

TOWNSHIP OF LIBERTY

COUNTY OF WARREN

REPORT OF AUDIT

2016

NISIVOCCIA LLP
CERTIFIED PUBLIC ACCOUNTANTS

TOWNSHIP OF LIBERTY

COUNTY OF WARREN

REPORT OF AUDIT

2016

TOWNSHIP OF LIBERTY
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2016

PART I – Financial Statements and Supplementary Data

<u>Independent Auditors' Report</u>	1-3
<u>Financial Statements</u>	
<u>Current Fund</u>	
Comparative Balance Sheet – Regulatory Basis	A
Comparative Statement of Operations and Change in Fund Balance – Regulatory Basis	A-1
Statement of Revenue – Regulatory Basis	A-2
Statement of Expenditures – Regulatory Basis	A-3
<u>Trust Funds</u>	
Comparative Balance Sheet – Regulatory Basis	B
Statement of Fund Balance - Assessment Trust Fund – Regulatory Basis (Not Applicable)	B-1
Statement of Revenue - Assessment Trust Fund – Regulatory Basis (Not Applicable)	B-2
Statement of Expenditures - Assessment Trust Fund – Regulatory Basis (Not Applicable)	B-3
<u>General Capital Fund</u>	
Comparative Balance Sheet – Regulatory Basis	C
Statement of Fund Balance – Regulatory Basis	C-1
<u>Water Utility Fund (Not Applicable)</u>	D
<u>Sewer Utility Fund (Not Applicable)</u>	E
<u>Public Assistance Fund (Not Applicable)</u>	F
<u>Bond and Interest Fund (Not Applicable)</u>	G
<u>General Fixed Assets Account Group</u>	
Comparative Balance Sheet – Regulatory Basis	H

<u>Notes to Financial Statements</u>	<u>Page</u> 1-14
--------------------------------------	---------------------

<u>Supplementary Data</u>	<u>Schedule</u>
Officials in Office and Surety Bonds	1
<u>Current Fund</u>	
Schedule of Cash	A-4
Schedule of Cash - Collector	A-5
Schedule of Cash – Federal and State Grant Funds	A-6
Schedule of Taxes Receivable and Analysis of Property Tax Levy	A-7
Schedule of Tax Title Liens	A-8
Schedule of Revenue Accounts Receivable	A-9
Schedule of Consumer Accounts Receivable (Not Applicable)	A-10
Statement of 2015 Appropriation Reserves	A-11
Schedule of Regional School District Taxes Payable	A-12
Schedule of Grants Receivable - Federal and State Grant Fund	A-13
Schedule of Appropriated Reserves - Federal and State Grant Fund	A-14
Schedule of Unappropriated Reserves - Federal and State Grant Fund	A-15
<u>Trust Funds</u>	
Schedule of Cash - Treasurer	B-4
Schedule of Cash - Assessment Trust Fund (Not Applicable)	B-5
Schedule of Reserve for Animal Control Fund Expenditures - Animal Control Fund	B-6

TOWNSHIP OF LIBERTY
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

PART I – Financial Statements and Supplementary Data (Cont’d)

<u>Supplementary Data</u>	<u>Schedule</u>
<u>General Capital Fund</u>	
Schedule of Cash	C-2
Analysis of Cash	C-3
Schedule of Deferred Charges to Future Taxation - Unfunded	C-4
Schedule of Improvement Authorizations	C-5
Schedule of Capital Improvement Fund	C-6
Schedule of Bond Anticipation Notes Payable (Not Applicable)	C-7
Schedule of Serial Bonds Payable (Not Applicable)	C-8
Schedule of Green Acres Loan Payable (Not Applicable)	C-9
Schedule of Bonds and Notes Authorized But Not Issued	C-10
<u>Water Utility Fund (Not Applicable)</u>	D
<u>Sewer Utility Fund (Not Applicable)</u>	E
<u>Public Assistance Fund (Not Applicable)</u>	F

PART II – Single Audit

Schedule of Expenditures of Federal Awards (Not Applicable)	1
Schedule of Expenditures of State Awards	2
Notes to Schedules of Expenditures of Federal and State Awards	3
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4-5
Schedule of Findings and Responses	6
Summary Schedule of Prior Audit Findings	7

