

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

**REPORT OF AUDIT  
DECEMBER 31, 2017**



TOWNSHIP OF LEBANON

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**PART I**

**REPORT ON EXAMINATION OF FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

## **AUDITORS' REPORTS**



# **ARDITO & Co., LLP**

1110 Harrison Street, Suite C  
Frenchtown, New Jersey 08825-1192  
908-996-4711 Fax: 908-996-4688  
e-mail: anthony@arditoandcompany.com

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

## 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, 2017 and 2016, 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, 2017, 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, 2017 and 2016, 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, 2017 and 2016, 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.

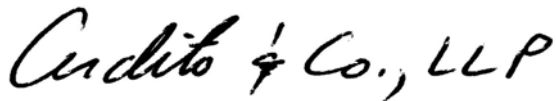
-Continued-

Because of the significance of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, it is inappropriate to and we do not express an opinion on the Supplementary information referred to above.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2018, 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

March 31, 2018



Certified Public Accountant

Registered Municipal Accountant No.524

ARDITO & CO., LLP

Frenchtown, New Jersey

March 31, 2018

## **FINANCIAL STATEMENTS**

CURRENT FUND  
COMPARATIVE BALANCE SHEET

A  
Sheet 1

<b>ASSETS</b>	<u>REF.</u>	<u>BALANCE</u> <u>12/31/17</u>	<u>BALANCE</u> <u>12/31/16</u>
<b>Cash and Cash Equivalents:</b>			
Cash - Treasurer	A-4	\$ 3,956,746	\$ 2,586,806
Due From State of New Jersey - Veterans and Sr. Citizens Deductions	A-18	<u>3,682</u>	<u>3,682</u>
<b>Subtotal</b>		<u>3,960,428</u>	<u>2,590,488</u>
<b>Receivables And Other Assets With Full Reserves:</b>			
Delinquent Property Taxes Receivable	A-6	373,119	310,233
Tax Title Liens Receivable	A-7	178,025	145,419
Property Acquired for Taxes - Assessed Valuation	A-9	94,200	94,200
Due from Animal Control Fund	B	<u>129</u>	<u>84</u>
<b>Subtotal</b>		<u>645,473</u>	<u>549,936</u>
<b>Subtotal</b>		<u>4,605,901</u>	<u>3,140,424</u>
<b>Federal and State Grant Fund:</b>			
Cash	A-4	24,941	22,418
Due From Current Fund	A	56,675	47,690
State Grants Receivable	A-19	<u>370,185</u>	<u>250,185</u>
<b>Subtotal</b>		<u>451,801</u>	<u>320,293</u>
<b>TOTAL ASSETS</b>		<u><b>\$ 5,057,702</b></u>	<u><b>\$ 3,460,717</b></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>12/31/17</u>	<u>BALANCE</u> <u>12/31/16</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Reserve for Encumbrances	A-10	\$ 100,254	\$ 79,256
Appropriation Reserves	A-3:11	135,948	349,189
Due to Grants Fund	A	56,675	47,690
Amount Due To Other Trust Funds	B	38,167	24,156
Due General Capital Fund	C	118,946	197
Taxes Collected In Advance	A-12	1,344,397	170,073
Reserve for Codification of Ordinances	A-13	5,625	5,625
Amount Due County For Added Taxes	A-14	3,416	7,412
Local District School Tax Payable	A-15	346,738	249,647
Regional High School Taxes Payable	A-16	926,630	825,914
Reserve for FEMA	A-23	<u>131,171</u>	<u>131,171</u>
<b>Subtotal</b>		<b>3,207,967</b>	<b>1,890,330</b>
 Reserve For Receivables And Other Assets	 A	 645,473	 549,936
Fund Balance	A-1	<u>752,461</u>	<u>700,158</u>
<b>Subtotal</b>		<b><u>4,605,901</u></b>	<b><u>3,140,424</u></b>
 <b>Federal and State Grant Fund:</b>			
Appropriated Reserves	A-20	444,845	306,255
Unappropriated Reserves	A-21	<u>6,956</u>	<u>14,038</u>
<b>Subtotal</b>		<b><u>451,801</u></b>	<b><u>320,293</u></b>
 <b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>		 <b><u>\$ 5,057,702</u></b>	 <b><u>\$ 3,460,717</u></b>

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>2017</u>	<u>YEAR</u> <u>2016</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>			
Fund Balance Utilized	A-2	\$ 500,000	\$ 690,398
Miscellaneous Revenue Anticipated	A-2	2,932,392	2,872,201
Receipts From Delinquent Taxes	A-2	301,037	341,805
Receipts from Current Taxes	A-2	20,942,937	20,295,884
Non-Budget Revenues	A-2	270,227	206,900
<u>Other Credits To Income:</u>			
Interfund Returns Realized	A	-	83
Unexpended Balance Of Appropriation Reserves	A-11	<u>304,476</u>	<u>139,820</u>
<b>Total Income</b>		<u>25,251,069</u>	<u>24,547,091</u>
<b>EXPENDITURES</b>			
Budget and Emergency Appropriations:			
Operations:			
Salaries and Wages	A-3	2,057,633	2,173,203
Other Expenses	A-3	1,705,823	1,846,998
Deferred Charges and Statutory Expenditures	A-3	508,411	532,596
Capital Improvements	A-3	555,000	33,916
Municipal Debt Service	A-3	841,510	930,324
County Taxes	A-14	3,378,715	3,367,402
Amount Due County For Added and Omitted Taxes	A-14	3,416	7,412
Local District School Taxes	A-15	9,926,000	9,731,820
Regional High School Taxes	A-16	5,528,162	5,151,732
Municipal Open Space	A-6	74,596	74,536
Interfund Advances	B/C	<u>119,500</u>	<u>676</u>
<b>Total Expenditures</b>		<u>24,698,766</u>	<u>23,850,615</u>
Excess in Revenues		552,303	696,476
Fund Balance January 1	A	<u>700,158</u>	<u>694,080</u>
		1,252,461	1,390,556
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>500,000</u>	<u>690,398</u>
<b>Fund Balance December 31</b>	A	<u><b>\$ 752,461</b></u>	<u><b>\$ 700,158</b></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>		
		SPECIAL N.J.S.		EXCESS OR
	<u>REF.</u>	<u>BUDGET</u>	<u>40A:4-87</u>	<u>REALIZED</u>
				<u>DEFICIT</u>
<b>Fund Balance Anticipated</b>	A-2	\$ 500,000		\$ 500,000
<hr/>				
<b>Miscellaneous Revenues:</b>				
<b>Local Revenues:</b>				
Licenses:				
Alcoholic Beverages	A-8	15,000		15,250      250
Fines and Costs:				
Municipal Court	A-8	15,300		29,063      13,763
Interest and Costs On Taxes	A-5	74,200		74,075      (125)
Interest on Investments	A-8	3,400		3,949      549
<b>Total Local Revenues</b>		<u>107,900</u>		<u>122,337</u> <u>14,437</u>
<hr/>				
<b>State Aid:</b>				
Energy Receipts Tax	A-8	2,627,013		2,627,013
Garden State Trust Fund	A-8	15,409		15,409
<b>Total State Aid</b>		<u>2,642,422</u>		<u>2,642,422</u>
<hr/>				
<b>Special Items Of Revenue Anticipated With Prior Written Consent of Local Government Services-</b>				
<b>Public and Private Revenues:</b>				
Clean Communities Grant	A-19:21	40,427		40,427
Drunk Driving Enforcement Grant	A-20	2,520		2,520
Recycling Tonnage Grant	A-20	4,686		4,686
NJDOT Grant - Hickory Run Guard Rails	A-20		\$ 120,000	120,000
<b>Total Special Items Of Revenues</b>		<u>47,633</u>	<u>120,000</u>	<u>167,633</u>
<hr/>				
<b>Total Miscellaneous Revenue</b>	A-2	<u>2,797,955</u>	<u>120,000</u>	<u>2,932,392</u> <u>14,437</u>

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>
<b>Receipts From Delinquent Taxes</b>	A-2	280,000		301,037	21,037
<b>Amount to be Raised by Taxes for Support of Municipal Budget:</b>					
Local Tax For Municipal Purposes	A-2	2,399,447		2,460,989	61,542
<b>Total General Revenues</b>		<b>5,977,402</b>	<b>120,000</b>	<b>6,194,418</b>	<b>97,016</b>
<b>Other Non-Budget Revenues</b>	A-2			270,227	270,227
		<b>\$ 5,977,402</b>	<b>\$ 120,000</b>	<b>\$ 6,464,645</b>	<b>\$ 367,243</b>
		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	\$ 20,903,193
State of New Jersey, Senior Citizens and Veterans Deductions	A-6	<u>39,744</u>
	A-1	20,942,937
Allocated To:		
School and County Taxes	A-6	<u>18,910,889</u>
Balance for Support Of Municipal Budget Appropriations		2,032,048
Add by: Appropriation "Reserve For Uncollected Taxes"	A-3	<u>428,941</u>
Amount For Support Of Municipal Budget Appropriations	A-2	<u>\$ 2,460,989</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	\$	6,842	
Sale of Property		12,291	
Certified Lists		220	
Copies/Maps		257	
Planning Board		4,300	
Zoning Board		6,580	
Board of Health		4,875	
Retail Food		7,325	
Cable TV		21,076	
Board of Education Shared Services		20,000	
Insurance Refunds		7,534	
Newsletters		2,745	
Cell Tower		48,081	
LEA Rebates		6,916	
FEMA Reimbursement		81,041	
Tax in Leiu		20,467	
Miscellaneous		<u>7,961</u>	
	A-4		\$ <u>258,511</u>

