

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

**REPORT OF AUDIT
DECEMBER 31, 2016**

TOWNSHIP OF LEBANON

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PART I

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS

DECEMBER 31, 2016

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 financial statements-regulatory basis, which comprise the comparative balance sheets-regulatory basis of the various funds of the Township of Lebanon, County of Hunterdon, State of New Jersey (the "Township"), as of December 31, 2016 and 2015, and the related comparative statements of operations and changes in fund balance-regulatory basis for the years then ended, and the related statement of revenues-regulatory basis, and statement of expenditures-regulatory basis of the various funds, and the related notes to the financial statements for the year ended December 31, 2016, which collectively comprise the Township's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Township's preparation and fair presentation of

-Continued-

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 to the financial statements, the Township prepares its financial statements in conformity with regulatory basis 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 accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the Township's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2016 and 2015, or the results of its operations and changes in its fund balances for the years then ended.

Opinion on Regulatory Basis of Accounting

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, 2016 and 2015, and the results of operations and changes in fund balance-regulatory basis of such funds for the years then ended and the statement of revenues-regulatory basis and statement of expenditures-regulatory basis of the various funds for the years then ended, in conformity with accounting principals and practices as described in Note 1 to the financial statements.

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements-regulatory basis. The supplementary information listed in the table of contents is presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and is not a required part of the basic financial statements-regulatory basis.

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-regulatory basis. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements-regulatory basis 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-regulatory basis, or to the basic financial statements-regulatory basis themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

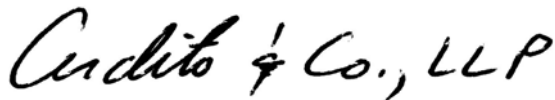
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In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements-regulatory basis taken as a whole, on the basis of accounting described in Note 1 to the financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2017, 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 and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

ARDITO & CO., LLP



Frenchtown, New Jersey
April 15, 2017



Certified Public Accountant
Registered Municipal Accountant No.524
ARDITO & CO., LLP
Frenchtown, New Jersey
April 15, 2017

FINANCIAL STATEMENTS

CURRENT FUND
COMPARATIVE BALANCE SHEET

A
Sheet 1

ASSETS	<u>REF.</u>	<u>BALANCE</u> <u>12/31/16</u>	<u>BALANCE</u> <u>12/31/15</u>
Cash and Cash Equivalents:			
Cash - Treasurer	A-4	\$ 2,586,806	\$ 2,348,971
Due From State of New Jersey - Veterans and Sr. Citizens Deductions	A-18	<u>3,682</u>	<u>3,682</u>
Subtotal		<u>2,590,488</u>	<u>2,352,653</u>
Receivables And Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-6	310,233	351,230
Tax Title Liens Receivable	A-7	145,419	139,392
Property Acquired for Taxes - Assessed Valuation	A-9	94,200	94,200
Due from Animal Control Fund	B	84	49
Due from General Capital Fund	C	<u>-</u>	<u>83</u>
Subtotal		<u>549,936</u>	<u>584,954</u>
Subtotal		<u>3,140,424</u>	<u>2,937,607</u>
Federal and State Grant Fund:			
Cash	A-4	22,418	19,898
Due From Current Fund	A	47,690	125,959
State Grants Receivable	A-19	<u>250,185</u>	<u>169,144</u>
Subtotal		<u>320,293</u>	<u>315,001</u>
TOTAL ASSETS		<u>\$ 3,460,717</u>	<u>\$ 3,252,608</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>12/31/16</u>	<u>BALANCE</u> <u>12/31/15</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Liabilities:			
Reserve for Encumbrances	A-10	\$ 79,256	\$ 24,614
Appropriation Reserves	A-3:11	349,189	181,622
Due to Grants Fund	A	47,690	125,959
Amount Due To Other Trust Funds	B	24,156	24,156
Due General Capital Fund	C	197	-
Taxes Collected In Advance	A-12	170,073	159,531
Reserve for Codification of Ordinances	A-13	5,625	5,625
Amount Due County For Added Taxes	A-14	7,412	12,901
Local District School Tax Payable	A-15	249,647	154,237
Regional High School Taxes Payable	A-16	825,914	838,463
Due to Municipal Open Space Trust Fund	A-17	-	294
Reserve for FEMA	A-23	<u>131,171</u>	<u>131,171</u>
Subtotal		1,890,330	1,658,573
Reserve For Receivables And Other Assets	A	549,936	584,954
Fund Balance	A-1	<u>700,158</u>	<u>694,080</u>
Subtotal		<u>3,140,424</u>	<u>2,937,607</u>
Federal and State Grant Fund:			
Appropriated Reserves	A-20	306,255	303,447
Unappropriated Reserves	A-21	<u>14,038</u>	<u>11,554</u>
Subtotal		<u>320,293</u>	<u>315,001</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 3,460,717</u>	<u>\$ 3,252,608</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>2016</u>	<u>YEAR</u> <u>2015</u>
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 690,398	\$ 985,729
Miscellaneous Revenue Anticipated	A-2	2,872,201	2,840,289
Receipts From Delinquent Taxes	A-2	341,805	362,408
Receipts from Current Taxes	A-2	20,295,884	19,316,041
Non-Budget Revenues	A-2	206,900	191,275
<u>Other Credits To Income:</u>			
Interfund Returns Realized	A	83	12,044
Refund Prior Year Expenditures	A-4	-	676
Unexpended Balance Of Appropriation Reserves	A-11	<u>139,820</u>	<u>58,971</u>
Total Income		<u>24,547,091</u>	<u>23,767,433</u>
EXPENDITURES			
Budget and Emergency Appropriations:			
Operations:			
Salaries and Wages	A-3	2,173,203	2,132,886
Other Expenses	A-3	1,846,998	1,751,290
Deferred Charges and Statutory Expenditures	A-3	532,596	506,287
Capital Improvements	A-3	33,916	400,000
Municipal Debt Service	A-3	930,324	631,067
County Taxes	A-14	3,367,402	3,250,412
Amount Due County For Added and Omitted Taxes	A-14	7,412	12,901
Local District School Taxes	A-15	9,731,820	9,316,000
Regional High School Taxes	A-16	5,151,732	5,001,830
Municipal Open Space	A-6	74,536	74,362
Interfund Advances	B/C	<u>676</u>	<u>-</u>
Total Expenditures		<u>23,850,615</u>	<u>23,077,035</u>
Excess in Revenues		696,476	690,398
Fund Balance January 1	A	<u>694,080</u>	<u>989,411</u>
		1,390,556	1,679,809
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>690,398</u>	<u>985,729</u>
Fund Balance December 31	A	<u>\$ 700,158</u>	<u>\$ 694,080</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	\$ 690,398		\$ 690,398	
Miscellaneous Revenues:					
Local Revenues:					
Licenses:					
Alcoholic Beverages	A-8	15,000		15,000	-
Fines and Costs:					
Municipal Court	A-8	16,500		15,310	\$ (1,190)
Interest and Costs On Taxes	A-5	79,500		74,218	(5,282)
Interest on Investments	A-8	2,700		3,493	793
Total Local Revenues		113,700		108,021	(5,679)
State Aid:					
Energy Receipts Tax	A-8	2,627,013		2,627,013	
Garden State Trust Fund	A-8	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-19:21	31,493		31,493	
Drunk Driving Enforcement Grant	A-20	3,017		3,017	
Recycling Tonnage Grant	A-20	3,807		3,807	
FEMA Generator Grant	A-20	81,041		81,041	
Body Armor Grant	A-20	1,258	\$ 1,142	2,400	
Total Special Items Of Revenues		120,616	1,142	121,758	
Total Miscellaneous Revenue	A-2	2,876,738	1,142	2,872,201	(5,679)

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

CURRENT FUND
STATEMENT OF REVENUES

A-2
Sheet 2

	<u>REF.</u>	<u>BUDGET</u>	<u>SPECIAL N.J.S.</u> <u>40A:4-87</u>	<u>REALIZED</u>	<u>EXCESS OR</u> <u>DEFICIT</u>
Receipts From Delinquent Taxes	A-2	280,000		341,805	61,805
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax For Municipal Purposes	A-2	2,083,574		2,202,248	118,674
Total General Revenues		5,930,710	1,142	6,106,652	174,800
Other Non-Budget Revenues	A-2			206,900	206,900
		\$ 5,930,710	\$ 1,142	\$ 6,313,552	\$ 381,700
		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	\$ 20,251,549
State of New Jersey, Senior Citizens and Veterans Deductions	A-6	44,335
	A-1	<u>20,295,884</u>
Allocated To:		
School and County Taxes	A-6	<u>18,507,902</u>
Balance for Support Of Municipal Budget Appropriations		1,787,982
Add by: Appropriation "Reserve For Uncollected Taxes"	A-3	<u>414,266</u>
Amount For Support Of Municipal Budget Appropriations	A-2	<u>\$ 2,202,248</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	\$	3,332	
Certified Lists		283	
Cell Tower		46,680	
Copies/Maps		287	
Police Moonlight		18,848	
Planning Board		4,112	
Zoning Board		6,185	
Marriage License		604	
Board of Health		7,375	
Retail Food		1,000	
Cable TV		40,169	
Board of Education Shared Services		10,000	
Insurance Refunds		9,522	
Newsletters		3,002	
LEA Rebates		4,416	
FEMA Reimbursement		37,561	
Miscellaneous		<u>2,553</u>	
	A-4		\$ <u>195,929</u>

Collector:

Miscellaneous		2,091	
Trailer Court Fees	A-5	<u>8,880</u>	<u>10,971</u>
			<u>\$ 206,900</u>

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

CURRENT FUND
STATEMENT OF EXPENDITURES

Sheet 1

<u>OPERATIONS within "CAPS"</u>	<u>APPROPRIATION</u>		<u>EXPENDED</u>		<u>RESERVED</u>	<u>UNEXPENDED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER</u>	<u>PAID OR</u>			<u>BALANCES</u>
		<u>MODIFICATION</u>	<u>CHARGED</u>			<u>CANCELED</u>
GENERAL GOVERNMENT FUNCTIONS:						
Mayor and Council:						
Salaries and Wages	\$ 17,000	\$ 17,000	\$ 12,894	\$ 4,106		-
Other Expenses	5,250	5,250	3,913	1,337		
Municipal Clerk:						
Salaries and Wages	139,065	139,065	136,524	2,541		
Other Expenses:						
Elections	4,750	4,750	4,493	257		
Miscellaneous Other Expenses	42,700	42,700	38,899	3,801		
Financial Administration (Treasury):						
Salaries and Wages	12,000	12,000	10,028	1,972		
Other Expenses	9,500	9,500	9,249	251		
Audit Services:						
Other Expenses	28,961	28,961	28,961			
Revenue Administration (Tax Collection):						
Salaries and Wages	46,030	46,030	46,030			
Other Expenses	11,500	11,500	9,979	1,521		
Tax Assessment Administration:						
Salaries and Wages	57,359	57,359	52,499	4,860		
Other Expenses	11,900	11,900	2,924	8,976		
Legal Services (Legal Dept.):						
Other Expenses	75,000	75,000	47,170	27,830		
Engineering Services:						
Other Expenses	12,000	12,000	5,347	6,653		
Historical Sites Office:						
Other Expenses	2,275	2,275	909	1,366		
Aid to New Hampton Historic Museum:						
Salaries and Wages	35,000	35,400	35,400			
Other Expenses	4,000	4,000	4,000	-		

