-9

<u>DESCRIPTION</u>	<u>BALANCE</u> <u>12/31/11</u>	<u>BALANCE</u> <u>12/31/12</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-10

<u>IMPROVEMENT DESCRIPTION</u>	<u>NUMBER</u>	<u>ORDINANCE DATE</u>	<u>AMOUNT</u>	<u>BALANCE 12/31/11</u>		<u>CAPITAL IMPROVEMENT FUND</u>	<u>DEFERRED CHARGES TO FUTURE TAXATION UNFUNDED</u>	<u>PAID OR CHARGED</u>	<u>CANCELED</u>	<u>BALANCE 12/31/12</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 ATV	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		33,192				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
DPW Garage	09-07	10/7/09	2,000,000		1,775,551			\$ 1,583,673			191,878
Road Resurfacing, Fueling Station, Tractor, Mower, Backhoe	10-14	10/20/10	665,000		412,326			248,363			163,963
Fire and Rescue Squad Ambulance	11-02	1/19/11	175,000		178						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			149,200			300,800
Amendment of Ordinance #2007-10 for Inclusion of Fire Department ATV and Ambulance Equipment.	11-07	8/3/11	35,000		11,480						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
Road Resurfacing Program ; DPW Dump Truck; DPW Road Maintainer Machine.	12-01	8/1/12	460,000			\$ 23,000	\$ 437,000	56,099			403,901

\$ 61,363	\$ 7,792,996	\$ 23,000	\$ 437,000	\$ 2,037,335	\$ 4,491,945	\$ 31,536	\$ 1,753,543
C	C	C-6	C-4	C-2	C-4	C	C

REF.

C-4	\$ 3,583,850
C-6	7,827
C-1	900,268
	\$ 4,491,945

SCHEDULE OF GENERAL FIXED ASSETS

GENERAL FIXED ASSETS
SCHEDULE OF ADDITIONS AND DELETIONS
DECEMBER 31, 2012

F-1

	<u>BALANCE</u> <u>12/31/11</u>	<u>ADDITIONS</u>	<u>BALANCE</u> <u>12/31/12</u>
General Fixed Assets:			
Land	\$ 3,510,219		\$ 3,510,219
Buildings	2,032,527	\$ 1,955,505	3,988,032
Machinery and Equipment	<u>8,049,435</u>	<u>-</u>	<u>8,049,435</u>
Total General Fixed Assets	<u>\$ 13,592,181</u>	<u>\$ 1,955,505</u>	<u>\$ 15,547,686</u>

**PART III
SUPPLEMENTARY INFORMATION**

General Comments

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

Schedule of Federal/State Awards

Status of Prior Audit Findings

Schedule of Findings and Responses

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 4, 2012, 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 4, 2012, 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, 2012, include property taxes outstanding from the 2011 and 2012 tax levy.

A tax sale was held on October 12, 2012 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>
2012	20
2011	17
2010	17

Verification of Delinquent Taxes and Other Charges

Verification notices were mailed to confirm balances as of November 23, 2012. 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 23, 2012				
<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>
2012 Property Tax	Positive	2,954	25	8
2013 Property Tax	Positive	2,954	25	8
2012 Delinquent Tax	Negative	374	25	7

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 2012 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 2012</u>	<u>%</u>	<u>YEAR 2011</u>	<u>%</u>
Fund Balance Utilized	\$ 999,838	4.15%	\$ 1,000,000	4.15%
Miscellaneous - From Other Than				
Local Property Tax Levies	3,626,185	15.05%	3,147,121	13.07%
Collection of Delinquent Taxes and				
Tax Title Liens	391,139	1.62%	394,507	1.64%
Collection of Current Tax Levy	<u>19,075,672</u>	<u>79.18%</u>	<u>19,542,169</u>	<u>81.14%</u>
Total Income	<u>24,092,834</u>	<u>100.00%</u>	<u>24,083,797</u>	<u>100.00%</u>