**Collector:**

Miscellaneous		2,836	
Trailer Court Fees	A-5	<u>8,880</u>	<u>11,716</u>
			<u>\$ 270,227</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>
<b>GENERAL GOVERNMENT FUNCTIONS:</b>						
Mayor and Council:						
Salaries and Wages	\$ 17,000	\$ 17,000	\$ 9,894	\$ 7,106		-
Other Expenses	5,250	7,250	7,169	81		
Municipal Clerk:						
Salaries and Wages	131,065	140,065	138,517	1,548		
Other Expenses:						
Elections	5,000	5,000	3,788	1,212		
Miscellaneous Other Expenses	42,700	42,700	36,509	6,191		
Financial Administration (Treasury):						
Salaries and Wages	15,000	12,000	10,597	1,403		
Other Expenses	9,500	9,500	9,257	243		
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	12,150	12,150	10,353	1,797		
Tax Assessment Administration:						
Salaries and Wages	52,359	40,359	40,267	92		
Other Expenses	13,100	13,100	4,039	9,061		
Legal Services (Legal Dept.):						
Other Expenses	60,000	60,000	53,345	6,655		
Engineering Services:						
Other Expenses	12,000	12,000	8,871	3,129		
Historical Sites Office:						
Other Expenses	2,275	2,275	697	1,578		
Aid to New Hampton Historic Museum:						
Salaries and Wages	37,000	37,000	35,598	1,402		
Other Expenses	4,000	4,000	3,363	637		

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>EXPENDED</u>	<u>UNEXPENDED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER</u>	<u>PAID OR</u>
		<u>MODIFICATION</u>	<u>CHARGED</u>
			<u>RESERVED</u>
			<u>BALANCES</u>
			<u>CANCELED</u>
<b>LAND USE ADMINISTRATION:</b>			
Planning Board:			
Salaries and Wages	28,655	28,656	28,655
Other Expenses	16,150	16,150	14,515
Zoning Costs:			
Salaries and Wages	29,923	29,923	29,923
Other Expenses	900	900	-
Zoning Board of Adjustment(Zoning Officer):			
Salaries and Wages	28,655	28,656	28,655
Other Expenses	8,125	8,125	8,125
			1
			-
<b>UNIFORM CONSTRUCTION CODE ENFORCEMENT:</b>			
Other Expenses	100	100	-
			100
<b>INSURANCE:</b>			
Liability Insurance	707	707	707
Other Insurance Premiums	127,869	129,102	129,102
Workmens' Compensation	79,113	79,113	79,113
Employee Group Health	422,000	456,000	449,322
			6,678
<b>PUBLIC SAFETY FUNCTIONS:</b>			
Police Department:			
Salaries and Wages	1,061,316	1,071,316	1,071,316
Other Expenses	84,150	84,150	83,011
Office of Emergency Management:			
Salaries and Wages	5,345	5,346	5,345
Other Expenses	2,500	2,500	-
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	6,000	5,572
Other Expenses:			
Fire Hydrant Services	700	700	644
Miscellaneous Other Expenses	1,000	1,520	1,520
			428
			56

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>PAID OR</u>
		<u>MODIFICATION</u>	<u>CHARGED</u>
			<u>RESERVED</u>
			<u>BALANCES</u>
			<u>CANCELED</u>
<b>PUBLIC WORKS FUNCTIONS:</b>			
Streets and Road Maintenance:			
Salaries and Wages	569,850	539,850	536,625
Other Expenses:			3,225
Snow Removal	75,000	75,000	72,260
Miscellaneous Other Expenses	220,000	220,000	190,052
Solid Waste Collection(Recycling Program):			
Salaries and Wages	5,466	5,466	5,465
Other Expenses	3,000	3,260	2,702
Buildings and Grounds:			
Other Expenses	38,000	56,037	40,167
			15,870
<b>HEALTH AND HUMAN SERVICES FUNCTIONS:</b>			
Public Health Services(Board Of Health):			
Other Expenses	8,000	8,000	6,082
Environmental Health Services:			
Other Expenses	1,000	1,000	426
Animal Control Services:			
Salaries and Wages	4,965	4,966	4,966
Other Expenses	2,760	2,760	-
Contribution to Social Services Agencies:			
Other Expenses	500	500	-
			500
<b>PARK AND RECREATION FUNCTIONS:</b>			
Recreation Services and Programs:			
Other Expenses:			
Senior Citizens	4,000	4,000	-
Miscellaneous Other Expenses	6,500	6,500	3,840
Maintenance of Parks:			
Other Expenses	2,500	2,500	2,254
			246
<b>EDUCATION FUNCTIONS (Includes Library):</b>			
Municipal/County Library:			
Other Expenses	58,000	58,000	57,445
			555

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>
<b>OTHER COMMON OPERATING FUNCTIONS</b>				
<b>(Unclassified):</b>				
Accumulated Leave Compensation	45,000	45,000	45,000	
Underground Storage Tank Remediation	10,000	11,745	11,745	
<b>MUNICIPAL COURT:</b>				
Other Expenses	37,884	37,884	37,884	-
<b>UTILITY EXPENSES AND BULK PURCHASES:</b>				
Electricity	55,000	47,000	46,730	270
Street Lighting	5,000	4,201	4,187	14
Telephone (excluding equipment acquisition)	14,000	13,000	12,446	554
Gasoline	50,000	40,000	39,649	351
Subtotal Operations within "CAPS"	3,693,023	3,705,023	3,582,705	122,318
<b>Contingent</b>				
<b>Total Operations Including Contingent</b>	<b>3,693,023</b>	<b>3,705,023</b>	<b>3,582,705</b>	<b>122,318</b>
<b>Detail:</b>				
Salaries and Wages	2,083,629	2,057,633	2,042,425	15,208
Other Expenses	1,609,394	1,647,390	1,540,280	107,110
<b>Deferred Charges and Statutory Expenditures within "CAPS"</b>				
<b>Statutory Expenditures :</b>				
Social Security (O.A.S.I.)	159,000	154,000	153,170	830
New Jersey Disability Fund	12,000	5,000	-	5,000
Contribution to:				
PERS	125,316	125,316	125,316	
PFRS	224,095	224,095	224,095	
<b>Total Deferred Charges and Statutory Expenditures within "CAP"S</b>	<b>520,411</b>	<b>508,411</b>	<b>502,581</b>	<b>5,830</b>
<b>Total General Appropriations within "CAPS"</b>	<b>4,213,434</b>	<b>4,213,434</b>	<b>4,085,286</b>	<b>128,148</b>

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>
<b>OPERATIONS EXCLUDED FROM "CAPS":</b>					
Declared State of Emergency costs for Snow Removal N.J.S.A.(40A:4-45.45b and 40A:4-45.33bb)	-	-	-	-	
Fire Department:					
LOSAP	10,800	10,800	3,000	7,800	
<b>Total Other Operations Excluded from "CAPS"</b>	<b>10,800</b>	<b>10,800</b>	<b>3,000</b>	<b>7,800</b>	
<b>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES:</b>					
<b>Federal and State Grants:</b>					
Clean Communities Program:					
Other Expenses	33,595	33,595	33,595		
Other Expenses - PY Unappropriated	6,832	6,832	6,832		
Recycling Tonnage Grant:					
Other Expenses - PY Unapprop.	4,686	4,686	4,686		
Drunk Driving Grant:					
Other Expenses - PY Unapprop.	2,520	2,520	2,520		
<b>Total Public and Private Programs Offset by Revenues Excluded from "CAPS"</b>	<b>47,633</b>	<b>47,633</b>	<b>47,633</b>	-	
<b>Total Operations Excluded from "CAPS"</b>	<b>58,433</b>	<b>58,433</b>	<b>50,633</b>	<b>7,800</b>	
<b>Detail:</b>					
Other Expenses	58,433	58,433	50,633	7,800	

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>
<b>Capital Improvements Excluded from "CAPS"</b>					
Capital Improvement Fund	435,000	435,000	435,000	-	
NJDOT Grant - Guardrails (Ch. 159)	-	120,000	120,000		
<b>Total Capital Improvements Excluded from "CAPS"</b>	435,000	555,000	555,000	-	
<b>Municipal Debt Service Excluded from "CAPS"</b>					
Payment of Bond Anticipation and Capital Notes	800,894	800,894	800,894	-	-
Payment of Interest on Notes	40,700	40,700	40,616		\$ 84
<b>Total Municipal Debt Service Excluded from "CAPS"</b>	841,594	841,594	841,510		84
<b>Total Gen. Appropriations Excluded from "CAPS"</b>	1,335,027	1,455,027	1,447,143	7,800	84
<b>Subtotal General Appropriations</b>	5,548,461	5,668,461	5,532,429	135,948	84
Reserve For Uncollected Taxes	428,941	428,941	428,941		
<b>TOTALS</b>	<b>\$ 5,977,402</b>	<b>\$ 6,097,402</b>	<b>\$ 5,961,370</b>	<b>\$ 135,948</b>	<b>\$ 84</b>

REF.