PART III – Comments and Recommendations

Comments and Recommendations	8-11
Summary of Recommendations	12

TOWNSHIP OF LIBERTY

PART I

FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2016



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

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

Independent Auditors' Report

The Honorable Mayor and Members
of the Township Committee
Township of Liberty
Great Meadows, New Jersey

Report on the Financial Statements

We have audited the financial statements – *regulatory basis* - of the various funds of the Township of Liberty in the County of Warren (the “Township”) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”) to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

The Honorable Mayor and Members
of the Township Committee
Township of Liberty
Page 2

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

As described in Note 1, the financial statements are prepared by the Township on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for the Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly in accordance with accounting principles generally accepted in the United States of America the financial position of each fund and account group of the Township as of December 31, 2016 and 2015, or the changes in financial position where applicable, thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the various funds of the Township as of December 31, 2016 and 2015, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the years then ended on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the various funds that collectively comprise the Township's financial statements. The supplementary data schedules listed in the table of contents and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the financial statements.

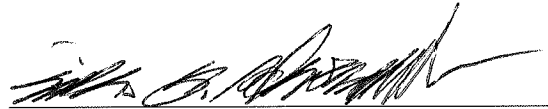
The supplementary data schedules and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the various fund financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the various fund financial statements or to the various fund financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary data schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

The Honorable Mayor and Members
of the Township Committee
Township of Liberty
Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2017 on our consideration of the Township of Liberty's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

March 24, 2017
Mount Arlington, New Jersey



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

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2016
CURRENT FUND

TOWNSHIP OF LIBERTY
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2016	2015
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents:			
Treasurer	A-4	\$ 2,402,282.03	\$ 2,431,348.56
Petty Cash Fund		200.00	200.00
Change Fund		50.00	50.00
		<u>2,402,532.03</u>	<u>2,431,598.56</u>
Due From State of New Jersey			
Senior Citizen and Veterans Deductions		3,456.25	4,206.25
		<u>2,405,988.28</u>	<u>2,435,804.81</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	195,028.16	191,924.55
Tax Title Liens Receivable	A-8	239,563.36	440,886.11
Property Acquired for Taxes at Assessed Valuation		108,200.00	108,200.00
End of Year Tax Penalty Receivable		2,576.43	
Due From Animal Control Fund	B	123.60	
Due From General Capital Fund	C	170,099.48	
		<u>715,591.03</u>	<u>741,010.66</u>
Total Regular Fund		<u>3,121,579.31</u>	<u>3,176,815.47</u>
Federal and State Grant Fund:			
Cash and Cash Equivalents	A-6	151,332.46	602.83
Federal and State Grants Receivable	A-13	123,916.12	124,296.12
		<u>275,248.58</u>	<u>124,898.95</u>
Total Federal and State Grant Fund		<u>275,248.58</u>	<u>124,898.95</u>
<u>TOTAL ASSETS</u>		<u>\$ 3,396,827.89</u>	<u>\$ 3,301,714.42</u>

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

	Ref.	December 31,	
		2016	2015
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Encumbered	A-3;A-11	\$ 30,122.67	\$ 19,421.27
Unencumbered	A-3;A-11	251,313.72	161,759.43
		<u>281,436.39</u>	<u>181,180.70</u>
Prepaid Taxes		51,578.71	47,787.30
County Taxes Payable		1,742.09	2,346.62
Regional School Tax Payable	A-12	1,100,480.30	963,142.80
Accounts Payable - Vendors		16,960.36	4,860.36
Payroll Deductions Payable		9,956.77	9,570.40
Due to State of New Jersey:			
Marriage License Fees		75.00	50.00
Reserve for:			
Redemption of Third Party Liens		6,567.70	16,597.15
		<u>1,468,797.32</u>	<u>1,225,535.33</u>
Reserve for Receivables and Other Assets	A	715,591.03	741,010.66
Fund Balance	A-1	937,190.96	1,210,269.48
		<u>3,121,579.31</u>	<u>3,176,815.47</u>
Total Regular Fund			
Federal and State Grant Fund:			
Appropriated Reserve for Grants	A-14	110,383.46	116,430.61
Unappropriated Reserve for Grants	A-15	164,865.12	4,468.34
Due to Other Trust Funds	B		4,000.00
		<u>275,248.58</u>	<u>124,898.95</u>
Total Federal and State Grant Fund			
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 3,396,827.89</u>	<u>\$ 3,301,714.42</u>