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

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>CANCELED</u>
LAND USE ADMINISTRATION:					
Planning Board:					
Salaries and Wages	28,655	28,656	28,655		1
Other Expenses	22,900	22,900	13,836		9,064
Zoning Costs:					
Salaries and Wages	29,923	29,923	29,923		
Other Expenses	900	900	-		900
Zoning Board of Adjustment(Zoning Officer):					
Salaries and Wages	28,655	28,656	28,655		1
Other Expenses	16,875	16,875	5,532		11,343
UNIFORM CONSTRUCTION CODE ENFORCEMENT:					
Other Expenses	100	100	-		100
INSURANCE:					
Liability Insurance	707	707	707		
Other Insurance Premiums	124,277	124,699	124,699		
Workmens' Compensation	76,761	76,761	76,761		
Employee Group Health	465,000	465,000	461,586		3,414
PUBLIC SAFETY FUNCTIONS:					
Police Department:					
Salaries and Wages	1,134,304	1,134,304	1,059,315		74,989
Other Expenses	80,500	80,500	77,769		2,731
Office of Emergency Management:					
Salaries and Wages	5,225	5,525	5,495		30
Other Expenses	2,500	2,500	480		2,020
Aid to Volunteer Fire Companies in Adjoining Mun.	80,000	80,000	80,000		-
Contribution to First Aid Organizations:					
Other Expenses					
Fire Department/Uniform Fire Safety Code:					
Salaries and Wages	6,000	10,000	10,000		
Other Expenses:					
Fire Hydrant Services	700	700	648		52
Miscellaneous Other Expenses	1,000	1,100	1,072		28

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>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>CANCELED</u>
PUBLIC WORKS FUNCTIONS:					
Streets and Road Maintenance:					
Salaries and Wages	581,866	571,106	525,876	45,230	
Other Expenses:					
Snow Removal	20,409	20,409	18,419	1,990	
Miscellaneous Other Expenses	220,000	220,000	194,274	25,726	
Solid Waste Collection(Recycling Program):					
Salaries and Wages	5,466	5,466	5,466		
Other Expenses	2,535	2,795	2,525	270	
Buildings and Grounds:					
Other Expenses	20,000	38,037	37,286	751	
HEALTH AND HUMAN SERVICES FUNCTIONS:					
Public Health Services(Board Of Health):					
Other Expenses	8,000	8,000	7,080	920	
Environmental Health Services:					
Other Expenses	1,000	1,000	485	515	
Animal Control Services:					
Salaries and Wages	9,713	9,713	7,339	2,374	
Other Expenses	4,000	4,000	-	4,000	
Contribution to Social Services Agencies:					
Other Expenses	500	500	-	500	
PARK AND RECREATION FUNCTIONS:					
Recreation Services and Programs:					
Other Expenses:					
Senior Citizens	4,000	4,000	4,000		
Miscellaneous Other Expenses	6,500	6,500	4,536	1,964	
Maintenance of Parks:					
Other Expenses	2,500	2,500	1,059	1,441	
EDUCATION FUNCTIONS (Includes Library):					
Municipal/County Library:					
Other Expenses	61,801	61,801	56,873	4,928	

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>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>CANCELED</u>
OTHER COMMON OPERATING FUNCTIONS				
(Unclassified):				
Accumulated Leave Compensation	43,000	43,000	43,000	
Underground Storage Tank Remediation	15,490	16,729	16,729	
MUNICIPAL COURT:				
Other Expenses	38,000	38,000	37,142	858
UTILITY EXPENSES AND BULK PURCHASES:				
Electricity	75,000	61,000	41,119	19,881
Street Lighting	5,000	5,000	4,006	994
Telephone (excluding equipment acquisition)	14,000	14,000	13,880	120
Gasoline	60,000	60,000	32,197	27,803
Subtotal Operations within "CAPS"	3,818,052	3,818,052	3,507,643	310,409
Contingent				
Total Operations Including Contingent	3,818,052	3,818,052	3,507,643	310,409
Detail:				
Salaries and Wages	2,179,261	2,173,203	2,037,099	136,104
Other Expenses	1,638,791	1,644,849	1,470,544	174,305
Deferred Charges and Statutory Expenditures within "CAPS"				
Statutory Expenditures :				
Social Security (O.A.S.I.)	166,000	166,000	151,020	14,980
New Jersey Disability Fund	13,000	13,000	-	13,000
Contribution to:				
PERS	127,163	127,163	127,163	
PFRS	226,433	226,433	226,433	
Total Deferred Charges and Statutory Expenditures within "CAPS"	532,596	532,596	504,616	27,980
Total General Appropriations within "CAPS"	4,350,648	4,350,648	4,012,259	338,389

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

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 5

	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>EXPENDED PAID OR CHARGED</u>	<u>RESERVED</u>	<u>UNEXPENDED BALANCES CANCELED</u>
OPERATIONS EXCLUDED FROM "CAPS":					
Declared State of Emergency costs for Snow Removal N.J.S.A.(40A:4-45.45b and 40A:4-45.33bb)	69,591	69,591	69,591	-	
Fire Department:					
LOSAP	10,800	10,800		10,800	
Total Other Operations Excluded from "CAPS"	80,391	80,391	69,591	10,800	
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES:					
Federal and State Grants:					
Clean Communities Program:					
Other Expenses	26,763	26,763	26,763		
Other Expenses - PY Unappropriated	4,730	4,730	4,730		
Body Armor Grant:					
Other Expenses - PY Unapprop.	1,258	1,258	1,258		
New Jersey Law and Public Safety Grant:					
Other Expenses - PY Unapprop.	-	-	-		
Recycling Tonnage Grant:					
Other Expenses - PY Unapprop.	3,807	3,807	3,807		
Body Armor Grant(C 159):					
Other Expenses		1,142	1,142		
Drunk Driving Grant:					
Other Expenses - PY Unapprop.	3,017	3,017	3,017		
FEMA Generator Grant	81,041	81,041	81,041		
Total Public and Private Programs Offset by Revenues Excluded from "CAPS"	120,616	121,758	121,758	-	
Total Operations Excluded from "CAPS"	201,007	202,149	191,349	10,800	
Detail:					
Other Expenses	201,007	202,149	191,349	10,800	

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

CURRENT FUND
STATEMENT OF EXPENDITURES

A-3
Sheet 6

	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>EXPENDED PAID OR CHARGED</u>	<u>RESERVED</u>	<u>UNEXPENDED BALANCES CANCELED</u>
Capital Improvements Excluded from "CAPS"					
Capital Improvement Fund	33,916	33,916	33,916	-	
Total Capital Improvements Excluded from "CAPS"	<u>33,916</u>	<u>33,916</u>	<u>33,916</u>	<u>-</u>	
Municipal Debt Service Excluded from "CAPS"					
Payment of Bond Anticipation and Capital Notes	860,873	860,873	860,863	-	\$ 10
Payment of Interest on Notes	70,000	70,000	69,461		539
Total Municipal Debt Service Excluded from "CAPS"	<u>930,873</u>	<u>930,873</u>	<u>930,324</u>		<u>549</u>
Total Gen. Appropriations Excluded from "CAPS"	<u>1,165,796</u>	<u>1,166,938</u>	<u>1,155,589</u>	<u>10,800</u>	<u>549</u>
Subtotal General Appropriations	<u>5,516,444</u>	<u>5,517,586</u>	<u>5,167,848</u>	<u>349,189</u>	<u>549</u>
Reserve For Uncollected Taxes	414,266	414,266	414,266		
TOTALS	<u>\$ 5,930,710</u>	<u>\$ 5,931,852</u>	<u>\$ 5,582,114</u>	<u>\$ 349,189</u>	<u>\$ 549</u>

REF.

A

	<u>REF.</u>				
Appropriated by 40A:4-87	A-2	\$	1,142		
Adopted Budget	A-2		<u>5,930,710</u>		
			<u>\$ 5,931,852</u>		
Reserve for State Grants	A-20	\$	121,758		
Encumbrances	A-10		5,046,090		
Reserve for Uncollected Taxes	A-2		<u>414,266</u>		
			<u>\$ 5,582,114</u>		

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

TRUST FUND
COMPARATIVE BALANCE SHEET

		B	
		BALANCE	BALANCE
REF.		<u>12/31/16</u>	<u>12/31/15</u>
ASSETS			
Dog License Fund:			
	Cash and Cash Equivalents	B-2 \$ 34,542	\$ 22,194
	Total Dog License Fund	<u>34,542</u>	<u>22,194</u>
Other Trust Funds:			
	Cash and Cash Equivalents	B-2 1,868,971	1,729,487
	Due from Current Fund	B-6 24,156	24,450
	Total Other Trust Funds	<u>1,893,127</u>	<u>1,753,937</u>
	TOTAL ASSETS	<u>\$1,927,669</u>	<u>\$1,776,131</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Dog License Fund:			
	Due to Current Fund	B-5 \$ 84	\$ 49
	Due State of New Jersey	B-4 5	2
	Reserve for Dog Fund Expenditures	B-3 34,453	22,143
	Total Dog License Fund	<u>34,542</u>	<u>22,194</u>
Other Trust Fund:			
	Schedule of Reserve for Museum Donations	B-7 13,014	11,858
	Schedule of Reserve for Developers' Deposits	B-8 112,644	101,391
	Schedule of Reserve for Driveway Bonds	B-9 4,857	4,852
	Schedule of Reserve for Unemployment Compensation	B-10 99,333	99,294
	Schedule of Reserve for Library Trust	B-11 5,569	9,417
	Schedule of Reserve for Recreation Commission	B-12 14,907	14,897
	Schedule of Reserve for Fair Share Housing (COAH)	B-13 135,290	122,634
	Schedule of Reserve for Off-Track Improvements	B-14 59,998	59,936
	Schedule of Reserve for Open Space Deposits	B-15 999,191	984,715
	Schedule of Reserve for Emergency Snow Removal	B-16 47,860	7,852
	Schedule of Reserve for Accumulated Absences	B-17 212,857	169,687
	Schedule of Reserve for Developers' Trust Escrow Deposits	B-18 88,662	58,107
	Schedule of Reserve for Tax Sale Premiums	B-19 93,875	104,208
	Schedule of Reserve for Environmental Trust Deposits	B-20 5,070	5,089
	Total Other Trust Fund	<u>1,893,127</u>	<u>1,753,937</u>
	TOTAL LIABILITIES, RESERVES AND FUND BALANCE	<u>\$1,927,669</u>	<u>\$1,776,131</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>12/31/16</u>	BALANCE <u>12/31/15</u>
ASSETS			
Cash and Cash Equivalents	C-2	\$ 538,657	\$ 690,025
Amount Due Current Fund	C-5	197	
Deferred Charges to Future Taxation:			
Funded	C-3	355,405	409,586
Unfunded	C-4	<u>4,991,104</u>	<u>5,471,977</u>
TOTAL ASSETS		<u>\$ 5,885,363</u>	<u>\$ 6,571,588</u>

LIABILITIES, RESERVES AND FUND BALANCE

Amount Due Current Fund	C-5	-	\$ 83
Capital Improvement Fund	C-6	\$ 221,432	547,516
State of New Jersey Trust Loan Program	C-7	355,405	409,586
Bond Anticipation Notes	C-8	4,387,370	4,758,243
Reserve for:			
Fire Truck and Ambulance	C-9	17,233	17,233
Fund Balance	C-1	38,238	38,238
Improvement Authorizations:			
Funded	C-10	62,285	1,536
Unfunded	C-10	<u>803,400</u>	<u>799,153</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 5,885,363</u>	<u>\$ 6,571,588</u>

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

GENERAL CAPITAL FUND
SCHEDULE OF FUND BALANCE

C-1

	<u>REF.</u>	
Balance December 31, 2015	C	\$ 38,238
Balance December 31, 2016	C	<u>\$ 38,238</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, 2016

F

	<u>BALANCE</u> <u>12/31/16</u>	<u>BALANCE</u> <u>12/31/15</u>
General Fixed Assets:		
Land	\$ 3,510,219	\$ 3,510,219
Buildings	4,787,073	4,787,073
Machinery and Equipment	<u>8,964,229</u>	<u>8,623,352</u>
Total General Fixed Assets	<u>\$ 17,261,521</u>	<u>\$ 16,920,644</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>12/31/16</u>	<u>BALANCE</u> <u>12/31/15</u>
<u>ASSETS</u>		
Cash and Cash Equivalents:		
Cash - Treasurer	\$ 86,073	\$ 77,814
TOTAL ASSETS	<u>86,073</u>	<u>77,814</u>
<u>LIABILITIES AND RESERVES</u>		
Payroll Deductions Payable	-	-
Imprest Balances	<u>86,073</u>	<u>77,814</u>
TOTAL LIABILITIES AND RESERVES	<u>\$ 86,073</u>	<u>\$ 77,814</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, 2016

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.