A

	<u>REF.</u>				
Appropriated by 40A:4-87	A-2	\$	120,000		
Adopted Budget	A-2		5,977,402		
			<b>\$ 6,097,402</b>		
Reserve for State Grants			A-20	\$	167,633
Encumbrances			A-10		5,364,796
Reserve for Uncollected Taxes			A-2		428,941
				<b>\$</b>	<b>5,961,370</b>

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



TRUST FUND  
COMPARATIVE BALANCE SHEET

		B	
		BALANCE	BALANCE
		<u>12/31/17</u>	<u>12/31/16</u>
ASSETS	REF.		
<b>Dog License Fund:</b>			
Cash and Cash Equivalents	B-2	\$ 43,809	\$ 34,542
<b>Total Dog License Fund</b>		<u>43,809</u>	<u>34,542</u>
<b>Other Trust Funds:</b>			
Cash and Cash Equivalents	B-2	1,887,965	1,868,971
Due from Current Fund	B-6	38,167	24,156
<b>Total Other Trust Funds</b>		<u>1,926,132</u>	<u>1,893,127</u>
<b>TOTAL ASSETS</b>		<u><b>\$1,969,941</b></u>	<u><b>\$1,927,669</b></u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>Dog License Fund:</b>			
Due to Current Fund	B-5	\$ 129	\$ 84
Due State of New Jersey	B-4	8	5
Reserve for Dog Fund Expenditures	B-3	43,672	34,453
<b>Total Dog License Fund</b>		<u>43,809</u>	<u>34,542</u>
<b>Other Trust Fund:</b>			
Schedule of Reserve for Museum Donations	B-7	12,819	13,014
Schedule of Reserve for Developers' Deposits	B-8	94,021	112,644
Schedule of Reserve for Driveway Bonds	B-9	4,112	4,857
Schedule of Reserve for Unemployment Compensation	B-10	99,189	99,333
Schedule of Reserve for Library Trust	B-11	5,551	5,569
Schedule of Reserve for Recreation Commission	B-12	14,917	14,907
Schedule of Reserve for Fair Share Housing (COAH)	B-13	152,392	135,290
Schedule of Reserve for Off-Track Improvements	B-14	60,060	59,998
Schedule of Reserve for Open Space Deposits	B-15	1,012,016	999,191
Schedule of Reserve for Emergency Snow Removal	B-16	47,908	47,860
Schedule of Reserve for Accumulated Absences	B-17	258,071	212,857
Schedule of Reserve for Developers' Trust Escrow Deposits	B-18	97,519	88,662
Schedule of Reserve for Tax Sale Premiums	B-19	42,841	93,875
Schedule of Reserve for Environmental Trust Deposits	B-20	4,084	5,070
Schedule of Reserve for Outside Liens	B-21	14,011	-
Schedule of Reserve for Off-Duty Police	B-22	5,121	-
Schedule of Reserve for Memorial Park	B-23	1,500	-
<b>Total Other Trust Fund</b>		<u>1,926,132</u>	<u>1,893,127</u>
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>		<u><b>\$1,969,941</b></u>	<u><b>\$1,927,669</b></u>

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

GENERAL CAPITAL FUND  
COMPARATIVE BALANCE SHEET

C

	<u>REF.</u>	<u>BALANCE</u> <u>12/31/17</u>	<u>BALANCE</u> <u>12/31/16</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	C-2	\$ 856,355	\$ 538,657
Amount Due Current Fund	C-5	118,946	197
Deferred Charges to Future Taxation:			
Funded	C-3	302,273	355,405
Unfunded	C-4	<u>4,070,710</u>	<u>4,991,104</u>
<b>TOTAL ASSETS</b>		<b><u>\$ 5,348,284</u></b>	<b><u>\$ 5,885,363</u></b>

**LIABILITIES, RESERVES AND FUND BALANCE**

Capital Improvement Fund	C-6	\$ 274,432	\$ 221,432
State of New Jersey Trust Loan Program	C-7	302,273	355,405
Bond Anticipation Notes	C-8	3,846,976	4,387,370
Reserve for:			
Fire Truck and Ambulance	C-9	17,233	17,233
Fund Balance	C-1	45,046	38,238
Improvement Authorizations:			
Funded	C-10	92,567	62,285
Unfunded	C-10	<u>769,757</u>	<u>803,400</u>
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</b>		<b><u>\$ 5,348,284</u></b>	<b><u>\$ 5,885,363</u></b>

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, 2016	C	\$ 38,238
<b>Increased by:</b>		
Bond Anticipation Note Premium	C-2	<u>6,808</u>
		45,046
Balance December 31, 2017	C	<u>\$ 45,046</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, 2017

F

	<u>BALANCE</u> <u>12/31/17</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>9,051,169</u>	<u>8,964,229</u>
Total General Fixed Assets	<u>\$ 17,348,461</u>	<u>\$ 17,261,521</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>12/31/17</u>	<u>BALANCE</u> <u>12/31/16</u>
<b><u>ASSETS</u></b>		
<b>Cash and Cash Equivalents:</b>		
Cash - Treasurer	\$ 88,818	\$ 86,073
<b>TOTAL ASSETS</b>	<b><u>88,818</u></b>	<b><u>86,073</u></b>
<b><u>LIABILITIES AND RESERVES</u></b>		
Payroll Deductions Payable	-	-
Imprest Balances	<u>88,818</u>	<u>86,073</u>
<b>TOTAL LIABILITIES AND RESERVES</b>	<b><u>\$ 88,818</u></b>	<b><u>\$ 86,073</u></b>

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

## **NOTES TO FINANCIAL STATEMENTS**

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**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, 2017

**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, 2017

**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, 2017

**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, 2017

**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, 2017

**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, 2017, 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, 2017

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

**Deposits:**

As of December 31, 2017, cash and cash equivalents of the municipality consisted of the following:

	Cash and Cash Equivalents	Total
Checking	\$ <u>6,858,634</u>	\$ <u>6,858,634</u>

The carrying amount of the municipality's cash and cash equivalents at December 31, 2017, was \$6,858,634 and the bank balance was \$6,709,793. 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, \$347,519 was covered by federal depository insurances and \$6,362,274 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
<b>Long Term Obligations:</b>				
Bond Anticipation Notes	\$ 4,387,370	\$ 380,000	\$ 920,394	\$ 3,846,976
State Of New Jersey Loan Programs	355,405		53,132	302,273
Total Long-Term Obligations	<u>\$ 4,742,775</u>	<u>\$ 380,000</u>	<u>\$ 973,526</u>	<u>\$ 4,149,249</u>

**Summary of Municipal Debt**

	YEAR <u>2017</u>	YEAR <u>2016</u>	YEAR <u>2015</u>
<b>Issued</b>			
General:			
Bonds and Notes	\$ 4,149,249	\$ 4,742,775	\$ 5,167,829
Total Deductions	<u>-</u>	<u>-</u>	<u>-</u>
Net Debt Issued	<u>4,149,249</u>	<u>4,742,775</u>	<u>5,167,829</u>
<b>Authorized But Not Issued</b>	<u>223,734</u>	<u>603,734</u>	<u>713,734</u>
Total Authorized But Not Issued	<u>223,734</u>	<u>603,734</u>	<u>713,734</u>
<b>Net Bonds and Notes Issued and Authorized But Not Issued</b>	<u>\$ 4,372,983</u>	<u>\$ 5,346,509</u>	<u>\$ 5,881,563</u>

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**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 0.480%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional School District Debt	None	None	
General Debt	\$ 4,372,983	-	\$ 4,372,983
	<u>\$ 4,372,983</u>	<u>-</u>	<u>\$ 4,372,983</u>

Net Debt \$ 4,372,983	Divided by Equalized Valuation Basis per	
N.J.S.A. 40A:2-2 as amended,	\$ 910,126,422	= 0.480%

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 31,854,425
Net Debt	<u>4,372,983</u>
Remaining Borrowing Power	<u>\$ 27,481,442</u>

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

<u>Calendar Year</u>	<u>General</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 51,962	\$ 6,162
2019	50,783	5,487
2020	63,509	4,737
2021	61,741	3,737
2022	73,630	2,287
2023	648	2,511
	<u>\$ 302,273</u>	<u>\$ 24,921</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, 2017, was \$127,674. Outstanding loan principal and interest is paid from the Open Space Trust Fund of the Township.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**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, 2017, was \$70,000. 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, 2017, was \$44,599. 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, 2017, was \$60,000. 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, 2017, a bond anticipation note in the amount of \$3,036,576 payable to Peapack-Gladstone Bank. This note matures on January 26, 2018. The interest rate on the note was 2.0%. Principal and interest on these notes are paid from the current fund budget of the Township.

The Township has outstanding at December 31, 2017, a bond anticipation note in the amount of \$810,400 payable to Peapack-Gladstone Bank. This note matures on January 26, 2018. The interest rate on the note was 1.79%. 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>4,149,249</u>

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**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>9,051,169</u>	<u>8,964,229</u>
	<u>\$ 17,348,461</u>	<u>\$ 17,261,521</u>

**Note 5: FUND BALANCES APPROPRIATED**

Fund Balances at December 31, 2017, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2018, were as follows:

Current Fund - \$550,000 \*

\*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, 2017, 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:

	<b>TOTAL DEFERRED TAX <u>12/31/17</u></b>	<b>LOCAL DISTRICT SCHOOL TAX BALANCE <u>12/31/17</u></b>	<b>BALANCE BALANCE <u>12/31/16</u></b>	<b>TOTAL DEFERRED TAX <u>12/31/16</u></b>	<b>REGIONAL HIGH SCHOOL TAX BALANCE <u>12/31/17</u></b>	<b>BALANCE BALANCE <u>12/31/16</u></b>
Balance of Tax		\$ 346,738	\$ 249,647		\$ 926,630	\$ 825,914
Deferred		<u>4,616,263</u>	<u>4,616,263</u>		<u>1,837,452</u>	<u>1,837,452</u>
Tax Payable		<u>\$ 4,963,001</u>	<u>\$ 4,865,910</u>		<u>\$ 2,764,082</u>	<u>\$ 2,663,366</u>
Tax Deferred	<u>\$ 6,453,715</u>			<u>\$ 6,453,715</u>		



NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**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, 2017

**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, 2017, the municipality disclosed a liability of \$3,003,247 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015. 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, 2017 and 2016. At June 30, 2017, the municipality's proportion was 0.0129% which was a decrease of 0.00064% from its proportion measured as of June 30, 2016.