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

TOWNSHIP OF LIBERTY
CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE - REGULATORY BASIS

	Ref.	Year Ended December 31,	
		2016	2015
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 580,000.00	\$ 589,000.00
Miscellaneous Revenue Anticipated		279,803.98	301,328.86
Receipts from:			
Delinquent Taxes		176,150.48	239,313.72
Current Taxes		7,872,503.68	7,504,010.75
Prior Year Tax Penalty Receipts			2,028.66
Nonbudget Revenue		34,885.10	16,177.19
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		110,911.66	160,532.13
Tax Overpayments Canceled			8.99
Interfund Returned			5.40
		<u>9,054,254.90</u>	<u>8,812,405.70</u>
<u>Expenditures</u>			
Budget and Emergency Appropriations:			
Municipal Purposes		1,303,015.16	1,349,028.32
County Taxes		2,098,922.49	2,000,788.41
Regional School Districts Taxes		5,121,110.00	4,846,435.00
Open Space Trust Taxes		53,812.69	53,838.00
Prior Year Revenue Refunded			2,385.40
Prior Year Senior Citizen/ Veteran Deductions Disallowed		250.00	
Interfund Advanced		170,223.08	
		<u>8,747,333.42</u>	<u>8,252,475.13</u>
Excess in Revenue		306,921.48	559,930.57
<u>Fund Balance</u>			
Balance January 1		1,210,269.48	1,239,338.91
		<u>1,517,190.96</u>	<u>1,799,269.48</u>
Decreased by:			
Utilized as Anticipated Revenue		<u>580,000.00</u>	<u>589,000.00</u>
Balance December 31	A	<u>\$ 937,190.96</u>	<u>\$ 1,210,269.48</u>

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

TOWNSHIP OF LIBERTY
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	<u>Budget</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Fund Balance Anticipated	\$ 580,000.00	\$ 580,000.00	
Miscellaneous Revenue:			
Alcoholic Beverage Licenses	5,000.00	5,231.58	\$ 231.58
Interest and Costs on Taxes	40,000.00	28,540.57	11,459.43 *
Interest on Investments	12,000.00	14,579.67	2,579.67
Consolidated Municipal Property Tax Relief Act	4,852.00	4,852.00	
Energy Receipts Tax	183,751.00	183,751.00	
Garden State Preservation Trust Fund	34,362.00	34,362.00	
Clean Communities Grant	8,487.16	8,487.16	
	<u>288,452.16</u>	<u>279,803.98</u>	<u>8,648.18 *</u>
Receipts from Delinquent Taxes	<u>180,000.00</u>	<u>176,150.48</u>	<u>3,849.52 *</u>
Amount to be Raised by Taxes for Support of Municipal Budget:			
Local Tax for Municipal Purposes	<u>844,563.00</u>	<u>1,188,658.50</u>	<u>344,095.50</u>
Budget Totals	1,893,015.16	2,224,612.96	331,597.80
Nonbudget Revenue		<u>34,885.10</u>	<u>34,885.10</u>
	<u>\$ 1,893,015.16</u>	<u>\$ 2,259,498.06</u>	<u>\$ 366,482.90</u>

TOWNSHIP OF LIBERTY
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Allocation of Current Tax Collections:	
Revenue from Collection of Current Taxes	\$ 7,872,503.68
Allocated to School, County and Open Space Taxes	<u>7,273,845.18</u>
Balance for Support of Municipal Budget	598,658.50
Add: Appropriation "Reserve for Uncollected Taxes"	<u>590,000.00</u>
Realized for Support of Municipal Budget	<u><u>\$ 1,188,658.50</u></u>
Receipts from Delinquent Taxes:	
Delinquent Tax Collections	\$ 174,114.47
Tax Title Liens	<u>2,036.01</u>
	<u><u>\$ 176,150.48</u></u>
Analysis of Nonbudget Revenue:	
Treasurer:	
Cable TV Franchise Fee	\$ 8,875.81
Settlement - Liberty vs Russell Etal	20,000.00
Other Miscellaneous	<u>5,870.66</u>
	\$ 34,746.47
Tax Collector	15.03
Statutory Excess in Reserve for Animal Control Expenditures	<u>123.60</u>
	<u><u>\$ 34,885.10</u></u>