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.

General Fixed Assets Account Group

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, April 15, August 15 and November 15. The Open Space Levy is paid quarterly to the Township's other trust funds on February 15, April 15, August 15 and November 15.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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.

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.

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.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Regulatory-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.

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, 2016, 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.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 2: CASH AND CASH EQUIVALENTS - (Continued)

Deposits:

As of December 31, 2016, cash and cash equivalents of the municipality consisted of the following:

	Cash and Cash Equivalents	Total
Checking	\$ <u>5,137,467</u>	\$ <u>5,137,467</u>

The carrying amount of the municipality's cash and cash equivalents at December 31, 2016, was \$5,137,467 and the bank balance was \$5,184,680. 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, \$338,662 was covered by federal depository insurances and \$4,846,018 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.

The Township debt is summarized as follows:

	Beginning Balance	Issued	Paid	Ending Balance
Long Term Obligations:				
Bond Anticipation Notes	\$ 4,758,243	490,000	\$ 860,873	\$ 4,387,370
State Of New Jersey Loan Programs	409,586		54,181	355,405
Total Long-Term Obligations	<u>\$ 5,167,829</u>	<u>\$ 490,000</u>	<u>\$ 915,054</u>	<u>\$ 4,742,775</u>

Summary of Municipal Debt

	YEAR <u>2016</u>	YEAR <u>2015</u>	YEAR <u>2014</u>
Issued			
General:			
Bonds and Notes	\$ 4,742,775	\$ 5,167,829	\$ 5,909,222
Total Deductions	<u>-</u>	<u>-</u>	<u>-</u>
Net Debt Issued	<u>4,742,775</u>	<u>5,167,829</u>	<u>5,909,222</u>
Authorized But Not Issued	<u>603,734</u>	<u>713,734</u>	<u>223,734</u>
Total Authorized But Not Issued	<u>603,734</u>	<u>713,734</u>	<u>223,734</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 5,346,509</u>	<u>\$ 5,881,563</u>	<u>\$ 6,132,956</u>

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: LONG-TERM DEBT - (Continued)

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 0.597%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional School District Debt	\$ 162,942	\$ 162,942	-
General Debt	<u>5,346,509</u>	<u>-</u>	<u>\$ 5,346,509</u>
	<u>\$ 5,509,451</u>	<u>\$ 162,942</u>	<u>\$ 5,346,509</u>

Net Debt \$ 5,346,509	Divided by Equalized Valuation Basis per	
N.J.S.A. 40A:2-2 as amended,	\$ 895,318,533	= 0.597%

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 31,336,149
Net Debt	<u>5,346,509</u>
Remaining Borrowing Power	<u>\$ 25,989,640</u>

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

Calendar <u>Year</u>	<u>General</u>	
	<u>Principal</u>	<u>Interest</u>
2017	53,133	6,832
2018	51,962	6,162
2019	50,783	5,487
2020	63,499	4,737
2021	61,741	3,737
2020-2024	<u>74,287</u>	<u>4,799</u>
	<u>\$ 355,405</u>	<u>\$ 31,754</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, 2016, was \$151,166. Outstanding loan principal and interest is paid from the Open Space Trust Fund of the Township.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: LONG-TERM DEBT - (Continued)

General Obligation Loans - (Continued)

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, 2016, was \$80,000. 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, 2016, was \$59,239. 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, 2016, was \$65,000. Outstanding loan principal and interest is paid from the Open Space Trust Fund of the Township.

Bond Anticipation Notes

The Township has outstanding at December 31, 2016, a bond anticipation note in the amount of \$3,431,805 payable to Peapack-Gladstone Bank. This note matures on September 1, 2017. The interest rate on the note was 0.89%. Principal and interest on these notes are paid from the current fund budget of the Township.

The Township has outstanding at December 31, 2016, a bond anticipation note in the amount of \$955,565 payable to PNC Bank. This note matures on January 27, 2017. The interest rate on the note was 1.06%. Principal and interest on these notes are paid from the current fund budget of the Township.

	Debt <u>Outstanding</u>
Total General Capital Loans-Above	\$ <u>4,742,775</u>

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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	4,787,073	4,787,073
Equipment	<u>8,964,229</u>	<u>8,623,352</u>
	<u>\$ 17,261,521</u>	<u>\$ 16,920,644</u>

Note 5: FUND BALANCES APPROPRIATED

Fund Balances at December 31, 2016, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2017, were as follows:

Current Fund - \$500,000 *

*Approved (Introduced) Budget

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, 2016, the Township had no charges that are required to be liquidated in subsequent budgets.

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>12/31/16</u>	LOCAL DISTRICT SCHOOL TAX BALANCE <u>12/31/16</u>	BALANCE <u>12/31/15</u>	TOTAL DEFERRED TAX <u>12/31/15</u>	REGIONAL HIGH SCHOOL TAX BALANCE <u>12/31/16</u>	BALANCE <u>12/31/15</u>
Balance of Tax		\$ 249,647	\$ 154,237		\$ 825,914	\$ 838,463
Deferred		<u>4,616,263</u>	<u>4,616,263</u>		<u>1,837,452</u>	<u>1,662,452</u>
Tax Payable		<u>\$ 4,865,910</u>	<u>\$ 4,770,500</u>		<u>\$ 2,663,366</u>	<u>\$ 2,500,915</u>
Tax Deferred	<u>\$ 6,453,715</u>			<u>\$ 6,278,715</u>		

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 8: PENSION PLANS

Description of Plans - All required employees of the municipality are covered by either the Public Employees' Retirement System (PERS), the Police and Fireman's Retirement System (PFRS), or the Defined Contribution Retirement Plan (DCRP) 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, all obligations of both Systems 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. These reports may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, New Jersey, 08625 or on the internet at <http://www.state.nj.us/treasury/pensions/annrpts.shtml>.

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

The following represents the membership tiers for PERS:

Tier Definition

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

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

The PERS provides 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, 2016

Note 8: PENSION PLANS - (Continued)

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 (PERS) requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 6.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in the PERS. The current PERS rate is 6.5% of covered payroll.

Summary of Significant Accounting Policies - New Jersey's municipalities and counties do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the net pension liability or related deferred outflows or inflows of resources on their balance sheets, or related plan pension expense. However, N.J.A.C. 5:30-6.1(c)(2) requires municipalities and counties to disclose GASB 68 information in the Notes to the Financial Statements. Accordingly, the municipality's portion of the net pension liability, related outflows and inflows of resources, and pension expense are for disclosure purposes only and do not effect the municipality's regulatory basis fund balance, statement of revenues and expenditures, or operations. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense as required by GASB No. 68, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the municipality disclosed a liability of \$4,010,479 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014. The municipality's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2016 and 2015. At June 30, 2016, the municipality's proportion was 0.01354% which was a decrease of 0.00067% from its proportion measured as of June 30, 2015.

For the State fiscal year ended June 30, 2016, the municipality's portion of the plan's pension expense was \$399,631. At June 30, 2016, deferred outflows of resources and deferred inflows of resources for PERS relating to the municipality's proportionate share are from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 74,583	-
Changes of assumptions	830,757	
Net difference between projected and actual earnings on pension plan investments	152,923	
Changes in proportion and differences between municipality contributions and proportionate share of contributions	143,966	\$ 109,601
Total	<u>\$ 1,202,229</u>	<u>\$ 109,601</u>

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 8: PENSION PLANS (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense of the plan as follows:

	<u>Year Ended June 30:</u>	
2017	\$245,994	
2018	245,994	
2019	284,990	
2020	239,438	
2021	<u>76,211</u>	
Total	<u>\$1,092,627</u>	
	<u>6/30/2015</u>	<u>6/30/2016</u>
Collective deferred outflows of resources	\$3,578,755,666	\$8,685,338,380
Collective deferred inflows of resources	993,410,455	870,133,595
Collective net pension liability (Non State - Local Group)	\$22,447,996,119	\$29,617,131,759
municipality's proportionate share of net pension liability	\$3,190,673	\$4,010,479
municipality's proportion %	0.01421362%	0.01354108%

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

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

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2013 Based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 8: PENSION PLANS (Continued)

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

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

Discount rate. The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on contribution rate in the most recent fiscal year.

Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 8: PENSION PLANS (Continued)

Sensitivity of the Municipality's proportionate share of the net pension liability to changes in the discount rate. The following presents the Municipality's proportionate share of the net pension liability measured as of June 30, 2016, calculated using the discount rate of 3.98%, as well as what the Municipality's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.98%) or 1-percentage-point higher (4.98%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>(2.98%)</u>	<u>Rate (3.98%)</u>	<u>(4.98%)</u>
municipality's proportionate share of the net pension liability	\$ 4,914,441	\$4,010,479	\$ 3,264,129

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>.

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 are set by N.J.S.A. 43:16A. PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after four years of service.

The following represents the membership tiers for PFRS:

Tier Definition

- 1 Members who were enrolled prior to May 22, 2010
- 2 Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
- 3 Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 8: PENSION PLANS (Continued)

Contribution Requirements - The contribution policy for PFRS is set by N.J.S.A 43:16A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2015 and 2014, the State contributed an amount less than the actuarially determined amount.