For the State fiscal year ended June 30, 2017, the municipality's portion of the plan's pension expense was \$207,913. At June 30, 2017, 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</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Differences between expected and actual experience	\$ 70,716	-
Changes of assumptions	605,051	\$ 602,833
Net difference between projected and actual earnings on pension plan investments	20,450	
Changes in proportion and differences between municipality contributions and proportionate share of contributions	103,241	199,626
Total	<u>\$ 799,458</u>	<u>\$ 802,459</u>

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**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>	
2018	2019	2020
2021	2022	Total
	<u>\$2,272</u>	<u>3,428</u>
	<u>2,078</u>	<u>(2,763)</u>
	<u>(2,014)</u>	<u>\$3,001</u>
	<u>\$8,685,338,380</u>	<u>\$6,424,455,842</u>
	<u>870,133,595</u>	<u>5,700,625,981</u>
	<u>\$29,617,131,759</u>	<u>\$23,278,401,588</u>
	<u>\$4,010,479</u>	<u>\$3,003,247</u>
	<u>0.01354108%</u>	<u>0.01290143%</u>

*Actuarial assumptions.* The collective total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

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

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, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2015.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return	5.00%	5.51%
Cash equivalents	5.50%	1.00%
US Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

*Discount rate.* The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017 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, 2017

**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, 2017, calculated using the discount rate of 5.00%, 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 (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>(4.00%)</u>	<u>Rate (5.00%)</u>	<u>(6.00%)</u>
municipality's proportionate share of the net pension liability	\$ 3,725,828	\$3,003,247	\$ 2,401,396

*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, 2017

**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 2016 and 2015, 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, 2017, the municipality disclosed a liability of \$3,644,878 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. 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 PFRS during the years ended June 30, 2017 and 2016. At June 30, 2017, the municipality's proportion was 0.02361% which was a decrease of 0.00248% from its proportion measured as of June 30, 2016.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**Note 8: PENSION PLANS (Continued)**

For the State fiscal year ended June 30, 2017, the municipality's portion of the plan's pension expense was \$287,432. At June 30, 2017, 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	\$ 23,646	\$ 21,392
Changes of assumptions	449,454	596,924
Net difference between projected and actual earnings on pension plan investments	69,553	
Changes in proportion and differences between municipality contributions and proportionate share of contributions	80,724	344,715
<b>Total</b>	<b>\$ 623,377</b>	<b>\$ 963,031</b>

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>	
	2018	6/30/2017
	\$199,095	\$2,941,952,753
	539,208	3,262,432,093
	109	\$15,437,856,840
	(747,276)	
	(330,789)	
<b>Total</b>	<b>(\$339,653)</b>	

	<u>6/30/2016</u>	<u>6/30/2017</u>
Collective deferred outflows of resources (Non-Special Funding Situations)	\$4,547,316,543	\$2,941,952,753
Collective deferred inflows of resources (Non-Special Funding Situations)	688,197,590	3,262,432,093
Collective net pension liability (Non-Special Funding Situations)	\$19,102,567,969	\$15,437,856,840
Municipality's proportionate share of net pension liability (Non-Special Funding Situations)	\$4,983,872	\$3,644,878
Municipality's proportion %	0.02609006%	0.02361000%

*Actuarial assumptions.* The total pension liability in the July 1, 2016 actuarial valuation, which was rolled forward to June 30, 2017, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.25%
<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:	7.00%

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**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 2015 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 2015 projection scales, which was further projected on a generational basis using the plan actuary's modified 2015 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 2015 projection scales, which was further projected on a generational basis using the plan actuary's modified 2015 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, 2016 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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return	5.00%	5.51%
Cash equivalents	5.50%	1.00%
US Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%



NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**Note 8: PENSION PLANS (Continued)**

*Discount rate.* The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017 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 2050. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2050, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

*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, 2017, calculated using the discount rate of 5.00%, 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 (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	<u>1% Decrease</u> <u>(4.00%)</u>	<u>Current Discount</u> <u>Rate (5.00%)</u>	<u>1% Increase</u> <u>(6.00%)</u>
municipality's proportionate share of the net pension liability	\$ 4,802,491	\$3,644,878	\$ 2,693,929

*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>6/30/2016</u>	<u>6/30/2017</u>
Collective net pension liability of the Nonemployer (State of New Jersey) - Special Funding Situation	\$1,604,141,087	\$1,729,193,507
State's portion of the net pension liability that was associated with the municipality - Special Funding Situation	\$418,522	\$408,257
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	0.026090%	0.023610%
Collective pension expense of the Nonemployer-(State of New Jersey) - Special Funding Situation	\$204,886,666	\$211,519,420
State's portion of the pension expense that was associated with the municipality - Special Funding Situation	\$53,455	\$49,939

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**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, 2017

**Note 8: PENSION PLANS (Continued)**

<b><u>Three-Year Trend Information for PERS/PFRS</u></b>		
Year	Annual Pension	Annual Pension
<u>Funding</u>	<u>Contribution (PERS)</u>	<u>Contribution (PFRS)</u>
2017	\$125,316	\$224,095
2016	\$127,163	\$226,433
2015	\$118,719	\$208,568

**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, 2016, there were 110,512 retirees receiving post-retirement medical benefits, and the State contributed \$1.37 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 \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

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, 2017

**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, 2017, 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, 2017:

<u>FUND</u>	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
Current Fund	\$ 129	\$ 213,788
Federal/State Grants Fund	56,675	-
Dog Fund	-	129
Trust Fund	38,167	-
General Capital Fund	118,946	-
	<u>\$ 213,917</u>	<u>\$ 213,917</u>

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**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-sept2017.pdf](http://www.state.nj.us/treasury/pensions/gasb-43-sept2017.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, 2017, 2016, and 2015, 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, 2017, 2016, and 2015.

**Note 14: TAX ABATEMENTS**

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. The municipality has not entered into any tax abatement agreements.

**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, 2016	A	\$ 2,586,806		\$ 22,418
<b>Increased by Receipts:</b>				
Collector	A-5	\$22,608,790		
Miscellaneous Revenue Not Anticipated	A-2	258,511		
Tax Title Liens	A-7	-		
Revenue Accounts Receivable	A-8	2,690,684		
Amount Due State of New Jersey for Senior Citizens/Veterans Deductions	A-18	39,744		
State Grant Funds	A-19	26,012		
State Grant Funds - Unappropriated	A-21	<u>4,433</u>	<u>25,628,174</u>	<u>2,523</u> <u>2,523</u>
		28,214,980		24,941
<b>Decreased by Disbursements:</b>				
2016 Appropriation Reserves	A-11	44,713		
Reserves for Encumbrances	A-10	5,344,549		
Outside Liens/Premiums	B	124,714		
Refund of Tax Overpayments	A-22	5,720		
County Taxes	A-14	3,386,127		
Local District School Tax	A-15	9,828,909		
Regional School Tax	A-16	5,427,446		
Municipal Open Space Tax	A-17	74,596		
State Grant Funds	A-20	<u>21,460</u>	<u>24,258,234</u>	<u>-</u> <u>-</u>
Balance December 31, 2017	A	<u>\$ 3,956,746</u>		<u>\$ 24,941</u>



CURRENT FUND  
SCHEDULE OF CASH-COLLECTOR

A-5

	<u>REF.</u>		
<b>Received:</b>			
Miscellaneous Not Anticipated	A-2	\$ 11,716	
Interest and Costs on Taxes	A-2	74,075	
Taxes Receivable	A-6	21,034,156	
2018 Prepaid Taxes	A-12	1,344,397	
Outside Liens	B	138,726	
Tax Overpayments	A-22	<u>5,720</u>	<u>\$ 22,608,790</u>
			.
<b>Decreased by Disbursements:</b>			
Payments To Treasurer	A-4		<u>\$ 22,608,790</u>

CURRENT FUND  
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF TAX LEVY

A-6

YEAR	BALANCE	2017 LEVY	CASH COLLECTIONS			CANCELLED	TRANSFER	BALANCE
	12/31/16		2016	2017	TAX TITLE LIENS		12/31/17	
2016	\$ 310,233			\$ 301,036	\$ 863	\$ 8,334	-	
	310,233			301,036	863	8,334	-	
2017		\$ 21,335,261	\$ 170,073	20,772,864	1,630	17,575	\$ 373,119	
<b>TOTALS</b>	<b>\$ 310,233</b>	<b>\$ 21,335,261</b>	<b>\$ 170,073</b>	<b>\$ 21,073,900</b>	<b>\$ 2,493</b>	<b>\$ 25,909</b>	<b>\$ 373,119</b>	

REF.	A	A-12		A-7	A
State of New Jersey-Senior Citizens/ Veterans Deductions		A-2	\$ 39,744		
Received by Collector		A-5	<u>21,034,156</u>		
			<u>\$21,073,900</u>		

ANALYSIS OF PROPERTY TAX LEVY:

**Tax Yield:**

General Purpose Tax		\$21,232,324
Special District Taxes		74,520
Added/Omitted Taxes (54:4-63.1 et.seq. )		<u>28,417</u>
		<u>\$ 21,335,261</u>

**Tax Levy:**

Local District School Tax	A-15	\$ 9,926,000
Regional High School Tax	A-16	5,528,162
County Taxes:		
County Tax (Abstract )	A-14	\$ 2,821,524
County Library Tax (Abstract )	A-14	282,468
County Open Space (Abstract )	A-14	274,723
Due County for Added and Omitted Taxes(54.4-63.1, et.seq.)	A-14	<u>3,416</u>
Municipal Open Space	A-17	74,596
Local Tax for Municipal Purposes	A-2	2,399,447
Add: Additional Tax Levied		<u>24,925</u>
		<u>\$ 21,335,261</u>

CURRENT FUND  
SCHEDULE OF TAX TITLE LIENS

A-7

	<u>REF.</u>	
Balance December 31, 2016	A	\$ 145,419
<b>Increased by:</b>		
Interest and Costs		\$ 6,697
Transfers from Taxes Receivable	A-6	<u>25,909</u>
		<u>32,606</u>
		178,025
Balance December 31, 2017	A	<u>\$ 178,025</u>

CURRENT FUND  
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

A-8

	<u>REF.</u>	<u>BALANCE</u> <u>12/31/16</u>	<u>ACCRUED</u> <u>IN 2017</u>	<u>COLLECTED</u> <u>BY</u> <u>TREASURER</u>		<u>BALANCE</u> <u>12/31/17</u>
Clerk:						
Licenses:						
Alcoholic Beverages	A-2		\$ 15,250	\$ 15,250		
Municipal Court:						
Fines and Costs	A-2		29,063	29,063		
Interest on Investments and Deposits	A-2		3,949	3,949		
Energy Receipts Tax	A-2		2,627,013	2,627,013		
Garden State Trust Fund	A-2	-	15,409	15,409		-
Totals		-	<b>\$ 2,690,684</b>	<b>\$ 2,690,684</b>		-

REF.