TOWNSHIP OF LIBERTY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	Appropriations		Expended By	
	Budget	Budget After Modification	Paid or Charged	Reserved
GENERAL GOVERNMENT:				
Administrative and Executive:				
Salaries & Wages	\$ 4,580.00	\$ 4,580.00	\$ 4,553.61	\$ 26.39
Other Expenses	4,750.00	6,050.00	5,505.43	544.57
Mayor and Council:				
Salaries & Wages	11,525.00	11,525.00	10,645.00	880.00
Other Expenses	1,718.00	1,718.00	1,583.26	134.74
Municipal Clerk:				
Salaries & Wages	85,980.00	85,980.00	85,505.93	474.07
Other Expenses	14,600.00	14,600.00	7,422.69	7,177.31
Financial Administration:				
Salaries & Wages	25,596.00	25,596.00	25,596.00	
Other Expenses	11,408.00	11,408.00	10,747.84	660.16
Annual Audit	18,500.00	18,500.00	18,500.00	
Collection of Taxes:				
Salaries & Wages	23,665.00	23,665.00	23,662.00	3.00
Other Expenses	5,000.00	5,000.00	2,844.25	2,155.75
Assessment of Taxes:				
Salaries & Wages	22,300.00	22,300.00	22,298.00	2.00
Other Expenses	7,735.00	7,735.00	6,683.58	1,051.42
Legal Services and Costs:				
Other Expenses	43,000.00	43,000.00	33,909.65	9,090.35
Engineering Services and Costs:				
Other Expenses	17,000.00	17,000.00	6,524.66	10,475.34

TOWNSHIP OF LIBERTY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

GENERAL GOVERNMENT (continued):
Municipal Land Use Law (N.J.S.A. 40:55D-1) :
Municipal Land Use Board:
Salaries & Wages
Other Expenses
Zoning Officer:
Salaries & Wages
Insurance:
Liability Insurance
Worker's Compensation
Group Insurance Plan for Employees
Municipal Court:
Other Expenses
PUBLIC SAFETY:
Emergency Management Service:
Salaries & Wages
Other Expenses
First Aid Organization - Contribution:
Independence Township
Aid to Volunteer Fire Companies:
Liberty Township Fire Companies
Fire Prevention Bureau:
Other Expenses
Fire Department:
O.S.H.A Required Equipment

	Appropriations		Expended By	
	Budget	Budget After Modification	Paid or Charged	Reserved
\$	8,120.00	\$ 8,120.00	\$ 8,120.00	
	15,890.00	15,890.00	11,015.01	\$ 4,874.99
	10,495.00	10,495.00	10,477.84	17.16
	48,000.00	48,000.00	46,158.00	1,842.00
	26,000.00	26,000.00	25,735.00	265.00
	38,000.00	38,000.00	37,721.88	278.12
	9,500.00	9,500.00	2,732.90	6,767.10
	2,550.00	2,550.00	2,500.00	50.00
	3,700.00	3,700.00	16.84	3,683.16
	24,200.00	24,200.00	24,200.00	
	15,000.00	15,000.00	15,000.00	
	250.00	250.00		250.00
	14,150.00	14,150.00	14,099.60	50.40

TOWNSHIP OF LIBERTY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

	Appropriations		Expended By	
	Budget	Budget After Modification	Paid or Charged	Reserved
PUBLIC WORKS FUNCTIONS:				
Road Repairs and Maintenance:				
Salaries & Wages	\$ 182,430.00	\$ 182,430.00	\$ 159,663.15	\$ 22,766.85
Other Expenses	140,000.00	140,000.00	89,280.39	50,719.61
Garbage and Trash Removal:				
Other Expenses	6,000.00	6,000.00	1,034.60	4,965.40
Public Buildings and Grounds:				
Other Expenses	40,000.00	40,000.00	15,186.77	24,813.23
HEALTH AND WELFARE:				
Environmental Commission (N.J.S.A. 40A: 56 ET SEQ):				
Salaries & Wages	3,185.00	3,185.00	3,183.00	2.00
Other Expenses	6,880.00	6,880.00	2,375.00	4,505.00
Dog Regulation:				
Salaries & Wages	5,575.00	5,575.00	5,574.00	1.00
PARKS AND RECREATION FUNCTIONS:				
Recreation:				
Salaries & Wages	37,380.00	37,380.00	35,257.06	2,122.94
Other Expenses	22,900.00	22,900.00	13,754.30	9,145.70
Maintenance of Parks:				
Other Expenses	4,000.00	4,000.00	3,165.55	834.45
Beach and Boardwalk:				
Other Expenses	3,745.00	3,745.00	3,715.62	29.38
Utility Expenses and Bulk Purchases	42,500.00	41,200.00	27,106.09	14,093.91
Gypsy Moth Aerial Suppression	4,900.00	4,900.00	2,923.15	1,976.85
Total Operations Within "CAPS"	1,012,707.00	1,012,707.00	825,977.65	186,729.35
Detail:				
Salaries & Wages	423,381.00	423,381.00	397,035.59	26,345.41
Other Expenses	589,326.00	589,326.00	428,942.06	160,383.94