The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Summary of Significant Accounting Policies - New Jersey's municipalities and counties do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the net pension liability or related deferred outflows or inflows of resources on their balance sheets, or related plan pension expense. However, N.J.A.C. 5:30-6.1(c)(2) requires municipalities and counties to disclose GASB 68 information in the Notes to the Financial Statements. Accordingly, the municipality's portion of the net pension liability, related outflows and inflows of resources, and pension expense are for disclosure purposes only and do not effect the municipality's regulatory basis fund balance, statement of revenues and expenditures, or operations. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense as required by GASB No. 68, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the municipality disclosed a liability of \$4,983,872 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The municipality's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total of non-special funding contributions to the PFRS during the years ended June 30, 2016 and 2015. At June 30, 2016, the municipality's proportion was 0.02609% which was a decrease of 0.00038% from its proportion measured as of June 30, 2015.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 8: PENSION PLANS (Continued)

For the State fiscal year ended June 30, 2016, the municipality's portion of the plan's pension expense was \$557,763. At June 30, 2016, deferred outflows of resources and deferred inflows of resources for PFRS relating to the municipality's proportionate share are from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	-	\$ 32,870
Changes of assumptions	\$ 690,307	
Net difference between projected and actual earnings on pension plan investments	349,210	
Changes in proportion and differences between municipality contributions and proportionate share of contributions	114,797	43,822
Total	\$ 1,154,314	\$ 76,692

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense of the plan as follows:

	<u>Year Ended June 30:</u>	
	2017	2018
	\$257,961	257,961
	347,565	205,524
	<u>8,610</u>	<u>8,610</u>
Total	\$1,077,621	\$1,077,621

	<u>6/30/2015</u>	<u>6/30/2016</u>
Collective deferred outflows of resources (Non-Special Funding Situations)	\$3,512,729,953	\$4,547,316,543
Collective deferred inflows of resources (Non-Special Funding Situations)	871,083,367	688,197,590
Collective net pension liability (Non-Special Funding Situations)	\$18,117,234,618	\$20,706,699,056
Municipality's proportionate share of net pension liability (Non-Special Funding Situations)	\$4,409,151	\$4,983,872
Municipality's proportion %	0.02433678%	0.02406889%

Actuarial assumptions. The total pension liability in the July 1, 2015 actuarial valuation, which was rolled forward to June 30, 2016, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	3.08%
<u>Salary Increases:</u>	
Through 2026	2.10-8.98% based on age
Therafter	3.10-9.98% based on age
Investment Rate of Return:	7.65%

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 8: PENSION PLANS (Continued)

Pre-retirement mortality rates were based on the RP-2000 Pre-Retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Postretirement mortality rates for female service retirements and beneficiaries were based the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability mortality rates were based on special mortality tables used for the period after disability retirement.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2015 are summarized in the following table:

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 8: PENSION PLANS (Continued)

Discount rate. The discount rate used to measure the total pension liability was 5.55% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2050. Therefore, the long-term expected rate of return on plan investments wa

Sensitivity of the municipality's proportionate share of the net pension liability to changes in the discount rate. The following presents the collective net pension liability of the participating employers as of June 30, 2016, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u> <u>(4.55%)</u>	<u>Current Discount</u> <u>Rate (5.55%)</u>	<u>1% Increase</u> <u>(6.55%)</u>
municipality's proportionate share of the net pension liability	\$ 6,426,205	\$4,983,872	\$ 3,807,678

PFRS Special Funding Situation - Under N.J.S.A. 43:16A-15, the municipality is responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the municipality to the PFRS under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. The portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability and collective pension expense that is associated with the municipality is as follows:

	<u>6/30/2015</u>	<u>6/30/2016</u>
Collective net pension liability of the Nonemployer (State of New Jersey) - Special Funding Situation	\$1,460,720,421	\$1,604,141,087
State's portion of the net pension liability that was associated with the municipality - Special Funding Situation	\$386,668	\$418,522
State's portion of the net pension liability that was associated with the municipality as a percentage of the collective net pension liability - Special Funding Situation	0.026471%	0.026090%
Collective pension expense of the Nonemployer-(State of New Jersey) - Special Funding Situation	\$182,203,735	\$204,886,666
State's portion of the pension expense that was associated with the municipality - Special Funding Situation	\$48,231	\$53,455

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 8: PENSION PLANS (Continued)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>.

Defined Contribution Retirement Plan (DCRP) - The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et seq.). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N. J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by state statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus plan assets in the retirement system; however statute also requires the return to the normal rate when such surplus pension assets no longer exist.

Significant Legislation - Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

□ New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65. □ The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members. □ The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. □ Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PES members will take place in July of each subsequent fiscal year.

□ The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law. □ New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary. □ In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 8: PENSION PLANS (Continued)

<u>Three-Year Trend Information for PERS/PFRS</u>		
Year	Annual Pension	Annual Pension
<u>Funding</u>	<u>Contribution (PERS)</u>	<u>Contribution (PFRS)</u>
2016	\$127,163	\$226,433
2015	\$118,719	\$208,568
2014	\$101,994	\$193,302

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, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the State contributed \$1.25 billion on their behalf. 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 benefits 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 employer paid 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 \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

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.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016, 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.

Note 14: OTHER REQUIRED DISCLOSURES

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, 2016:

<u>FUND</u>	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
Current Fund	\$ 84	\$ 72,043
Federal/State Grants Fund	47,690	-
Dog Fund	-	84
Trust Fund	24,156	-
General Capital Fund	197	-
	<u>\$ 72,127</u>	<u>\$ 72,127</u>

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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.

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-sept2016.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, 2016, 2015, and 2014, were \$26,055, \$25,955 and \$25,498 respectively, which equaled the required contributions for each year. There were approximately nine retired participants eligible at December 31, 2016, 2015, and 2014.

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, 2015	A	\$ 2,348,971		\$ 19,898
Increased by Receipts:				
Collector	A-5	\$20,853,990		
Miscellaneous Revenue Not Anticipated	A-2	195,929		
Tax Title Liens	A-7	676		
Revenue Accounts Receivable	A-8	2,676,225		
Amount Due State of New Jersey for Senior Citizens/Veterans Deductions	A-18	44,335		
State Grant Funds	A-19	27,905		
State Grant Funds - Unappropriated	A-21	11,518	2,520	
Reserve for FEMA	A-23	-	-	2,520
		<u>23,810,578</u>	<u>-</u>	<u>2,520</u>
		26,159,549		22,418
Decreased by Disbursements:				
2015 Appropriation Reserves	A-11	66,416		
Reserves for Encumbrances	A-10	4,965,421		
Outside Liens/Premiums	B	164,647		
Refund of Tax Overpayments	A-22	1,601		
County Taxes	A-14	3,380,303		
Local District School Tax	A-15	9,636,410		
Regional School Tax	A-16	5,164,281		
Municipal Open Space Tax	A-17	74,830		
State Grant Funds	A-20	117,692		
Reserve for FEMA	A-23	-	-	-
		<u>23,571,601</u>	<u>-</u>	<u>-</u>
Balance December 31, 2016	A	<u>\$ 2,587,948</u>		<u>\$ 22,418</u>

CURRENT FUND
SCHEDULE OF CASH-COLLECTOR

A-5

	<u>REF.</u>		
Received:			
Miscellaneous Not Anticipated	A-2	\$ 10,971	
Interest and Costs on Taxes	A-2	74,218	
Taxes Receivable	A-6	20,431,804	
2017 Prepaid Taxes	A-12	170,073	
Tax Sale Premiums	B	63,000	
Outside Liens	B	102,323	
Tax Overpayments	A-22	<u>1,601</u>	<u>\$ 20,853,990</u>
Decreased by Disbursements:			
Payments To Treasurer	A-4		<u>\$ 20,853,990</u>

CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF TAX LEVY

A-6

YEAR	BALANCE	2016	CASH COLLECTIONS		CANCELLED	TRANSFER	BALANCE
	<u>12/31/15</u>	<u>LEVY</u>	<u>2015</u>	<u>2016</u>		TO	
						TAX TITLE	
						LIENS	
2011	\$ 2,674			\$ 2,674			-
2012	594			594			-
2015	347,962			336,518	\$ 4,424	\$ 7,020	-
	351,230			339,786	4,424	7,020	-
2016		\$ 20,629,174	\$ 159,531	20,136,353	4,685	18,372	\$ 310,233
TOTALS	\$ 351,230	\$ 20,629,174	\$ 159,531	\$ 20,476,139	\$ 9,109	\$ 25,392	\$ 310,233

REF.	A	A-12	A-7	A
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State of New Jersey-Senior Citizens/
Veterans Deductions
Received by Collector

A-2	\$ 44,335
A-5	<u>20,431,804</u>
	<u>\$20,476,139</u>

ANALYSIS OF PROPERTY TAX LEVY:

Tax Yield:

General Purpose Tax	\$20,509,528
Special District Taxes	74,372
Added/Omitted Taxes (54:4-63.1 et.seq.)	<u>45,274</u>
	<u>\$ 20,629,174</u>

Tax Levy:

Local District School Tax	A-15	\$ 9,731,820
Regional High School Tax	A-16	5,326,732
County Taxes:		
County Tax (Abstract)	A-14	\$ 2,812,077
County Library Tax (Abstract)	A-14	281,522
County Open Space (Abstract)	A-14	273,803
Due County for Added and Omitted Taxes(54.4-63.1, et.seq.)	A-14	<u>7,412</u>
Municipal Open Space	A-17	3,374,814
Local Tax for Municipal Purposes	A-2	74,536
Add: Additional Tax Levied		<u>2,083,574</u>
		<u>37,698</u>
		<u>\$ 20,629,174</u>

CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

A-7

	<u>REF.</u>	
Balance December 31, 2015	A	\$ 139,392
Increased by:		
Interest and Costs		\$ 132
Transfers from Taxes Receivable	A-6	<u>25,392</u>
		<u>25,524</u>
		164,916
Decreased by:		
Paid	A-4	676
Canceled		<u>18,821</u>
		<u>19,497</u>
Balance December 31, 2016	A	<u>\$ 145,419</u>

CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

A-8

	<u>REF.</u>	<u>BALANCE</u> <u>12/31/15</u>	<u>ACCRUED</u> <u>IN 2016</u>	<u>COLLECTED</u> <u>BY</u> <u>TREASURER</u>	<u>BALANCE</u> <u>12/31/16</u>
Clerk:					
Licenses:					
Alcoholic Beverages	A-2		\$ 15,000	\$ 15,000	
Municipal Court:					
Fines and Costs	A-2		15,310	15,310	
Interest on Investments and Deposits	A-2		3,493	3,493	
Energy Receipts Tax	A-2		2,627,013	2,627,013	
Garden State Trust Fund	A-2	-	15,409	15,409	-
Totals		-	\$ 2,676,225	\$ 2,676,225	-

REF.