A-4

A

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

A-9

	<u>REF.</u>	
Balance December 31, 2016	A	<u>\$ 94,200</u>
Balance December 31, 2017	A	<u>\$ 94,200</u>

CURRENT FUND  
SCHEDULE OF RESERVE FOR ENCUMBRANCES

A-10

	<u>REF.</u>		
Balance December 31, 2016	A		\$ 79,256
<b>Increased by:</b>			
Transfer from Current Year Appropriations	A-3	\$ 5,364,796	
Additional/(Canceled) Encumbrance Appropriations		<u>751</u>	<u>5,365,547</u>
			5,444,803
<b>Decreased by:</b>			
Encumbrances Paid	A-4	<u>5,344,549</u>	<u>5,344,549</u>
Balance December 31, 2017	A		<u>\$ 100,254</u>

CURRENT FUND  
SCHEDULE OF APPROPRIATION RESERVES - 2016

A-11

	<u>BALANCE</u> <u>12/31/16</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	\$ 3,801.00	\$ 3,801.00	\$ 837.00	\$ 2,964.00
Financial/Tax Administration:				
Other Expenses	251.00	251.00	251.00	-
Assessment of Taxes:				
Other Expenses	8,976.00	8,976.00	5.00	8,971.00
Legal Services:				
Other Expenses	27,830.00	27,830.00	12,443.00	15,387.00
Historic Sites Office:				
Other Expenses	1,366.00	1,366.00	12.00	1,354.00
Board of Adjustment:				
Other Expenses	11,343.00	11,343.00	125.00	11,218.00
Employee Group Insurance	3,414.00	3,414.00	43.00	3,371.00
Police:				
Other Expenses	2,731.00	2,731.00	2,704.00	27.00
Street and Road Maintenance:				
DPW-Roads-Snow	1,990.00	1,990.00	140.00	1,850.00
Other Expenses	25,726.00	25,726.00	523.00	25,203.00
Recycling Program				
Other Expenses	270.00	270.00	235.00	35.00
Buildings and Grounds:				
Other Expenses	751.00	751.00	440.00	311.00
Board of Health:				
Other Expenses	920.00	920.00	112.00	808.00
Environmental Health Services:				
Other Expenses	515.00	515.00	11.00	504.00
Recreation:				
Other Expenses	1,964.00	1,964.00	12.00	1,952.00
Maintenance of Parks:				
Other Expenses	1,441.00	1,441.00	12.00	1,429.00
Aid to Library	4,928.00	4,928.00	212.00	4,716.00
Others	250,972.00	250,972.00	26,596.00	224,376.00
	<b>\$ 349,189.00</b>	<b>\$ 349,189.00</b>	<b>\$ 44,713.00</b>	<b>\$ 304,476.00</b>
REF.	A	A	A-4	A-1

CURRENT FUND  
SCHEDULE OF TAXES COLLECTED IN ADVANCE

A-12

	<u>REF.</u>	
Balance December 31, 2016	A	\$ 170,073
<b>Increased by:</b>		
2018 Taxes Collected in Advance	A-5	<u>1,344,397</u>
		1,514,470
<b>Decreased by:</b>		
Applied to 2017 Taxes Receivable	A-6	<u>170,073</u>
Balance December 31, 2017	A	<u>\$ 1,344,397</u>



CURRENT FUND  
SCHEDULE OF RESERVE FOR CODIFICATION OF ORDINANCES

A-13

	<u>REF.</u>	
Balance December 31, 2016	A	<u>\$ 5,625</u>
Balance December 31, 2017	A	<u>\$ 5,625</u>

CURRENT FUND  
SCHEDULE OF COUNTY TAXES PAYABLE

A-14

	<u>REF.</u>	
Balance December 31, 2016	A	\$ 7,412
<b>Increased by:</b>		
2017 Levy:		
County Taxes	A-6	\$ 2,821,524
County Library Taxes	A-6	282,468
County Open Space Tax	A-6	274,723
Prior Year Added and Omitted Taxes	A-6	<u>3,416</u>
		<u>3,382,131</u>
		3,389,543
<b>Decreased by:</b>		
Payments	A-4	<u>3,386,127</u>
Balance December 31, 2017	A	<u>\$ 3,416</u>

CURRENT FUND  
SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

A-15

	<u>REF.</u>		
Balance December 31, 2016:			
School Tax Payable		\$ 249,647	
School Tax Deferred	A	<u>4,616,263</u>	\$ 4,865,910
<b>Increased by:</b>			
Levy - School Year July 1, 2017 to June 30, 2018	A-6		<u>9,926,000</u>
			14,791,910
<b>Decreased by:</b>			
Payments	A-4		<u>9,828,909</u>
Balance December 31, 2017:			
School Tax Payable	A	346,738	
School Tax Deferred		<u>4,616,263</u>	<u>\$ 4,963,001</u>
 <b>2017 Liability for Local District School Tax:</b>			
Tax Paid			\$ 9,828,909
Tax Payable 12/31/17			<u>4,963,001</u>
			14,791,910
Less -- Current Year Deferred			-
Less -- Tax Payable 12/31/16			<u>4,865,910</u>
 <b>Amount Charged to 2017 Operations</b>	 A-1		 <u>\$ 9,926,000</u>

CURRENT FUND  
SCHEDULE OF REGIONAL HIGH SCHOOL TAX PAYABLE

A-16

	<u>REF.</u>		
Balance December 31, 2016:			
School Tax Payable		\$ 825,914	
School Tax Deferred	A	<u>1,837,452</u>	\$2,663,366
<b>Increased by:</b>			
Levy - School Year July 1, 2017 to June 30, 2018	A-6		<u>5,528,162</u>
			8,191,528
<b>Decreased by:</b>			
Payments	A-4		<u>5,427,446</u>
Balance December 31, 2017:			
School Tax Payable	A	926,630	
School Tax Deferred		<u>1,837,452</u>	<u>\$2,764,082</u>
 <b>2017 Liability for Regional High School Tax:</b>			
Tax Paid			\$5,427,446
Tax Payable 12/31/17			<u>2,764,082</u>
			8,191,528
Less -- Current Year Deferred			-
Less -- Tax Payable 12/31/16			<u>2,663,366</u>
 <b>Amount Charged to 2017 Operations</b>	 A-1		 <u>\$5,528,162</u>

CURRENT FUND  
SCHEDULE OF MUNICIPAL OPEN SPACE TAX PAYABLE

A-17

REF.

**Increased by:**

2017 Municipal Open Space Tax	A-6	\$ 74,520	
Added/Omitted Taxes - 2017	A-6	<u>76</u>	<u>\$ 74,596</u>
			74,596

**Increased by:**

Transfer to Open Space Trust Fund	A-4		<u>\$ 74,596</u>
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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, 2016	A	\$ 3,682
<b>Increased by:</b>		
Senior Citizens Deductions Per Tax Billings		\$ 3,494
Veterans Deductions per Tax Billings		<u>37,000</u>
		<u>40,494</u>
		44,176
<b>Decreased by:</b>		
Senior Citizens Deductions Disallowed by Tax Collector		750
Received in Cash from State	A-4	<u>39,744</u>
		<u>40,494</u>
Balance December 31, 2017	A	<u><u>\$ 3,682</u></u>

CURRENT FUND  
SCHEDULE OF STATE GRANTS RECEIVABLE

A-19

<u>PURPOSE</u>	<u>BALANCE</u> <u>12/31/16</u>	<u>RECEIVABLE</u>	<u>RECEIVED</u>	<u>CANCELED</u>	<u>BALANCE</u> <u>12/31/17</u>
NJ Transit-Penwell Road	\$ 22,500				\$ 22,500
Neighborhood Preservation Balanced Housing	5,000				5,000
Clean Communities		\$ 33,595	\$ 26,012	\$ 7,583	
NJDOT Grant Hickory Run Guard Rails		120,000			120,000
FEMA Generator Grant	81,041				81,041
Stormwater Grant	2,500				2,500
Highlands Water Protection	139,144				139,144
Totals	<b>\$ 250,185</b>	<b>\$ 153,595</b>	<b>\$ 26,012</b>	<b>\$ 7,583</b>	<b>\$ 370,185</b>
REF.	A	A-2	A-4	A-20	A

CURRENT FUND  
SCHEDULE OF RESERVE FOR STATE GRANTS-APPROPRIATED

A-20

	<u>BALANCE</u> <u>12/31/16</u>	<u>TRANSFER</u> <u>FROM</u> <u>2017 BUDGET</u> <u>APPROPRIATIONS</u>	<u>EXPENDED</u>	<u>CANCELED</u>	<u>BALANCE</u> <u>12/31/17</u>
Clean Communities - 16	\$ 18,342	\$ 6,832	\$ 16,484		\$ 8,690
Clean Communities - 17	-	33,595		\$ 7,583	26,012
Drunk Driving Enforcement Fund	11,315	2,520			13,835
Recycling Tonnage Grant CY 16		4,686			4,686
Recycling Tonnage Grant CY 15	3,807				3,807
Recycling Tonnage Grant CY 14	5,406				5,406
Recycling Tonnage Grant CY 13	4,442		47		4,395
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	3,659				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
NJDOT Grant Hickory Run Guard Rails		120,000			120,000
Neighborhood Preservation - Balanced Housing	355				355
Law and Public Safety Grant	66,911				66,911
Environmental Protection Grant	7,232				7,232
<b>Totals</b>	<b>\$ 306,255</b>	<b>\$ 167,633</b>	<b>\$ 21,460</b>	<b>\$ 7,583</b>	<b>\$ 444,845</b>

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



CURRENT FUND  
SCHEDULE OF RESERVE FOR STATE GRANTS-UNAPPROPRIATED

A-21

	<u>BALANCE</u> <u>12/31/16</u>	TRANSFER TO 2017 BUDGET <u>APPROPRIATIONS</u>	<u>RECEIVED</u>	<u>BALANCE</u> <u>12/31/17</u>
Clean Communities	\$ 6,832	\$ 6,832		-
Drunk Driving Enforcement Fund	2,520	2,520	\$ 2,523	\$ 2,523
Recycling Tonnage Grant	4,686	4,686	4,304	4,304
Alcohol Eduction Grant			129	129
Totals	<u>\$ 14,038</u>	<u>\$ 14,038</u>	<u>\$ 6,956</u>	<u>\$ 6,956</u>
REF .	A	A-20	A-4	A

CURRENT FUND  
SCHEDULE OF TAX OVERPAYMENTS

A-22

REF.