TOWNSHIP OF LIBERTY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

	Appropriations		Expended By	
	Budget	Budget After Modification	Paid or Charged	Reserved
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS" (Cont'd):				
Statutory Expenditures:				
Contribution to:				
Social Security System (O.A.S.I.)	\$ 34,000.00	\$ 34,000.00	\$ 29,869.68	\$ 4,130.32
Unemployment Compensation	2,750.00	2,750.00	2,704.66	45.34
Public Employees' Retirement System	36,971.00	36,971.00	36,971.00	
Defined Contribution Retirement Program	100.00	100.00		100.00
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	73,821.00	73,821.00	69,545.34	4,275.66
Total General Appropriations for Municipal Purposes Within "CAPS"	1,086,528.00	1,086,528.00	895,522.99	191,005.01
Operations Excluded from "CAPS":				
State and Federal Programs Offset by Revenues:				
Clean Communities	8,487.16	8,487.16	8,487.16	
Total Operations Excluded from "CAPS"	8,487.16	8,487.16	8,487.16	
Detail:				
Other Expenses	8,487.16	8,487.16	8,487.16	

TOWNSHIP OF LIBERTY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

	Appropriations		Expended By	
	Budget	Budget After Modification	Paid or Charged	Reserved
Capital Improvements - Excluded from "CAPS":				
Capital Improvement Fund	\$ 17,500.00	\$ 17,500.00	\$ 17,500.00	
Road Improvements	140,000.00	140,000.00	79,691.29	\$ 60,308.71
Improvements to Municipal Facilities	24,000.00	24,000.00	24,000.00	
Road Equipment	25,000.00	25,000.00	25,000.00	
Computer Equipment	1,500.00	1,500.00	1,500.00	
Total Capital Improvements - Excluded from "CAPS"	208,000.00	208,000.00	147,691.29	60,308.71
Total General Appropriations - Excluded from "CAPS"	216,487.16	216,487.16	156,178.45	\$ 60,308.71
Subtotal General Appropriations	1,303,015.16	1,303,015.16	1,051,701.44	251,313.72
Reserve for Uncollected Taxes	590,000.00	590,000.00	590,000.00	
Total General Appropriations	\$1,893,015.16	\$1,893,015.16	\$1,641,701.44	\$ 251,313.72

Ref.

A

TOWNSHIP OF LIBERTY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

	<u>Ref.</u>	<u>Analysis of</u>	
		<u>Budget After Modification</u>	<u>Paid or Charged</u>
Adopted Budget		<u>\$ 1,893,015.16</u>	
		<u>\$ 1,893,015.16</u>	
Reserve for Uncollected Taxes			\$ 590,000.00
Reserve for Encumbrances	A		30,122.67
Transfer to Appropriated Grant Reserves:			
Federal, State and Local Grants			8,487.16
Cash Disbursed			<u>1,013,091.61</u>
			<u>\$ 1,641,701.44</u>