A-4

A

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

A-9

	<u>REF.</u>	
Balance December 31, 2015	A	<u>\$ 94,200</u>
Balance December 31, 2016	A	<u>\$ 94,200</u>

CURRENT FUND
SCHEDULE OF RESERVE FOR ENCUMBRANCES

A-10

	<u>REF.</u>		
Balance December 31, 2015	A		\$ 24,614
Increased by:			
Transfer from Current Year Appropriations	A-3	\$ 5,046,090	
Additional/(Canceled) Encumbrance Appropriations		<u>(1,413)</u>	<u>5,044,677</u>
			5,069,291
Decreased by:			
Transfer to Appropriation Reserve - Prior Year Balance	A-11	24,614	
Encumbrances Paid	A-4	<u>4,965,421</u>	<u>4,990,035</u>
Balance December 31, 2016	A		<u>\$ 79,256</u>

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - 2015

A-11

	<u>BALANCE</u> <u>12/31/15</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	\$ 3,164.09	\$ 3,164.09	\$ 1,902.62	\$ 1,261.47
Financial/Tax Administration:				
Other Expenses	887.53	887.53	352.74	534.79
Assessment of Taxes:				
Other Expenses		7,975.00	7,975.00	-
Legal Services:				
Other Expenses	17,853.99	8,986.49	7,320.18	1,666.31
Engineering:				
Other Expenses		892.50	892.50	-
Historic Sites Office:				
Other Expenses	1,074.83	1,074.83	241.82	833.01
Aid to Historic Museum:				
Other Expenses	797.44	797.44	151.27	646.17
Planning Board:				
Other Expenses	1,650.66	1,650.66	467.77	1,182.89
Board of Adjustment:				
Other Expenses	7,109.42	7,109.42	355.28	6,754.14
Employee Group Insurance	5,000.00	5,000.00	765.73	4,234.27
Police:				
Other Expenses	4,831.77	7,215.75	7,215.75	-
Recycling:				
Other Expenses	465.27	465.27	405.60	59.67
Street and Road Maintenance:				
Other Expenses	44,937.90	34,587.42	18,452.70	16,134.72
Buildings and Grounds:				
Other Expenses		1,949.00	1,949.00	-
Board of Health:				
Other Expenses		500.00	500.00	-
Recreation:				
Other Expenses	2,789.52	2,789.52	645.16	2,144.36
Aid to Library	11,950.41	11,950.41	566.79	11,383.62
Petroleum and Utility Products:				
Electricity	18,226.06	18,226.06	3,315.33	14,910.73
Street Lighting	978.06	978.06	327.96	650.10
Telephone	1,211.38	1,211.38	1,084.20	127.18
Gasoline	26,362.73	26,362.73	2,425.31	23,937.42
Municipal Court:				
Other Expenses	3,586.00	9,103.50	9,103.50	-
Others	53,358.92	53,358.92		53,358.92
	\$ 206,235.98	\$206,235.98	\$ 66,416.21	\$ 139,819.77
REF.	A	A	A-4	A-1

Analysis of Balance:

Appropriation Reserves	\$ 181,622.00		\$ 41,802.23	\$ 139,819.77
Reserve for Encumbrances	24,613.98		24,613.98	-
	<u>\$ 206,235.98</u>		<u>\$ 66,416.21</u>	<u>\$ 139,819.77</u>

CURRENT FUND
SCHEDULE OF TAXES COLLECTED IN ADVANCE

A-12

	<u>REF.</u>	
Balance December 31, 2015	A	\$ 159,531
Increased by:		
2017 Taxes Collected in Advance	A-5	<u>170,073</u>
		329,604
Decreased by:		
Applied to 2016 Taxes Receivable	A-6	<u>159,531</u>
Balance December 31, 2016	A	<u>\$ 170,073</u>

CURRENT FUND
SCHEDULE OF RESERVE FOR CODIFICATION OF ORDINANCES

A-13

	<u>REF.</u>	
Balance December 31, 2015	A	<u>\$ 5,625</u>
Balance December 31, 2016	A	<u>\$ 5,625</u>

CURRENT FUND
SCHEDULE OF COUNTY TAXES PAYABLE

A-14

	<u>REF.</u>	
Balance December 31, 2015	A	\$ 12,901
Increased by:		
2016 Levy:		
County Taxes	A-6	\$ 2,812,077
County Library Taxes	A-6	281,522
County Open Space Tax	A-6	273,803
Prior Year Added and Omitted Taxes	A-6	<u>7,412</u>
		<u>3,374,814</u>
		3,387,715
Decreased by:		
Payments	A-4	<u>3,380,303</u>
Balance December 31, 2016	A	<u>\$ 7,412</u>

CURRENT FUND
SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

A-15

	<u>REF.</u>		
Balance December 31, 2015:			
School Tax Payable		\$ 154,237	
School Tax Deferred	A	<u>4,616,263</u>	\$ 4,770,500
Increased by:			
Levy - School Year July 1, 2016 to June 30, 2017	A-6		<u>9,731,820</u>
			14,502,320
Decreased by:			
Payments	A-4		<u>9,636,410</u>
Balance December 31, 2016:			
School Tax Payable	A	249,647	
School Tax Deferred		<u>4,616,263</u>	<u>\$ 4,865,910</u>
 2016 Liability for Local District School Tax:			
Tax Paid			\$ 9,636,410
Tax Payable 12/31/16			<u>4,865,910</u>
			14,502,320
Less -- Current Year Deferred			-
Less -- Tax Payable 12/31/15			<u>4,770,500</u>
 Amount Charged to 2016 Operations	 A-1		 <u>\$ 9,731,820</u>

CURRENT FUND
SCHEDULE OF REGIONAL HIGH SCHOOL TAX PAYABLE

A-16

	<u>REF.</u>		
Balance December 31, 2015:			
School Tax Payable		\$ 838,463	
School Tax Deferred	A	<u>1,662,452</u>	\$2,500,915
Increased by:			
Levy - School Year July 1, 2016 to June 30, 2017	A-6		<u>5,326,732</u>
			7,827,647
Decreased by:			
Payments	A-4		<u>5,164,281</u>
Balance December 31, 2016:			
School Tax Payable	A	825,914	
School Tax Deferred		<u>1,837,452</u>	<u>\$2,663,366</u>
 2016 Liability for Regional High School Tax:			
Tax Paid			\$5,164,281
Tax Payable 12/31/16			<u>2,663,366</u>
			7,827,647
Less -- Current Year Deferred			175,000
Less -- Tax Payable 12/31/15			<u>2,500,915</u>
 Amount Charged to 2016 Operations	 A-1		 <u>\$5,151,732</u>

CURRENT FUND
SCHEDULE OF MUNICIPAL OPEN SPACE TAX PAYABLE

A-17

	<u>REF.</u>					
Balance December 31, 2015	A	\$ 294				
Increased by:						
2016 Municipal Open Space Tax	A-6	\$ 74,372				
Added/Omitted Taxes - 2016	A-6	<table style="margin-left: auto; margin-right: 0;"> <tr> <td style="text-align: right; border-bottom: 1px solid black;">164</td> <td style="text-align: right; border-bottom: 1px solid black;">74,536</td> </tr> <tr> <td></td> <td style="text-align: right;">74,830</td> </tr> </table>	164	74,536		74,830
164	74,536					
	74,830					
Increased by:						
Transfer to Open Space Trust Fund	A-4	\$ <u>74,830</u>				

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

A-18

	<u>REF.</u>	
Balance December 31, 2015	A	\$ 3,682
Increased by:		
Senior Citizens Deductions Per Tax Billings		\$ 5,335
Veterans Deductions per Tax Billings		<u>39,000</u>
		<u>44,335</u>
		48,017
Decreased by:		
Senior Citizens Deductions Disallowed by Tax Collector Received in Cash from State	A-4	<u>44,335</u>
Balance December 31, 2016	A	<u><u>\$ 3,682</u></u>

CURRENT FUND
SCHEDULE OF STATE GRANTS RECEIVABLE

A-19

<u>PURPOSE</u>	<u>BALANCE</u> <u>12/31/15</u>	<u>RECEIVABLE</u>	<u>RECEIVED</u>	<u>CANCELED</u>	<u>BALANCE</u> <u>12/31/16</u>
NJ Transit-Penwell Road	\$ 22,500				\$ 22,500
Neighborhood Preservation Balanced Housing	5,000				5,000
Clean Communities		\$ 26,763	\$ 26,763		
Body Armor		2,400	1,142	\$ 1,258	
FEMA Generator Grant		81,041			81,041
Stormwater Grant	2,500				2,500
Highlands Water Protection	139,144				139,144
Totals	\$ 169,144	\$ 110,204	\$ 27,905	\$ 1,258	\$ 250,185
REF.	A	A-2	A-4	A-20	A

CURRENT FUND
SCHEDULE OF RESERVE FOR STATE GRANTS-APPROPRIATED

A-20

	<u>BALANCE</u> <u>12/31/15</u>	TRANSFER FROM 2016 BUDGET <u>APPROPRIATIONS</u>	<u>EXPENDED</u>	<u>CANCELED</u>	<u>BALANCE</u> <u>12/31/16</u>
Clean Communities - 15	\$ 23,500		\$ 23,500		-
Clean Communities - 16		\$ 31,493	13,151		\$ 18,342
Drunk Driving Enforcement Fund	8,298	3,017			11,315
Recycling Tonnage Grant CY 16		3,807			3,807
Recycling Tonnage Grant CY 15	5,406				5,406
Recycling Tonnage Grant CY 13	4,442				4,442
Recycling Tonnage Grant CY 09	19				19
Recycling Tonnage Grant CY 11	4,910				4,910
NJDOT-Penwell Road	27,593				27,593
Body Armor CY13	1,527				1,527
Body Armor CY12	1,215				1,215
Body Armor CY15	2,517	2,400		\$ 1,258	3,659
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	118,531				118,531
FEMA Generator Grant		81,041	81,041		
Neighborhood Preservation - Balanced Housing	355				355
Law and Public Safety Grant	66,911				66,911
Environmental Protection Grant	7,232				7,232
Totals	\$ 303,447	\$ 121,758	\$ 117,692	\$ 1,258	\$ 306,255

REF . A A-3 A-4 A-19 A

CURRENT FUND
SCHEDULE OF RESERVE FOR STATE GRANTS-UNAPPROPRIATED

A-21

	<u>BALANCE</u> <u>12/31/15</u>	TRANSFER TO 2016 BUDGET <u>APPROPRIATIONS</u>	<u>RECEIVED</u>	<u>BALANCE</u> <u>12/31/16</u>
Clean Communities	\$ 4,730	\$ 4,730	\$ 6,832	\$ 6,832
Drunk Driving Enforcement Fund	3,017	3,017	2,520	2,520
Recycling Tonnage Grant	3,807	3,807	4,686	4,686
Totals	<u>\$ 11,554</u>	<u>\$ 11,554</u>	<u>\$ 14,038</u>	<u>\$ 14,038</u>
REF .	A	A-20	A-4	A

CURRENT FUND
SCHEDULE OF TAX OVERPAYMENTS

A-22

REF.