**Increased by:**

2017 Tax Overpayments

A-5

\$ 5,720

**Decreased by:**

Refunds

A-4

\$ 5,720

CURRENT FUND  
SCHEDULE OF RESERVE FOR FEMA

A-23

	<u>REF.</u>	
Balance December 31, 2016	A	\$ 131,171
Balance December 31, 2017	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, 2016	B	<u>\$ 34,542</u>	<u>\$ 1,868,971</u>
<b>Increased by Receipts:</b>			
Dog License Fees	B-3	19,876	
State Dog License Fees	B-4	2,195	
Due Current Fund	B-5:6	45	
Museum Deposits	B-7		1,763
Developers Deposits	B-8		17,518
Driveway Bond Deposits	B-9		755
Unemployment Compensation Insurance	B-10		100
Library Fund Deposits	B-11		1,006
Recreation Commission Deposits	B-12		10
Fair Share Housing(COAH) Deposits	B-13		21,268
Off-Track Improvements Deposits	B-14		62
Open Space Deposits	B-15		75,357
Emergency Snow Removal	B-16		48
Accumulated Absences Deposits	B-17		45,214
Developers Escrow	B-18		42,794
Tax Sale Premiums	B-19		41,366
Environmental Trust Deposits	B-20		
Off-Duty Police Fees	B-22		36,306
Memorial Park Deposits	B-23		1,500
<b>Total Receipts</b>		<u>22,116</u>	<u>285,067</u>
		<b>56,658</b>	<b>2,154,038</b>
<b>Decreased by Disbursements:</b>			
Expenditures Under R. S. 4:19-15.11	B-3	10,657	
State Dog License Fees	B-4	2,192	
Museum Expenses	B-7		1,958
Developers Expenses	B-8		36,141
Driveway Refunds	B-9		1,500
Unemployment Compensation Insurance Transfers	B-10		244
Library Expenditures	B-11		1,024
Fair Share Housing	B-13		4,166
Open Space Payments	B-15		62,532
Developers Escrow	B-18		33,937
Tax Sale Premiums	B-19		92,400
Environmental Trust Disbursements	B-20		986
Off-Duty Police Expenditures	B-22		31,185
<b>Total Disbursements</b>		<u>12,849</u>	<u>266,073</u>
Balance December 31, 2017	B	<b>\$ 43,809</b>	<b>\$ 1,887,965</b>

TRUST FUND  
SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES

B-3

	<u>REF.</u>	
Balance December 31, 2016	B	\$ 34,453
<b>Increased by:</b>		
Dog License Fees Collected	B-2	<u>19,876</u>
		54,329
<b>Decreased by:</b>		
Expenditures Under R.S. 4:29-15.11	B-2	<u>10,657</u>
Balance December 31, 2017	B	<u>\$ 43,672</u>

Animal Control Fees Collected:	
2016	\$ 18,803
2015	<u>19,352</u>
	<u>\$ 38,155</u>

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

B-4

Balance December 31, 2016	<u>REF.</u> B	\$	5
<b>Increased by:</b>			
Collected in 2017:			
State Board of Health Fees	B-2		2,195
			<u>2,200</u>
<b>Decreased By:</b>			
Payments	B-2		<u>2,192</u>
Balance December 31, 2017	B	\$	<u><u>8</u></u>

TRUST FUND  
SCHEDULE OF AMOUNT DUE CURRENT FUND  
DOG LICENSE FUND

B-5

	<u>REF.</u>	
Balance December 31, 2016	B	\$ 84
<b>Increased by:</b>		
Interest Credits	B-2	<u>45</u>
Balance December 31, 2017	B	<u>\$ 129</u>



TRUST FUND  
SCHEDULE OF AMOUNT DUE CURRENT FUND  
OTHER TRUST FUND

B-6

	<u>REF.</u>	<u>DUE FROM</u>
Balance December 31, 2016	B	\$ 24,156
<b>Increased by:</b>		
Outside Liens - Receipts Collected by Current Fund	B-21	<u>138,726</u>
		162,882
<b>Decreased by:</b>		
Outside Liens - Amounts Refunded by Current Fund	B-21	<u>124,715</u>
Balance December 31, 2017	B	<u>\$ 38,167</u>
 <b><u>Detail:</u></b>		
Debt Service Adjustment Prior Years		\$ 8,833
Recreation Trust		4,244
Off Track Improvements		(1,921)
Outside Liens		14,011
Tax Sale Premiums		<u>13,000</u>
		<u>\$ 38,167</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR MUSEUM DONATIONS

B-7

	<u>REF.</u>	
Balance December 31, 2016	A	\$ 13,014
<b>Increased by:</b>		
Museum Deposits	B-2	<u>1,763</u>
		14,777
<b>Decreased by:</b>		
Museum Disbursements	B-2	<u>1,958</u>
Balance December 31, 2017	A	<u>\$ 12,819</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR DEVELOPERS' DEPOSITS

B-8

	<u>REF.</u>	
Balance December 31, 2016	A	\$ 112,644
<b>Increased by:</b>		
Developers Deposits	B-2	<u>17,518</u>
		130,162
<b>Decreased by:</b>		
Developers Payments	B-2	<u>36,141</u>
Balance December 31, 2017	A	<u>\$ 94,021</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR DRIVEWAY BONDS

B-9

	<u>REF.</u>	
Balance December 31, 2016	A	\$ 4,857
<b>Increased by:</b>		
Driveway Deposits	B-2	<u>    755</u> 5,612
<b>Decreased by:</b>		
Driveway Refunds	B-2	<u>    1,500</u>
Balance December 31, 2017	A	<u>    \$ 4,112</u>

TRUST FUND  
SCHEDULE OF UNEMPLOYMENT COMPENSATION INSURANCE  
TRUST DEPOSITS

B-10

	<u>REF.</u>	
Balance December 31, 2016	B	\$ 99,333
<b>Increased by:</b>		
Interest Credits	B-2	<u>    100</u>
		99,433
<b>Decreased by:</b>		
Transfers to Current Fund	B-2	<u>    244</u>
Balance December 31, 2017	B	<u>\$ 99,189</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR LIBRARY FUND

B-11

	<u>REF.</u>	
Balance December 31, 2016	A	\$ 5,569
<b>Increased by:</b>		
Deposits and Interest Credits	B-2	<u>1,006</u>
		6,575
<b>Decreased by:</b>		
Expenditures	B-2	<u>1,024</u>
Balance December 31, 2017	A	<u>\$ 5,551</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR RECREATION COMMISSION

B-12

	<u>REF.</u>	
Balance December 31, 2016	A	\$ 14,907
<b>Increased by:</b>		
Recreation Deposits	B-2	<u>    10</u> 14,917
Balance December 31, 2017	A	<u>\$ 14,917</u>

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

B-13

	<u>REF.</u>	
Balance December 31, 2016	A	\$ 135,290
<b>Increased by:</b>		
COAH Deposits Received	B-2	<u>21,268</u>
		156,558
<b>Decreased by:</b>		
COAH Payments	B-2	<u>4,166</u>
Balance December 31, 2017	A	<u>\$ 152,392</u>



TRUST FUND  
SCHEDULE OF RESERVE FOR OFF-TRACK IMPROVEMENTS

B-14

	<u>REF.</u>	
Balance December 31, 2016	A	\$ 59,998
<b>Increased by:</b>		
Off-Track Improvement Deposits	B-2	<u>    62</u> 60,060
Balance December 31, 2017	A	<u>\$ 60,060</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR OPEN SPACE TRUST DEPOSITS

B-15

	<u>REF.</u>		
Balance December 31, 2016	B	\$	999,191
<b>Increased by:</b>			
Open Space Levy-2017	B-2	\$	74,596
Interest Credits	B-2	761	<u>75,357</u>
			1,074,548
<b>Decreased by:</b>			
Open Space Expenditures	B-2	2,567	
NJ Environment Infrastructure Trust Debt Service	B-2	<u>59,965</u>	<u>62,532</u>
Balance December 31, 2017	B	\$	<u><u>1,012,016</u></u>

TRUST FUND  
SCHEDULE OF RESERVE FOR EMERGENCY SNOW REMOVAL

B-16

	<u>REF.</u>	
Balance December 31, 2016	B	\$ 47,860
<b>Increased by:</b>		
Deposits-Interest	B-2	<u>48</u>
		47,908
Balance December 31, 2017	B	<u>\$ 47,908</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR ACCUMULATED ABSENCES

B-17

	<u>REF.</u>	
Balance December 31, 2016	A	\$ 212,857
<b>Increased by:</b>		
Deposits-Current Fund Budget Appropriation and Interest	B-2	<u>45,214</u>
		258,071
Balance December 31, 2017	A	<u>\$ 258,071</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR DEVELOPERS ESCROW