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

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2016
TRUST FUNDS

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

	Ref.	December 31,	
		2016	2015
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents	B-4	\$ 6,903.60	\$ 5,888.80
		<u>6,903.60</u>	<u>5,888.80</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-4	404,800.44	468,445.22
Due from Federal and State Grant Funds	A		4,000.00
		<u>404,800.44</u>	<u>472,445.22</u>
TOTAL ASSETS		<u><u>\$ 411,704.04</u></u>	<u><u>\$ 478,334.02</u></u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Animal Control Fund:			
Due to Current Fund	A	\$ 123.60	
Due to State Board of Health		2.40	
Reserve for Animal Control Expenditures	B-6	6,777.60	\$ 5,668.80
Reserve for Encumbrances			220.00
		<u>6,903.60</u>	<u>5,888.80</u>
Other Trust Funds:			
Reserve for:			
Recreation		22,697.58	23,307.00
Housing Trust		88,669.59	88,652.57
Open Space Trust		54,003.29	185.60
Performance Escrow and Bonds		110,129.98	153,800.05
Storm Recovery		30,000.00	30,000.00
Tax Sale Premiums		99,300.00	176,500.00
		<u>404,800.44</u>	<u>472,445.22</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u><u>\$ 411,704.04</u></u>	<u><u>\$ 478,334.02</u></u>

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

TOWNSHIP OF LIBERTY
ASSESSMENT TRUST FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

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

TOWNSHIP OF LIBERTY
ASSESSMENT TRUST FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

ASSESSMENT TRUST FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

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

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2016
GENERAL CAPITAL FUND

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

	Ref.	December 31,	
		2016	2015
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 851.76	\$ 229,878.94
Deferred Charges to Future Taxation:			
Unfunded	C-4	476,100.00	
TOTAL ASSETS		<u>\$ 476,951.76</u>	<u>\$ 229,878.94</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Improvement Authorizations:			
Funded	C-5	\$ 75,231.41	\$ 75,231.41
Unfunded	C-5	83,373.34	
Due to Current Fund	C-5	170,099.48	
Capital Improvement Fund	C-6	117,155.44	123,555.44
Reserve for Marble Hill		12,255.40	12,255.40
Fund Balance	C-1	18,836.69	18,836.69
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		<u>\$ 476,951.76</u>	<u>\$ 229,878.94</u>

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

TOWNSHIP OF LIBERTY
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref</u>	
Balance December 31, 2015	C	<u>\$ 18,836.69</u>
Balance December 31, 2016	C	<u><u>\$ 18,836.69</u></u>

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

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2016
WATER OPERATING FUND

NOT APPLICABLE

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2016
SEWER OPERATING FUND

NOT APPLICABLE

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2016
PUBLIC ASSISTANCE FUND

NOT APPLICABLE

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2016
BOND AND INTEREST FUND

NOT APPLICABLE

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2016
GENERAL FIXED ASSETS ACCOUNT GROUP

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

	December 31,	
	2016	2015
<u>ASSETS</u>		
Land	\$ 531,315.48	\$ 71,400.00
Buildings	1,485,008.00	1,485,008.00
Equipment and Vehicles	1,297,947.28	1,240,087.29
<u>TOTAL ASSETS</u>	<u>\$ 3,314,270.76</u>	<u>\$ 2,796,495.29</u>
 <u>RESERVES</u>		
Reserve for Fixed Assets	\$ 3,314,270.76	\$ 2,796,495.29
<u>TOTAL RESERVES</u>	<u>\$ 3,314,270.76</u>	<u>\$ 2,796,495.29</u>

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

TOWNSHIP OF LIBERTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Except as noted below, the financial statements of the Township of Liberty include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township of Liberty, as required by N.J.S. 40A:5-5. Accordingly, the financial statements of the Township of Liberty do not include the operations of the Volunteer Fire and First Aid Squads.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e., benefit of economic resources, access/entitlement to resources, and significance) should be included in the financial reporting entities. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of Governmental Accounting Standards Board's Codification section 2100 were not followed and, accordingly, the reporting entity could be different from accounting principles generally accepted in the United States of America.

B. Description of Funds

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

Current Fund – Resources and expenditures for governmental operations of a general nature, including federal and state grant funds.

Trust Fund – Receipt, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

General Capital Fund – Receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund.

TOWNSHIP OF LIBERTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

B. Basis of Accounting (Cont'd)

General Fixed Assets Account Group – These accounts were established with values of land, buildings and certain fixed assets of the Township as discussed under the caption “Basis of Accounting”.

C. Basis of Accounting

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The more significant accounting policies in New Jersey follow:

Revenue is recorded when received in cash except for certain amounts which may be due from the State of New Jersey and for the prepayment of future years' revenue. Grant revenue is realized in the operating funds when it is budgeted and in the capital funds when improvements are authorized. The amounts recorded as property taxes receivable have not been included in revenue. Amounts that are due to the municipality, which are susceptible of accrual, are recorded as receivables with offsetting reserves in the Current Fund.