Increased by:

2016 Tax Overpayments

A-5

\$ 1,601

Decreased by:

Refunds

A-4

\$ 1,601

CURRENT FUND
SCHEDULE OF RESERVE FOR FEMA

A-23

	<u>REF.</u>	
Balance December 31, 2015	A	\$ 131,171
Balance December 31, 2016	A	<u>\$ 131,171</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, 2015	B	\$ 22,194	\$ 1,729,487
Increased by Receipts:			
Dog License Fees	B-3	18,803	
State Dog License Fees	B-4	2,402	
Due Current Fund	B-5:6	35	63,294
Museum Deposits	B-7		1,395
Developers Deposits	B-8		24,717
Driveway Bond Deposits	B-9		5
Unemployment Compensation Insurance	B-10		99
Library Fund Deposits	B-11		934
Recreation Commission Deposits	B-12		10
Fair Share Housing(COAH) Deposits	B-13		23,235
Off-Track Improvements Deposits	B-14		62
Open Space Deposits	B-15		75,223
Emergency Snow Removal	B-16		40,008
Accumulated Absences Deposits	B-17		43,170
Developers Escrow	B-18		48,021
Tax Sale Premiums	B-19		77
Environmental Trust Deposits	B-20		
Total Receipts		21,240	320,250
		43,434	2,049,737
Decreased by Disbursements:			
Expenditures Under R. S. 4:19-15.11	B-3	6,493	
State Dog License Fees	B-4	2,399	
Museum Expenses	B-7		239
Developers Expenses	B-8		13,464
Unemployment Compensation Insurance Transfers	B-10		60
Library Expenditures	B-11		4,782
Fair Share Housing	B-13		10,579
Open Space Payments	B-15		60,747
Developers Escrow	B-18		17,466
Tax Sale Premiums	B-19		73,410
Environmental Trust Disbursements	B-20		19
Total Disbursements		8,892	180,766
Balance December 31, 2016	B	\$ 34,542	\$ 1,868,971

TRUST FUND
SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES

B-3

	<u>REF.</u>	
Balance December 31, 2015	B	\$ 22,143
Increased by:		
Dog License Fees Collected	B-2	<u>18,803</u>
		40,946
Decreased by:		
Expenditures Under R.S. 4:29-15.11	B-2	<u>6,493</u>
Balance December 31, 2016	B	<u>\$ 34,453</u>

Animal Control Fees Collected:	
2015	\$ 19,352
2014	<u>17,970</u>
	<u>\$ 37,322</u>

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

B-4

Balance December 31, 2015	<u>REF.</u> B	\$	2
Increased by:			
Collected in 2016:			
State Board of Health Fees	B-2		2,402
			<u>2,404</u>
Decreased By:			
Payments	B-2		<u>2,399</u>
Balance December 31, 2016	B	\$	<u>5</u>

TRUST FUND
SCHEDULE OF AMOUNT DUE CURRENT FUND
DOG LICENSE FUND

B-5

	<u>REF.</u>	
Balance December 31, 2015	B	\$ 49
Increased by:		
Interest Credits	B-2	<u>35</u>
Balance December 31, 2016	B	<u>\$ 84</u>

TRUST FUND
SCHEDULE OF AMOUNT DUE CURRENT FUND
OTHER TRUST FUND

B-6

	<u>REF.</u>		<u>DUE FROM</u>
Balance December 31, 2015	B		\$ 24,450
Increased by:			
Outside Liens - Receipts Collected by Current Fund	B-20	\$ 102,323	
Tax Sale Premiums - Receipts Collected by Current Fund	B-19	<u>63,000</u>	<u>165,323</u>
			189,773
Decreased by:			
Tax Sale Premiums - Amounts Transferred to Trust by Current Fund	B-2	63,000	
Open Space - Beginning Balance Interfund Returned	B-2	294	
Outside Liens - Amounts Refunded by Current Fund	B-20	<u>102,323</u>	<u>165,617</u>
Balance December 31, 2016	B		<u>\$ 24,156</u>

Detail:

Debt Service Adjustment Prior Years		\$ 8,833
Recreation Trust		4,244
Off Track Improvements		(1,921)
Tax Sale Premiums		<u>13,000</u>
		<u>\$ 24,156</u>

TRUST FUND
SCHEDULE OF RESERVE FOR MUSEUM DONATIONS

B-7

	<u>REF.</u>	
Balance December 31, 2015	A	\$ 11,858
Increased by:		
Museum Deposits	B-2	<u>1,395</u> 13,253
Decreased by:		
Museum Disbursements	B-2	<u>239</u>
Balance December 31, 2016	A	<u>\$ 13,014</u>

TRUST FUND
SCHEDULE OF RESERVE FOR DEVELOPERS' DEPOSITS

B-8

	<u>REF.</u>	
Balance December 31, 2015	A	\$ 101,391
Increased by:		
Developers Deposits	B-2	<u>24,717</u>
		126,108
Decreased by:		
Developers Payments	B-2	<u>13,464</u>
Balance December 31, 2016	A	<u>\$ 112,644</u>

TRUST FUND
SCHEDULE OF RESERVE FOR DRIVEWAY BONDS

B-9

	<u>REF.</u>	
Balance December 31, 2015	A	\$ 4,852
Increased by:		
Driveway Deposits	B-2	<u> 5</u> 4,857
Balance December 31, 2016	A	<u>\$ 4,857</u>

TRUST FUND
SCHEDULE OF UNEMPLOYMENT COMPENSATION INSURANCE
TRUST DEPOSITS

B-10

	<u>REF.</u>	
Balance December 31, 2015	B	\$ 99,294
Increased by:		
Interest Credits	B-2	<u> 99</u>
		99,393
Decreased by:		
Transfers to Current Fund	B-2	<u> 60</u>
Balance December 31, 2016	B	<u>\$ 99,333</u>

TRUST FUND
SCHEDULE OF RESERVE FOR LIBRARY FUND

B-11

	<u>REF.</u>	
Balance December 31, 2015	A	\$ 9,417
Increased by:		
Deposits and Interest Credits	B-2	<u> 934</u> 10,351
Decreased by:		
Expenditures	B-2	<u> 4,782</u>
Balance December 31, 2016	A	<u>\$ 5,569</u>

TRUST FUND
SCHEDULE OF RESERVE FOR RECREATION COMMISSION

B-12

	<u>REF.</u>	
Balance December 31, 2015	A	\$ 14,897
Increased by:		
Recreation Deposits	B-2	<u> 10</u> 14,907
Balance December 31, 2016	A	<u>\$ 14,907</u>

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

B-13

	<u>REF.</u>	
Balance December 31, 2015	A	\$ 122,634
Increased by:		
COAH Deposits Received	B-2	<u>23,235</u> 145,869
Decreased by:		
COAH Payments	B-2	<u>10,579</u>
Balance December 31, 2016	A	<u>\$ 135,290</u>

TRUST FUND
SCHEDULE OF RESERVE FOR OFF-TRACK IMPROVEMENTS

B-14

	<u>REF.</u>	
Balance December 31, 2015	A	\$ 59,936
Increased by:		
Off-Track Improvement Deposits	B-2	<u> 62</u> 59,998
Balance December 31, 2016	A	<u>\$ 59,998</u>

TRUST FUND
SCHEDULE OF RESERVE FOR OPEN SPACE TRUST DEPOSITS

B-15

	<u>REF.</u>		
Balance December 31, 2015	B	\$	984,715
Increased by:			
Open Space Levy-2016	B-2	\$	74,536
Interest Credits	B-2	687	<u>75,223</u>
			1,059,938
Decreased by:			
Open Space Expenditures	B-2	1,500	
NJ Environment Infrastructure Trust Debt Service	B-2	<u>59,247</u>	<u>60,747</u>
Balance December 31, 2016	B	\$	<u><u>999,191</u></u>

TRUST FUND
SCHEDULE OF RESERVE FOR EMERGENCY SNOW REMOVAL

B-16

	<u>REF.</u>					
Balance December 31, 2015	B	\$ 7,852				
Increased by:						
Budgeted Appropriations - Streets and Roads	B-2	\$ 40,000				
Deposits-Interest	B-2	<table style="margin-left: auto; margin-right: 0; border-collapse: collapse;"> <tr> <td style="border-bottom: 1px solid black; width: 50px; text-align: right;">8</td> <td style="border-bottom: 1px solid black; width: 50px; text-align: right;">40,008</td> </tr> <tr> <td style="text-align: right;">47,860</td> <td style="text-align: right;">47,860</td> </tr> </table>	8	40,008	47,860	47,860
8	40,008					
47,860	47,860					
Balance December 31, 2016	B	<u>\$ 47,860</u>				

TRUST FUND
SCHEDULE OF RESERVE FOR ACCUMULATED ABSENCES

B-17

	<u>REF.</u>	
Balance December 31, 2015	A	\$ 169,687
Increased by:		
Deposits-Current Fund Budget Appropriation and Interest	B-2	<u>43,170</u> 212,857
Balance December 31, 2016	A	<u>\$ 212,857</u>

TRUST FUND
SCHEDULE OF RESERVE FOR DEVELOPERS ESCROW

B-18

	<u>REF.</u>	
Balance December 31, 2015	B	\$ 58,107
Increased by:		
Escrow Deposits	B-2	<u>48,021</u>
		106,128
Decreased by:		
Deposits Returned	B-2	<u>17,466</u>
Balance December 31, 2016	B	<u>\$ 88,662</u>

TRUST FUND
SCHEDULE OF RESERVE FOR TAX SALE PREMIUMS

B-19

	<u>REF.</u>					
Balance December 31, 2015	B	\$ 104,208				
Increased by:						
Premiums Received	B-6	\$ 63,000				
Interest Credits	B-2	<table style="margin-left: auto; margin-right: 0;"> <tr> <td style="text-align: right; border-bottom: 1px solid black;">77</td> <td style="text-align: right; border-bottom: 1px solid black;">63,077</td> </tr> <tr> <td></td> <td style="text-align: right;">167,285</td> </tr> </table>	77	63,077		167,285
77	63,077					
	167,285					
Decreased by:						
Tax Sale Premiums Refunded	B-2	<table style="margin-left: auto; margin-right: 0;"> <tr> <td style="text-align: right; border-bottom: 1px solid black;">73,410</td> </tr> </table>	73,410			
73,410						
Balance December 31, 2016	B	<table style="margin-left: auto; margin-right: 0;"> <tr> <td style="text-align: right; border-bottom: 3px double black;">\$ 93,875</td> </tr> </table>	\$ 93,875			
\$ 93,875						

TRUST FUND
SCHEDULE OF RESERVE FOR ENVIRONMENTAL TRUST FUND

B-20

	<u>REF.</u>	
Balance December 31, 2015	B	\$ 5,089
Decreased by:		
Disbursements	B-2	<u> 19</u>
Balance December 31, 2016	B	<u>\$ 5,070</u>

GENERAL CAPITAL FUND SCHEDULES

GENERAL CAPITAL FUND
SCHEDULE OF CASH -TREASURER

C-2

	<u>REF.</u>		
Balance December 31, 2015	C		\$ 690,025
Increased by Receipts:			
Interest Credits	C-5	\$ 390	
Capital Improvement Fund - Current Fund Appropriation	C-6	33,916	
Bond Anticipation Note Proceeds	C-8	490,000	
Interfund Balances Advanced-Current Fund	C-5	1,730,324	
Bond Anticipation Note Proceeds-Renewal	C-5	<u>3,897,370</u>	<u>6,152,000</u>
			6,842,025
Decreased by Disbursements:			
Improvements Authorizations Paid	C-10	675,004	
Interfund Returns - Current Fund	C-5	800,670	
Bond Anticipation Note Payment	C-5	<u>4,827,694</u>	<u>6,303,368</u>
Balance December 31, 2016	C		<u>\$ 538,657</u>

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

C-3

	<u>REF.</u>	
Balance December 31, 2015	C	\$ 409,586
Decreased by:		
Serial Bonds Paid by Open Space Trust Fund	C-7	<u>54,181</u>
Balance December 31, 2016	C	<u>\$ 355,405</u>