EXPENDITURES

Budget Expenditures:				
Municipal Purposes	4,521,837	19.72%	4,434,020	19.19%
Open Space Trust	75,517	0.33%	75,713	0.33%
County Taxes	3,312,955	14.45%	3,335,655	14.43%
Local and Regional Taxes	14,935,288	65.14%	15,070,751	65.22%
Other Expenditures	<u>82,520</u>	<u>0.36%</u>	<u>192,519</u>	<u>0.83%</u>
Total Expenditures	<u>22,928,117</u>	<u>100.00%</u>	<u>23,108,658</u>	<u>100.00%</u>
Excess in Revenue	1,164,717		975,139	
Adjustments to Income Before Fund Balance:				
Expenditures Included Above Which are by Statute				
Deferred Charges to Budget of Succeeding Year	<u>82,813</u>		<u>-</u>	
Statutory Excess To Fund Balance	1,247,530		975,139	
Fund Balance January 1	1,003,520		1,028,381	
Less:				
Utilization as Anticipated Revenue	<u>999,838</u>		<u>1,000,000</u>	
Fund Balance December 31	<u>\$ 1,251,212</u>		<u>\$ 1,003,520</u>	

Comparative Schedule of Tax Rate Information

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Tax Rate</u>	<u>\$2.596</u>	<u>\$2.642</u>	<u>\$2.661</u>
<u>Apportionment of Tax Rate:</u>			
Municipal Open Space	0.010	0.010	0.030
Municipal	0.099	0.091	0.070
County	0.404	0.403	0.427
County Open Space	0.038	0.039	0.041
Local School	1.347	1.381	1.399
Regional High School	0.698	0.718	0.694

Assessed Valuation:

<u>Year</u>	<u>Amount</u>
2012	\$745,212,424
2011	\$749,942,158
2010	\$758,391,254

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>
2012	\$ 19,482,121	\$19,075,673	97.91%
2011	\$ 19,938,789	\$19,542,169	98.01%
2010	\$ 20,264,406	\$19,813,461	97.77%

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>
2012	\$113,775	\$395,049	\$508,824	2.61%
2011	\$94,917	\$389,864	\$484,781	2.43%
2010	\$91,676	\$400,682	\$492,358	2.43%

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>
2012	\$94,200
2011	\$94,200
2010	\$94,200

Comparative Schedule of Fund Balances

<u>Year</u>	<u>Balance December 31</u>		<u>Utilized</u>	
			<u>Regular</u>	<u>In Budget of Succeeding Year</u>
				<u>Defer School Tax</u>
2012	\$ 1,251,212	*	\$ 864,000	\$300,000
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

*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>
Brian Wunder	Mayor		
Patricia Schriver	Committee		
Tom McKee	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>
2012	\$129,347

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.



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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**

Independent Auditor's Report

The Honorable Mayor and
Members of the Township Committee
Township of Lebanon
530 West Hill Road
Glen Gardner, New Jersey 08826

We have audited, 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, 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, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Township of Lebanon's basic financial statements, and have issued our report thereon dated April 30, 2013, which indicated that the financial statements have been prepared 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.

Internal Control Over Financial Reporting

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

-Continued-

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

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

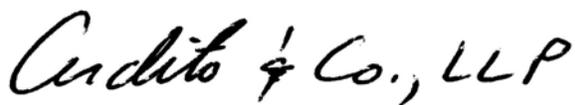
Compliance and Other Matters

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*.

Purpose of this Report

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

ARDITO & CO., LLP



Frenchtown, New Jersey

April 30, 2013



Certified Public Accountant

Registered Municipal Accountant No.524

ARDITO & CO., LLP

Frenchtown, New Jersey

April 30, 2013

SCHEDULE OF FEDERAL/STATE AWARDS

SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

K-3

FEDERAL GRANTOR/PROGRAM TITLE	CFDA	PROGRAM OR AWARD AMOUNT	GRANT PERIOD	FUND REF.	CASH ACCRUED OR DEFERRED REVENUE			CASH ACCRUED OR DEFERRED REVENUE		TOTAL DISBURSEMENTS
					BALANCE AT 1/1/12	RECEIPTS PROGRAM	OTHER	DISBURSEMENTS	BALANCE AT 12/31/12	
DEPARTMENT OF HOMELAND SECURITY										
FEMA- Mt. Airy Road	97.029	\$ 220,300	2010	A	\$ (220,300)	\$ 220,300			-	\$ 220,300
Disaster Grants - Public Assist (Presidentially Declared)-Hurr. Iren	97.036		2011			50,122		\$ 50,122	-	50,122
					<u>\$ (220,300)</u>	<u>\$ 270,422</u>	<u>-</u>	<u>\$ 50,122</u>	<u>-</u>	<u>\$ 270,422</u>