B-18

	<u>REF.</u>	
Balance December 31, 2016	B	\$ 88,662
<b>Increased by:</b>		
Escrow Deposits	B-2	<u>42,794</u>
		131,456
<b>Decreased by:</b>		
Deposits Returned	B-2	<u>33,937</u>
Balance December 31, 2017	B	<u>\$ 97,519</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR TAX SALE PREMIUMS

B-19

	<u>REF.</u>					
Balance December 31, 2016	B	\$ 93,875				
<b>Increased by:</b>						
Premiums Received	B-2	\$ 41,300				
Interest Credits	B-2	<table style="margin-left: auto; margin-right: 0;"> <tr> <td style="text-align: right; border-bottom: 1px solid black;">66</td> <td style="text-align: right; border-bottom: 1px solid black;">41,366</td> </tr> <tr> <td></td> <td style="text-align: right;">135,241</td> </tr> </table>	66	41,366		135,241
66	41,366					
	135,241					
<b>Decreased by:</b>						
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;">92,400</td> </tr> </table>	92,400			
92,400						
Balance December 31, 2017	B	<table style="margin-left: auto; margin-right: 0;"> <tr> <td style="text-align: right; border-bottom: 3px double black;">\$ 42,841</td> </tr> </table>	\$ 42,841			
\$ 42,841						

TRUST FUND  
SCHEDULE OF RESERVE FOR ENVIRONMENTAL TRUST FUND

B-20

	<u>REF.</u>	
Balance December 31, 2016	B	\$ 5,070
<b>Decreased by:</b>		
Disbursements	B-2	<u>    986</u>
Balance December 31, 2017	B	<u>\$ 4,084</u>

TRUST FUND  
SCHEDULE OF RESERVE FOR OUTSIDE LIENS

B-21

REF.

**Increased by:**

Escrow Deposits

B-6    \$ 138,726  
                        138,726

**Decreased by:**

Deposits Returned

B-6    124,715

Balance December 31, 2017

B     \$ 14,011







## **GENERAL CAPITAL FUND SCHEDULES**

GENERAL CAPITAL FUND  
SCHEDULE OF CASH -TREASURER

C-2

	<u>REF.</u>		
Balance December 31, 2016	C		\$ 538,657
<b>Increased by Receipts:</b>			
Interest Credits	C-5	\$ 511	
Bond Anticipation Note Proceeds	C-8	380,000	
Interfund Balances Advanced-Current Fund	C-5	470,978	
Bond Anticipation Note Premium	C-1	6,808	
Bond Anticipation Note Proceeds-Renewal	C-5	<u>3,466,976</u>	<u>4,325,273</u>
			4,863,930
<b>Decreased by Disbursements:</b>			
Improvements Authorizations Paid	C-10	385,361	
Bond Anticipation Note Payment	C-5	<u>3,622,214</u>	<u>4,007,575</u>
Balance December 31, 2017	C		<u>\$ 856,355</u>

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

C-3

	<u>REF.</u>	
Balance December 31, 2016	C	\$ 355,405
<b>Decreased by:</b>		
Serial Bonds Paid by Open Space Trust Fund	C-7	<u>53,132</u>
Balance December 31, 2017	C	<u>\$ 302,273</u>

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

C-4

ORDINANCE NUMBER	IMPROVEMENT DESCRIPTION	BALANCE 12/31/16	NOTES PAID BY BUDGET APPROPRIATION	BALANCE 12/31/17	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.	22,325	\$ 22,325	-		-
07-10	Road Resurfacing, Library Roof, Well, Traffic Safety Sign, Trailer, Salt Spreader, Tarps, Pick-up Truck & Plow, Fire ATV	30,579	30,579	-		-
08-07	Police Garage, Generator, File Cabs, IT equip, Mason Dump Truck, Road Resurfacing	164,750	32,950	131,800		\$ 131,800
09-03	DPW Garage Feasibility	95,000	19,000	76,000		76,000
09-06; 10-03	Road Resurfacing, DPW vehicles & Lift, Fire Tanker	347,430	113,870	233,560		233,560
09-07	DPW Garage	1,003,470	326,530	676,940		676,940
10-14	Road Resurfacing, Fueling Station, Tractor, Mower, Backhoe	443,240	73,840	369,400		369,400
11-02	Fire and Rescue Squad Ambulance	109,864	18,312	91,552		91,552
11-07	DPW Vehicle and Apparatus, Road Resurfacing of Various Township Roads, Supplemental Funding of DPW Garage	342,400	42,800	299,600		299,600
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	498,750	71,250	427,500		427,500
12-01	Road Resurfacing Program ; DPW Dump Truck; DPW Road Maintainer Machine.	382,375	54,625	327,750		327,750
13-09	DPW Dump Trucks/apparatus, Road Resurfacing, Muni Bldg Septic System	457,187	65,313	391,874		391,874
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	49,000	441,000		441,000
16-02	New Automotive Vehicles	380,000		380,000		380,000
		<b>\$ 4,991,104</b>	<b>\$ 920,394</b>	<b>\$ 4,070,710</b>	<b>\$ 223,734</b>	<b>\$ 3,846,976</b>

REF.

C

C-8

C

C-8

GENERAL CAPITAL FUND  
SCHEDULE OF AMOUNT DUE CURRENT FUND

C-5

	REF.		
Balance December 31, 2016	C	\$	(197)
<b>Increased by:</b>			
Interest Credits	C-2	\$	511
Interfund Balances Advanced	C-2	<u>470,978</u>	<u>471,489</u>
			471,292
<b>Decreased by:</b>			
Interfund Balances Returned	C-2		
Capital Improvement Fund - Current Fund Appropriation	C-6	435,000	
Bond Anticipation Notes Principle and Interest Paid from General Capital Func	C-2	<u>155,238</u>	<u>590,238</u>
Balance December 31, 2017	C	\$	<u>(118,946)</u>

GENERAL CAPITAL FUND  
SCHEDULE OF CAPITAL IMPROVEMENT FUND

C-6

	<u>REF.</u>	
Balance December 31, 2016	C	\$ 221,432
<b>Increased by:</b>		
2017 Budget Appropriations	C-2	<u>435,000</u>
		656,432
<b>Decreased by:</b>		
Appropriation to Finance Improvement Authorizations	C-10	<u>382,000</u>
Balance December 31, 2017	C	<u>\$ 274,432</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 12/31/16</u>	<u>DECREASED</u>	<u>BALANCE 12/31/17</u>
New Jersey Environmental Infrastructure Trust-Loan Program	1/1/04	03-10	\$470,135	2018-2023	\$22,208 to \$26,904	None	\$ 151,166	\$ 23,492	\$ 127,674
New Jersey Environmental Infrastructure Trust-Loan Program	1/1/04	03-10	\$175,000	2018-2023	\$5,000 to \$15,000.	3.0% to 5.0%	80,000	10,000	70,000
New Jersey Environmental Infrastructure Trust-Loan Program	10/13/04	04-08	\$341,266	2018-2024	\$8,282 to \$18,836	None	59,239	14,640	44,599
New Jersey Environmental Infrastructure Trust-Loan Program	10/13/04	04-08	\$120,000	2018-2024	\$5,000 to \$10,000	3.0% to 5.0%	65,000	5,000	60,000
							<b>\$ 355,405</b>	<b>\$ 53,132</b>	<b>\$ 302,273</b>
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 12/31/16	ISSUED	DECREASED	BALANCE 12/31/17
07-10	Road Resurfacing, Library Roof, Well, Traffic Safety Sign, Trailer, Salt Spreader, Tarps, Pick-up Truck & Plow, Fire ATV	9/14/07	8/24/17	1/26/18	2.00%	\$ 30,579		\$ 30,579	-
08-07	Police Garage, Generator, File Cabs, IT equip, Mason Dump Truck, Road Resurfacing	12/23/09	8/24/17	1/26/18	2.00%	164,750		32,950	\$ 131,800
09-03	DPW Garage Feasibility	12/23/09	8/24/17	1/26/18	2.00%	95,000		19,000	76,000
09-07	DPW Garage	9/10/10	8/24/17	1/26/18	2.00%	1,003,470		326,530	676,940
10-03	Road Resurfacing, DPW Trucks, Vehicle Lift, Library Heating, Tanker Fire Turck	9/10/10	8/24/17	1/26/18	2.00%	347,430		113,870	233,560
11-02	Fire and Rescue Squad Ambulance	9/9/11	8/24/17	1/26/18	2.00%	109,864		18,312	91,552
11-07	DPW Vehicle and Apparatus, Road Resurfacing of Various Township Roads, Supplemental Funding of DPW Garage	9/7/12	8/24/17	1/26/18	2.00%	342,400		42,800	299,600
11-10	Supplemental Funding of DPW Garage, Amendment of Ordinance #2012-07 and 2009-	9/6/13	8/24/17	1/26/18	2.00%	498,750		71,250	427,500
12-01	Road Resurfacing Program ; DPW Dump Truck; DPW Road Maintainer Machine.	9/6/13	8/24/17	1/26/18	2.00%	382,375		54,625	327,750
13-09	DPW Dump Trucks/apparatus, Road Resurfacing, Muni Bldg Septic System	9/6/13	8/24/17	1/26/18	2.00%	457,187		65,313	391,874
17-4	Resurface Red Mill Road; Sealing program; Calcium Storge Tank; Electronic Message Sign; Museum Improvements	8/24/17	8/24/17	1/26/18	2.00%		\$ 380,000		380,000
06-08	Loader, Fuel Tanks, Windows, Police Equip.	2/9/07	1/27/17	1/26/18	1.79%	22,325		22,325	-
10-14	Road Resurfacing, Fueling Station, Tractor, Mower, Backhoe	2/4/11	1/27/17	1/26/18	1.79%	443,240		73,840	369,400
15-09	Road resurfacing, new automotive vehicles including orig. apparatus and equipment consisting of DPW dump trucks.	1/29/16	1/27/17	1/26/18	1.79%	490,000		49,000	441,000
						<b>\$ 4,387,370</b>	<b>\$ 380,000</b>	<b>\$ 920,394</b>	<b>\$ 3,846,976</b>

REF.