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

C-4

ORDINANCE NUMBER	IMPROVEMENT DESCRIPTION	BALANCE 12/31/15	2016 AUTHORIZATIONS	NOTES PAID BY BUDGET APPROPRIATION	BALANCE 12/31/16	ANALYSIS OF BALANCE	
						DEBT AUTHORIZED, NOT ISSUED	DEBT ISSUED (BAN'S)
05-14	Acquisition of Development and Easement Rights	\$ 122,909			\$ 122,909	\$ 122,909	-
06-08	Loader, Fuel Tanks, Windows, Police Equip.	44,650		\$ 22,325	22,325		\$ 22,325
07-10	Road Resurfacing, Library Roof, Well, Traffic Safety Sign, Trailer, Salt Spreader, Tarps, Pick-up Truck & Plow, Fire ATV	61,157		30,578	30,579		30,579
08-07	Police Garage, Generator, File Cabs, IT equip, Mason Dump Truck, Road Resurfacing	197,700		32,950	164,750		164,750
09-03	DPW Garage Feasibility	114,000		19,000	95,000		95,000
09-06; 10-03	Road Resurfacing, DPW vehicles & Lift, Fire Tanker	461,300		113,870	347,430		347,430
09-07	DPW Garage	1,330,000		326,530	1,003,470		1,003,470
10-14	Road Resurfacing, Fueling Station, Tractor, Mower, Backhoe	506,560		63,320	443,240		443,240
11-02	Fire and Rescue Squad Ambulance	128,176		18,312	109,864		109,864
11-07	DPW Vehicle and Apparatus, Road Resurfacing of Various Township Roads, Supplemental Funding of DPW Garage	385,200		42,800	342,400		342,400
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 #2012-07 and 2009-07	570,000		71,250	498,750		498,750
12-01	Road Resurfacing Program ; DPW Dump Truck; DPW Road Maintainer Machine.	437,000		54,625	382,375		382,375
13-09	DPW Dump Trucks/apparatus, Road Resurfacing, Muni Bldg Septic System	522,500		65,313	457,187		457,187
14-08	Amendment of Ordinance #2008-07 for addition of Improvements to Municipal Building Basement, Fire Department Radios.	68,000			68,000	68,000	
15-09	Road resurfacing, new automotive vehicles including orig. apparatus and equipment consisting of DPW dump trucks.	490,000			490,000		490,000
16-02	New Automotive Vehicles		\$ 380,000		380,000	380,000	
		\$ 5,471,977	\$ 380,000	\$ 860,873	\$ 4,991,104	\$ 603,734	\$ 4,387,370
REF.		C	C-10	C-8	C		C-8

GENERAL CAPITAL FUND
SCHEDULE OF AMOUNT DUE CURRENT FUND

C-5

	REF.			
Balance December 31, 2015	C		\$	83
Increased by:				
Interest Credits	C-2	\$	390	
Interfund Balances Advanced	C-2	<u>1,730,324</u>		<u>1,730,714</u>
				1,730,797
Decreased by:				
Interfund Balances Returned	C-2	800,670		
Bond Anticipation Notes Principle and Interest Paid from General Capital Func	C-2	<u>930,324</u>		<u>1,730,994</u>
Balance December 31, 2016	C		<u>\$</u>	<u>(197)</u>

GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

C-6

	<u>REF.</u>	
Balance December 31, 2015	C	\$ 547,516
Increased by:		
2016 Budget Appropriations	C-2	<u>33,916</u>
		581,432
Decreased by:		
Appropriation to Finance Improvement Authorizations	C-10	<u>360,000</u>
Balance December 31, 2016	C	<u>\$ 221,432</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 12/31/15</u>	<u>DECREASED</u>	<u>BALANCE 12/31/16</u>
New Jersey Environmental Infrastructure Trust-Loan Program	1/1/04	03-10	\$470,135	2017-2023	\$22,208 to \$26,904	None	\$ 175,344	\$ 24,178	\$ 151,166
New Jersey Environmental Infrastructure Trust-Loan Program	1/1/04	03-10	\$175,000	2017-2023	\$5,000 to \$15,000.	3.0% to 5.0%	90,000	10,000	80,000
New Jersey Environmental Infrastructure Trust-Loan Program	10/13/04	04-08	\$341,266	2017-2024	\$8,282 to \$18,836	None	74,242	15,003	59,239
New Jersey Environmental Infrastructure Trust-Loan Program	10/13/04	04-08	\$120,000	2017-2024	\$5,000 to \$10,000	3.0% to 5.0%	70,000	5,000	65,000
							\$ 409,586	\$ 54,181	\$ 355,405
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 12/31/15	ISSUED	DECREASED	BALANCE 12/31/16
07-10	Road Resurfacing, Library Roof, Well, Traffic Safety Sign, Trailer, Salt Spreader, Tarps, Pick-up Truck & Plow, Fire ATV	9/14/07	9/1/16	9/1/17	0.89%	\$ 61,157		\$ 30,578	\$ 30,579
08-07	Police Garage, Generator, File Cabs, IT equip, Mason Dump Truck, Road Resurfacing	12/23/09	9/1/16	9/1/17	0.89%	197,700		32,950	164,750
09-03	DPW Garage Feasibility	12/23/09	9/1/16	9/1/17	0.89%	114,000		19,000	95,000
09-07	DPW Garage	9/10/10	9/1/16	9/1/17	0.89%	1,330,000		326,530	1,003,470
10-03	Road Resurfacing, DPW Trucks, Vehicle Lift, Library Heating, Tanker Fire Turck	9/10/10	9/1/16	9/1/17	0.89%	461,300		113,870	347,430
11-02	Fire and Rescue Squad Ambulance	9/9/11	9/1/16	9/1/17	0.89%	128,176		18,312	109,864
11-07	DPW Vehicle and Apparatus, Road Resurfacing of Various Township Roads, Supplemental Funding of DPW Garage	9/7/12	9/1/16	9/1/17	0.89%	385,200		42,800	342,400
11-10	Supplemental Funding of DPW Garage, Amendment of Ordinance #2012-07 and 2009-	9/6/13	9/1/16	9/1/17	0.89%	570,000		71,250	498,750
12-01	Road Resurfacing Program ; DPW Dump Truck; DPW Road Maintainer Machine.	9/6/13	9/1/16	9/1/17	0.89%	437,000		54,625	382,375
13-09	DPW Dump Trucks/apparatus, Road Resurfacing, Muni Bldg Septic System	9/6/13	9/1/16	9/1/17	0.89%	522,500		65,313	457,187
06-08	Loader, Fuel Tanks, Windows, Police Equip.	2/9/07	1/29/16	1/27/17	1.06%	44,650		22,325	22,325
10-14	Road Resurfacing, Fueling Station, Tractor, Mower, Backhoe	2/4/11	1/29/16	1/27/17	1.06%	506,560		63,320	443,240
15-09	Road resurfacing, new automotive vehicles including orig. apparatus and equipment consisting of DPW dump trucks.	1/29/16	1/29/16	1/27/17	1.06%	-	\$ 490,000		490,000
						\$ 4,758,243	\$ 490,000	\$ 860,873	\$ 4,387,370

REF.

C

C-2

C-4

C

GENERAL CAPITAL FUND
SCHEDULE OF VARIOUS RESERVES

C-9

<u>DESCRIPTION</u>	<u>BALANCE</u> <u>12/31/15</u>	<u>BALANCE</u> <u>12/31/16</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 12/31/15</u>		<u>CAPITAL IMPROVEMENT FUND</u>	<u>DEFERRED CHARGES TO FUTURE TAXATION UNFUNDED</u>	<u>PAID OR CHARGED</u>	<u>BALANCE 12/31/16</u>																													
				<u>FUNDED</u>	<u>UNFUNDED</u>				<u>FUNDED</u>	<u>UNFUNDED</u>																												
New Municipal Garage	08-12	12/17/08	\$ 38,058	\$ 1,536					\$ 1,536																													
DPW Garage Feasibility	09-03	4/15/09	200,000		\$ 111,343					\$ 111,343																												
Road Resurfacing, Fueling Station, Tractor, Mower, Backhoe	10-14	10/20/10	665,000		122,281					122,281																												
Fire and Rescue Squad Ambulance	11-02	1/19/11	175,000		178					178																												
Amendment of Ordinance #2007-10 for Inclusion of Fire Department ATV and Ambulance Equipment.	11-07	8/3/11	35,000		11,480			\$ 4,962		6,518																												
Road Resurfacing Program ; DPW Dump Truck; DPW Road Maintainer Machine.	12-01	8/1/12	460,000		93,592			11,980		81,612																												
DPW Dump Trucks/apparatus, Road Resurfacing, Muni Bldg Septic System	13-09	6/19/13	550,000		51,261			3,135		48,126																												
Amendment of Ordinance #2008-07 for addition of Improvements to Municipal Building Basement, Fire Department Radios.	14-08	11/5/14	71,500	-	51,286			-		51,286																												
Road resurfacing, new automotive vehicles including orig. apparatus and equipment consisting of DPW dump trucks.	15-09	12/16/15	515,000		357,732			355,676		2,056																												
New Automotive Vehicles	16-02	2/17/16	400,000			\$ 20,000	\$ 380,000	1,150		18,850 380,000																												
Various road resurfacing, new pickup truck	16-05	6/1/16	340,000			340,000		298,101		41,899																												
				<table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;"><u>\$</u></td> <td style="text-align: center;"><u>1,536</u></td> <td style="text-align: center;"><u>\$</u></td> <td style="text-align: center;"><u>799,153</u></td> <td style="text-align: center;"><u>\$</u></td> <td style="text-align: center;"><u>360,000</u></td> <td style="text-align: center;"><u>\$</u></td> <td style="text-align: center;"><u>380,000</u></td> <td style="text-align: center;"><u>\$</u></td> <td style="text-align: center;"><u>675,004</u></td> <td style="text-align: center;"><u>\$</u></td> <td style="text-align: center;"><u>62,285</u></td> <td style="text-align: center;"><u>\$</u></td> <td style="text-align: center;"><u>803,400</u></td> </tr> <tr> <td></td> <td style="text-align: center;">C</td> <td></td> <td style="text-align: center;">C</td> <td></td> <td style="text-align: center;">C-6</td> <td></td> <td style="text-align: center;">C-4</td> <td></td> <td style="text-align: center;">C-2</td> <td></td> <td style="text-align: center;">C</td> <td></td> <td style="text-align: center;">C</td> </tr> </table>							<u>\$</u>	<u>1,536</u>	<u>\$</u>	<u>799,153</u>	<u>\$</u>	<u>360,000</u>	<u>\$</u>	<u>380,000</u>	<u>\$</u>	<u>675,004</u>	<u>\$</u>	<u>62,285</u>	<u>\$</u>	<u>803,400</u>		C		C		C-6		C-4		C-2		C		C
<u>\$</u>	<u>1,536</u>	<u>\$</u>	<u>799,153</u>	<u>\$</u>	<u>360,000</u>	<u>\$</u>	<u>380,000</u>	<u>\$</u>	<u>675,004</u>	<u>\$</u>	<u>62,285</u>	<u>\$</u>	<u>803,400</u>																									
	C		C		C-6		C-4		C-2		C		C																									
REF.																																						

SCHEDULE OF GENERAL FIXED ASSETS

GENERAL FIXED ASSETS
SCHEDULE OF ADDITIONS AND DELETIONS
DECEMBER 31, 2016

F-1

	<u>BALANCE</u> <u>12/31/15</u>	<u>ADDITIONS</u>	<u>BALANCE</u> <u>12/31/16</u>
General Fixed Assets:			
Land	\$ 3,510,219		\$ 3,510,219
Buildings	4,787,073		4,787,073
Machinery and Equipment	<u>8,623,352</u>	<u>\$ 340,877</u>	<u>8,964,229</u>
Total General Fixed Assets	<u>\$ 16,920,644</u>	<u>\$ 340,877</u>	<u>\$ 17,261,521</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, 2015, the bid threshold in accordance with N.J.S.A.40A:11-3(c) (as amended) is increased to \$40,000 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 6, 2016, 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 6, 2016, 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, 2016, include property taxes outstanding from the 2016 tax levy.