Note: This Schedule was not subject to an audit in accordance with OMB Circular A-133.
The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

SCHEDULE OF STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

K-4

STATE GRANTOR/PROGRAM TITLE	ACCOUNT NUMBER	PROGRAM OR AWARD AMOUNT	GRANT PERIOD	FUND REF.	CASH ACCRUED OR DEFERRED REVENUE			CASH ACCRUED OR DEFERRED REVENUE		
					BALANCE AT 1/1/12	RECEIPTS PROGRAM	OTHER	DISBURSEMENTS	BALANCE AT 12/31/12	
DEPT. OF COMMUNITY AFFAIRS										
Neighborhood Preservation										
Balanced Housing	N/A		Prior Years	A	\$ (4,645)				\$ (4,645)	
DEPT. OF ENVIRON. PROTECTION										
Solid Waste Adm.-Clean	4900-765-178900	\$19,829	2012	A		\$ 19,459		\$ 8,418	11,041	
Communities Program			Prior Years	A	20,092			20,092	-	
DEPT. OF PUBLIC SAFETY										
Criminal Justice - Body Armor	N/A	1,288	2012	A		1,288			1,288	
Criminal Justice - Body Armor	N/A	1,267	2011	A		1,267		758	509	
Criminal Justice - Body Armor	N/A	720	2010	A		(42)			(42)	
Drunk Driving Enforcement	4250-760-050000-63	1,599	2012	A		1,599			1,599	
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	-	
DEPT. OF TRANSPORTATION										
NJ Transportation Fund Authority Act										
Hollow Road		120,000	2008	A	(30,000)	30,000			-	
Penwell Road	8220-635-40000-01	N/A	Prior Year	A	5,093				5,093	
OTHER STATE AIDS										
Recycling Tonnage Program	N/A	4,910	2011	A	4,910				4,910	
Recycling Tonnage Program	N/A	2,865	2009	A	2,865			98	2,767	
Recycling Tonnage Program	N/A	1,766	2008	A		536		536	-	
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	5,104				5,104	
Highlands Water Protection Grant	N/A	147,800	2012	A	-			15,429	(15,429)	
TOTAL STATE ASSISTANCE					<u>\$ 47,622</u>	<u>\$ 52,346</u>	<u>-</u>	<u>\$ 61,579</u>	<u>\$ 38,389</u>	

Note: This Schedule was not subject to an audit in accordance with NJOMB Circular 04-04.
The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

STATUS OF PRIOR AUDIT FINDINGS

STATUS OF PRIOR AUDIT FINDINGS

CY
Occurrence

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

STATUS - Finding is repeated in 2012 and further action is required.

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.

STATUS - Finding is repeated in 2012 and further action is required.

2011-3(*) I suggest that the Township ensure controls are present to prevent overexpenditures.

STATUS - Finding is repeated in 2012 and further action is required.

SCHEDULE OF FINDINGS AND RESPONSES
GENERAL FINDINGS

SCHEDULE OF FINDINGS AND RESPONSES

GENERAL FINDINGS

YEAR ENDED DECEMBER 31, 2012

Summary of Auditor's Results

The Township 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 audit did not disclose any material weaknesses in the internal controls of the Township.

The audit did not disclose any noncompliance that is material to the financial statements of the Township.

The Township was not subject to the single audit provisions of Federal OMB Circular A-133 and New Jersey OMB Circular NJOMB 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid for 2012 as grant expenditures were less than the single audit thresholds of \$500,000, identified in the Circulars.

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

Finding

Interfunds:

I noted various interfund balances at year end.

2012-1(*) 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.

2012-2(*) I suggest that final documentation for related projects be filed with the proper state agencies for the collection of all outstanding loan proceed balances.

Overexpenditures

I noted that the reserve for dog fund expenditures was overexpended by \$1,227, and current fund appropriations were overexpended by \$2,813.

2012-3(*) I suggest that the Township ensure controls are present to prevent overexpenditures.

(*) Prior Year Finding