C

C-2

C-4

C

GENERAL CAPITAL FUND  
SCHEDULE OF VARIOUS RESERVES

C-9

<u>DESCRIPTION</u>	<u>BALANCE</u> <u>12/31/16</u>	<u>BALANCE</u> <u>12/31/17</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 12/31/16</u>		<u>CAPITAL IMPROVEMENT FUND</u>	<u>PAID OR CHARGED</u>	<u>BALANCE 12/31/17</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						
Fire and Rescue Squad Ambulance	11-02	1/19/11	175,000						178						
Amendment of Ordinance #2007-10 for Inclusion of Fire Department ATV and Ambulance Equipment.	11-07	8/3/11	35,000				\$	2,742	3,776						
Road Resurfacing Program ; DPW Dump Truck; DPW Road Maintainer Machine.	12-01	8/1/12	460,000					1,254	80,358						
DPW Dump Trucks/apparatus, Road Resurfacing, Muni Bldg Septic System	13-09	6/19/13	550,000						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					8,987	42,299						
Road resurfacing, new automotive vehicles including orig. apparatus and equipment consisting of DPW dump trucks.	15-09	12/16/15	515,000					802	1,254						
New Automotive Vehicles	16-02	2/17/16	400,000		18,850	380,000		38,708	360,142						
Various road resurfacing, new pickup truck	16-05	6/1/16	340,000		41,899			39,245	2,654						
Various road resurfacing	17-04	8/2/17	382,000			\$	382,000	293,623	88,377						
				<b>\$</b>	<b>62,285</b>	<b>\$</b>	<b>803,400</b>	<b>\$</b>	<b>382,000</b>	<b>\$</b>	<b>385,361</b>	<b>\$</b>	<b>92,567</b>	<b>\$</b>	<b>769,757</b>
REF.					C		C		C-6		C-2		C		C

## **SCHEDULE OF GENERAL FIXED ASSETS**

GENERAL FIXED ASSETS  
SCHEDULE OF ADDITIONS AND DELETIONS  
DECEMBER 31, 2017

F-1

	<u>BALANCE</u> <u>12/31/16</u>	<u>ADDITIONS</u>	<u>BALANCE</u> <u>12/31/17</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>\$ 86,940</u>	<u>9,051,169</u>
Total General Fixed Assets	<u><b>\$ 17,261,521</b></u>	<u><b>\$ 86,940</b></u>	<u><b>\$ 17,348,461</b></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 4, 2017, adopted the following resolution authorizing interest to be charged on delinquent taxes:

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

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

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

The governing body, on January 4, 2017, 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, 2017, include property taxes outstanding from the 2017 tax levy.

A tax sale was held on October 14, 2017 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>
2017	24
2016	23
2015	20

**Verification of Delinquent Taxes and Other Charges**

Verification notices were mailed to confirm balances as of November 22, 2017. 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, 2017				
<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>
2017 Property Tax	Positive	2,954	25	12
2018 Property Tax	Positive	2,954	25	12

**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 2017 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 2017</u>	<u>%</u>	<u>YEAR 2016</u>	<u>%</u>
Fund Balance Utilized	\$ 500,000	1.98%	\$ 690,398	2.81%
Miscellaneous - From Other Than				
Local Property Tax Levies	3,507,095	13.89%	3,219,004	13.11%
Collection of Delinquent Taxes and				
Tax Title Liens	301,037	1.19%	341,805	1.39%
Collection of Current Tax Levy	<u>20,942,937</u>	<u>82.94%</u>	<u>20,295,884</u>	<u>82.68%</u>
<b>Total Income</b>	<u>25,251,069</u>	<u>100.00%</u>	<u>24,547,091</u>	<u>100.00%</u>

**EXPENDITURES**

Budget Expenditures:				
Municipal Purposes	5,593,781	22.65%	5,442,501	22.82%
Open Space Trust	74,596	0.30%	74,536	0.31%
County Taxes	3,382,131	13.69%	3,374,814	14.15%
Local and Regional Taxes	15,454,162	62.57%	14,883,552	62.40%
Other Expenditures	<u>194,096</u>	<u>0.79%</u>	<u>75,212</u>	<u>0.32%</u>
<b>Total Expenditures</b>	<u>24,698,766</u>	<u>100.00%</u>	<u>23,850,615</u>	<u>100.00%</u>

Excess in Revenue	552,303		696,476	
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Fund Balance January 1	700,158		694,080	
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Less:

Utilization as Anticipated Revenue	<u>500,000</u>		<u>690,398</u>	
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Fund Balance December 31	<u>\$ 752,461</u>		<u>\$ 700,158</u>	
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**Comparative Schedule of Tax Rate Information**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Tax Rate</u>	\$2.860	\$2.768	\$2.647
<u>Apportionment of Tax Rate:</u>			
Municipal Open Space	0.010	0.010	0.010
Municipal	0.322	0.280	0.233
County	0.417	0.416	0.404
County Open Space	0.037	0.037	0.036
Local School	1.332	1.309	1.289
Regional High School	0.742	0.716	0.675

Assessed Valuation:

<u>Year</u>	<u>Amount</u>
2017	\$745,203,175
2016	\$743,720,630
2015	\$740,594,088

**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>
2017	\$ 21,335,261	\$20,942,937	98.16%
2016	\$ 20,629,174	\$20,295,884	98.38%
2015	\$ 19,675,254	\$19,316,041	98.17%

**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>
2017	\$178,025	\$373,119	\$551,144	2.58%
2016	\$145,419	\$310,233	\$455,652	2.21%
2015	\$139,392	\$351,230	\$490,622	2.49%

**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>
2017	\$94,200
2016	\$94,200
2015	\$94,200

**Comparitive Schedule of Fund Balances**

<u>Year</u>	<u>Balance December 31</u>		<u>Utilized In Budget of Succeeding Year</u>	
			<u>Regular</u>	<u>Defer School Tax</u>
2017	\$ 752,461	*	\$ 550,000	None
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		
Beverly Koehler	Committee		
Karen Sandorse	Township Clerk		
Gregory J. Della Pia	Chief Financial Officer	\$1,000,000	NJ Joint Insurance Fund

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name Of Corporate Surety</u>
Mary Hyland	Tax Collector	\$1,000,000	NJ Joint Insurance Fund
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>
2017	\$130,960

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**

1110 Harrison Street, Suite C  
Frenchtown, New Jersey 08825-1192  
908-996-4711 Fax: 908-996-4688  
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, 2017 and 2016, 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 March 31, 2018, 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.

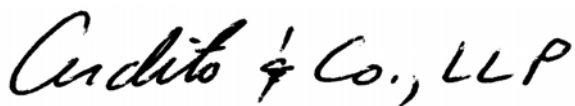
### **Compliance and Other Matters**

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**

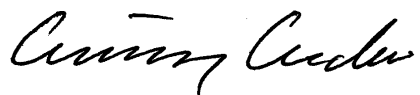
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in 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

March 31, 2018



Certified Public Accountant

Registered Municipal Accountant No.524

ARDITO & CO., LLP

Frenchtown, New Jersey

March 31, 2018

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

**SCHEDULE OF FEDERAL AWARDS**  
FOR THE YEAR ENDED DECEMBER 31, 2017

**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>	<u>CASH ACCRUED OR DEFERRED REVENUE BALANCE AT 1/1/17</u>	<u>RECEIPTS</u>		<u>DISBURSEMENTS</u>	<u>CASH ACCRUED OR DEFERRED REVENUE BALANCE AT 12/31/17</u>	<u>TOTAL DISBURSEMENTS</u>
						<u>PROGRAM</u>	<u>OTHER</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>\$ 50,130</u>	<u>-</u>	<u>-</u>	<u>-</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, 2017**

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 1/1/17	RECEIPTS PROGRAM OTHER	DISBURSEMENTS	BALANCE AT 12/31/17						
<b><u>DEPT. OF COMMUNITY AFFAIRS</u></b>														
Neighborhood Preservation Balanced Housing	N/A		Prior Years	A	\$ (4,645)			\$	(4,645)					
<b><u>DEPT. OF ENVIRON.PROTECTION</u></b>														
Solid Waste Adm.-Clean Communities Program	4900-765-178900	\$26,012	2017 Prior Years	A A		\$ 26,012 25,174		\$	26,012 16,484					
<b><u>DEPT. OF PUBLIC SAFETY</u></b>														
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	2,523	2017	A		2,523			2,523					
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					
<b><u>DEPT. OF TRANSPORTATION</u></b>														
NJ Transportation Fund Authority Act Penwell Road	8220-635-40000-01	N/A	Prior Year	A	5,093				5,093					
<b><u>OTHER STATE AIDS</u></b>														
Recycling Tonnage Program	N/A	4,304	2017	A		4,304			4,304					
Recycling Tonnage Program	N/A	4,686	2009-2016	A	23,270		4,976		18,294					
Alcohol Education Grant	N/A	129	2017	A		129			129					
Environmental Protection Grant	N/A	7,232	2015	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)					
<b>TOTAL STATE ASSISTANCE</b>					<b>\$</b>	<b>151,149</b>	<b>\$</b>	<b>32,968</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>21,460</b>	<b>\$</b>	<b>162,657</b>

**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, 2017

**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

2017-1     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.

**Status - Finding is cleared in 2017**



**SCHEDULE OF FINDINGS AND RESPONSES**  
**GENERAL FINDINGS**

**SCHEDULE OF FINDINGS AND RESPONSES**

**GENERAL FINDINGS**

YEAR ENDED DECEMBER 31, 2017

**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 2017 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**

None