A tax sale was held on October 14, 2016 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>
2016	23
2015	20
2014	17

Verification of Delinquent Taxes and Other Charges

Verification notices were mailed to confirm balances as of November 15, 2016. 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 15, 2016				
<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>
2016 Property Tax	Positive	2,954	25	9
2017 Property Tax	Positive	2,954	25	9
2016 Delinquent Tax	Negative	374	25	5

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 2016 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 2016</u>	<u>%</u>	<u>YEAR 2015</u>	<u>%</u>
Fund Balance Utilized	\$ 690,398	2.81%	\$ 985,729	4.15%
Miscellaneous - From Other Than				
Local Property Tax Levies	3,219,004	13.11%	3,103,255	13.06%
Collection of Delinquent Taxes and				
Tax Title Liens	341,805	1.39%	362,408	1.52%
Collection of Current Tax Levy	<u>20,295,884</u>	<u>82.68%</u>	<u>19,316,041</u>	<u>81.27%</u>
Total Income	<u>24,547,091</u>	<u>100.00%</u>	<u>23,767,433</u>	<u>100.00%</u>

EXPENDITURES

Budget Expenditures:				
Municipal Purposes	5,442,501	22.82%	5,347,168	23.17%
Open Space Trust	74,536	0.31%	74,362	0.32%
County Taxes	3,374,814	14.15%	3,263,313	14.14%
Local and Regional Taxes	14,883,552	62.40%	14,317,830	62.04%
Other Expenditures	<u>75,212</u>	<u>0.32%</u>	<u>74,362</u>	<u>0.32%</u>
Total Expenditures	<u>23,850,615</u>	<u>100.00%</u>	<u>23,077,035</u>	<u>100.00%</u>

Excess in Revenue	696,476		690,398	
Fund Balance January 1	694,080		989,411	
Less:				
Utilization as Anticipated Revenue	<u>690,398</u>		<u>985,729</u>	
Fund Balance December 31	<u>\$ 700,158</u>		<u>\$ 694,080</u>	

Comparative Schedule of Tax Rate Information

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Tax Rate</u>	<u>\$2.768</u>	<u>\$2.647</u>	<u>\$2.553</u>
<u>Apportionment of Tax Rate:</u>			
Municipal Open Space	0.010	0.010	0.010
Municipal	0.280	0.233	0.166
County	0.416	0.404	0.397
County Open Space	0.037	0.036	0.036
Local School	1.309	1.289	1.275
Regional High School	0.716	0.675	0.669

Assessed Valuation:

<u>Year</u>	<u>Amount</u>
2016	\$743,720,630
2015	\$740,594,088
2014	\$736,910,429

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>
2016	\$ 20,629,174	\$20,295,884	98.38%
2015	\$ 19,675,254	\$19,316,041	98.17%
2014	\$ 18,891,621	\$18,518,689	98.02%

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>
2016	\$145,419	\$310,233	\$455,652	2.21%
2015	\$139,392	\$351,230	\$490,622	2.49%
2014	\$128,127	\$371,269	\$499,396	2.64%

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>
2016	\$94,200
2015	\$94,200
2014	\$94,200

Comparitive Schedule of Fund Balances

<u>Year</u>	<u>Balance December 31</u>		<u>Utilized</u>	
			<u>Regular</u>	<u>In Budget of Succeeding Year Defer School Tax</u>
2016	\$ 700,158	*	\$ 325,000	\$175,000
2015	\$ 694,080		\$ 465,398	\$225,000
2014	\$ 989,411		\$ 460,729	\$525,000
2013	\$ 1,034,279		\$ 630,000	\$500,000
2012	\$ 1,251,212		\$ 864,000	\$300,000
2011	\$ 1,003,520		\$ 329,838	\$670,000
2010	\$ 1,028,381		\$ 625,000	\$375,000

*Approved (Introduced) Budget

Officials in Office and Surety Bonds

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

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name Of Corporate Surety</u>
Marc Laul	Mayor		
Tom McKee	Committee		
Mike Schmidt	Committee		
Brian Wunder	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>
2016	\$128,688

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.



ARDITO & Co., LLP

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e-mail: anthony@arditoandcompany.com

Anthony Ardito, CPA, RMA, CMFO, PSA
Douglas R. Williams, CPA, RMA, PSA

**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 regulatory-basis financial statements of the Township of Lebanon in the County of Hunterdon, State of New Jersey, as of and for the years ended December 31, 2016 and 2015, 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 15, 2017, 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 accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

-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.

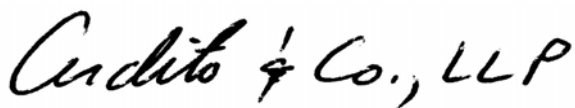
Compliance and Other Matters

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 15, 2017



Certified Public Accountant

Registered Municipal Accountant No.524

ARDITO & CO., LLP

Frenchtown, New Jersey

April 15, 2017

SCHEDULE OF FEDERAL/STATE AWARDS

SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

K-3

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	<u>CFDA</u>	<u>PROGRAM OR AWARD AMOUNT</u>	<u>GRANT PERIOD</u>	<u>FUND REF.</u>	CASH	<u>RECEIPTS</u>		DISBURSEMENTS	CASH	TOTAL
					<u>ACCRUED OR DEFERRED REVENUE BALANCE AT 1/1/16</u>	<u>PROGRAM</u>	<u>OTHER</u>	<u>DISBURSEMENTS</u>	<u>ACCRUED OR DEFERRED REVENUE BALANCE AT 12/31/16</u>	<u>DISBURSEMENTS</u>
DEPARTMENT OF HOMELAND SECURITY										
Hazzard Mitigation Grant (HMGP)	97.039	\$ 307,256	2015	A	\$ 131,171				\$ 131,171	\$ 196,456
Hazzard Mitigation Grant (HMGP)	97.039	81,041	2016	A				\$ 81,041	(81,041)	81,041
					<u>\$ 131,171</u>	<u>-</u>	<u>-</u>	<u>\$ 81,041</u>	<u>\$ 50,130</u>	<u>\$ 277,497</u>

Note: This Schedule was not subject to an audit in accordance with OMB Uniform Guidance Circular.

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, 2016**

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 1/1/16	RECEIPTS PROGRAM OTHER	DISBURSEMENTS	AT 12/31/16		
<u>DEPT. OF COMMUNITY AFFAIRS</u>										
Neighborhood Perservation Balanced Housing	N/A		Prior Years	A	\$	(4,645)		\$	(4,645)	
<u>DEPT. OF ENVIRON. PROTECTION</u>										
Solid Waste Adm.-Clean Communities Program	4900-765-178900	\$33,595	2016 Prior Years	A A		\$ 33,595 28,230	\$ 26,763 9,888		6,832 18,342	
<u>DEPT. OF PUBLIC SAFETY</u>										
Criminal Justice - Body Armor	N/A	1,142	2016	A			1,142		1,142	
Criminal Justice - Body Armor	N/A	1,258	2015	A		1,258			1,258	
Criminal Justice - Body Armor	N/A	1,259	2014	A		1,259			1,259	
Criminal Justice - Body Armor	N/A	1,527	2013	A		1,527			1,527	
Criminal Justice - Body Armor	N/A	1,288	2012	A		1,215			1,215	
Drunk Driving Enforcement	4250-760-050000-63	2,520	2016	A			2,520		2,520	
Drunk Driving Enforcement	4250-760-050000-63	3,017	2015	A		3,017			3,017	
Drunk Driving Enforcement	4250-760-050000-63	1,982	2014	A		1,982			1,982	
Drunk Driving Enforcement	4250-760-050000-63	1,910	2013	A		1,910			1,910	
Drunk Driving Enforcement	4250-760-050000-63	1,599	2012	A		1,599			1,599	
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	42,553	2014	A		42,553			42,553	
Law and Public Safety Grant	N/A	24,358	2013	A		24,358			24,358	
<u>DEPT. OF TRANSPORTATION</u>										
NJ Transportation Fund Authority Act Penwell Road	8220-635-40000-01	N/A	Prior Year	A		5,093			5,093	
<u>OTHER STATE AIDS</u>										
Recycling Tonnage Program	N/A	4,686	2016	A			4,686		4,686	
Recycling Tonnage Program	N/A	3,807	2015	A		3,807			3,807	
Recycling Tonnage Program	N/A	5,406	2014	A		5,406			5,406	
Recycling Tonnage Program	N/A	4,442	2013	A		4,442			4,442	
Recycling Tonnage Program	N/A	4,910	2012	A		4,910			4,910	
Recycling Tonnage Program	N/A	2,865	2009	A		19			19	
Environmental Protection Grant	N/A	7,232	2014	A		7,232			7,232	
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	2013	A		(20,613)			(20,613)	
TOTAL STATE ASSISTANCE						\$ 145,857	\$ 41,943	\$ -	\$ 36,651	\$ 151,149

Note: This Schedule was not subject to an audit in accordance with NJOMB Circular 15-08.

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

TOWNSHIP OF LEBANON

NOTES TO THE SCHEDULES OF FEDERAL AND STATE AWARDS
DECEMBER 31, 2016

NOTE 1. GENERAL

The accompanying Schedules of Expenditures of Federal and State Awards present the activity of all federal and state award programs of the Township of Lebanon. The Township of Lebanon is defined in Note 1 to the Township's financial statements. All federal and state awards received directly from federal and state agencies, as well as federal and state awards passed through other government agencies, are included on the schedules of expenditures of federal and state awards.

NOTE 2. BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of Federal and State Awards are presented using the modified accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of federal OMB Uniform Guidance, Audits of States, Local Governments and Nonprofit Organizations. However, these schedules were not subject to an audit in accordance with OMB Uniform Guidance or NJOMB Circular 15-08.

NOTE 3. RELATIONSHIP TO THE FINANCIAL STATEMENTS

The accompanying Schedules of Expenditures of Federal and State Awards are presented using the modified accrual basis of accounting. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the financial statements.

STATUS OF PRIOR AUDIT FINDINGS

STATUS OF PRIOR AUDIT FINDINGS

CY
Occurrence

2015-1 The Police Office Manager maintains a bank account for the collection of various receipts, of which funds are turned over to the treasurer on a periodic basis. \$296 remains in the account as of December 31, 2015.

We recommend the township close the police bank account and any fees collected by the police department should be turned over to the treasurer for deposit within 48

Status - Finding is cleared in 2016

SCHEDULE OF FINDINGS AND RESPONSES
GENERAL FINDINGS

SCHEDULE OF FINDINGS AND RESPONSES

GENERAL FINDINGS

YEAR ENDED DECEMBER 31, 2016

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 Uniform Guidance and New Jersey OMB Circular NJOMB 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid for 2016 as grant expenditures were less than the single audit thresholds of \$750,000, 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

2016-1 Materials purchases for road repairs in the amount of \$23,069 for one vendor exceeded the bid threshold of \$17,500.

We recommend that expenditures, which exceed the bid or quote threshold, be made in accordance with the requirements of the Local Public Contracts Law (N.J.S.A. 40A:11-1 et seq.). Per unit pricing such as rates per hour, or cost markups for products should be solicited for those expenditures that are reasonably expected to exceed statutory threshold levels during the calendar year.