Expenditures are charged to operations generally based on budgeted amounts. Exceptions to this general rule include:

1. Accumulated unpaid vacation, sick pay and other employee amounts are not accrued.
2. Prepaid expenses, such as insurance premiums applicable to subsequent periods, are charged to current budget appropriations in total.
3. Principal and interest on long-term debt are recognized when due.

Expenditures, if any, in excess of appropriations, appropriation reserves or ordinances become deferred charges which must be raised by future taxes. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the statutory appropriation reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31 of each year and recorded as liabilities, except for amounts which may be cancelled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

TOWNSHIP OF LIBERTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

C. Basis of Accounting (Cont'd)

The cash basis of accounting is followed in the Other Trust Fund and the General Capital Fund.

Had the Township's financial statements been prepared under generally accepted accounting principles, encumbrances would not be considered as expenditures; appropriation reserves would not be recorded; revenue susceptible to accrual would have been reflected without offsetting reserves; Federal and State grants and awards would be recognized when earned, not when awarded, inventories would not be reflected as expenditures at the time of purchase, investments would generally be stated as fair value and the Township's net pension liability and related deferred inflows and outflows would be recorded.

D. Deferred Charges to Future Taxation

The Capital Fund balance sheet can include both funded and unfunded deferred charges. Funded means that bonds have been issued and are being paid off on a serial basis. Unfunded means that the debt has been authorized but not permanently financed. A municipality can eliminate an unfunded deferred charge by raising it in the budget, or collecting a grant. The unfunded deferred charge may also be funded by selling bonds, by loans or by capital leases.

E. Other significant accounting policies include:

Management Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Amounts include petty cash, change funds, amounts on deposit, and short-term investments with original maturities of three months or less.

Investments – Investments are stated at cost or amortized cost, which approximates market.

Grants Receivable – Grants receivable represent total grant awards less amounts collected to date. Because the amount of grants funds to be collected are dependent on the total costs eligible for reimbursement, the actual amount collected may be less than the total amount awarded.

Allowance for Uncollectible Accounts – No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Compensated Absences – Expenditures relating to unused vested accumulated vacation and sick pay are not recorded until paid.

TOWNSHIP OF LIBERTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

E. Other significant accounting policies include: (Cont'd)

Foreclosed Property – Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

Interfunds – Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

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

Grants Receivable – Grants receivable represent the total grant awards less amounts collected to date. Because the amount of grant funds to be collected are dependent on the total costs eligible for reimbursement, the actual amount collected may be less than the total amount awarded.

General Fixed Assets – In accordance with accounting requirements prescribed in the New Jersey Administrative Code, as promulgated by the Division of Local Government Services, the Township has developed a fixed assets accounting and reporting system based on the following:

General fixed assets are recorded at cost, except for land and buildings which are recorded at estimated historical cost. Infrastructure assets are not included in general fixed assets, as per state directive. Major renewals and betterments are charged to the asset accounts; maintenance and minor repairs and replacements, which do not improve or extend the lives of the respective assets, are expensed currently. Donated fixed assets are valued at their fair market value on the date donated. No depreciation has been provided for on general fixed assets. The total value recorded for general fixed assets is offset by a “Reserve for Fixed Assets.” When properties are retired or otherwise disposed of, the asset and the reserve are adjusted accordingly. Assets recorded in the general fixed assets account group may also be recorded in the Current Fund and General Capital Fund. The values recorded in the general fixed assets account group and the current and capital funds may not always agree due to differences in valuation methods, timing of recognition of assets, and the recognition of infrastructures. Fixed assets are reviewed for impairment.

Note 2: Long-Term Debt

The Local Bond Law governs the issuance of bonds to finance general Township capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. All bonds issued by the Township are general obligation bonds. The Township’s full faith and credit and taxing power have been pledged to the payment of the general obligation debt principal and interest.

TOWNSHIP OF LIBERTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

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

Summary of Municipal Debt

	December 31,		
	2016	2015	2014
<u>Issued</u>			
General:			
Bonds, Notes and Loans	\$ -0-	\$ -0-	\$ 9,784.06
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	476,100.00	-0-	-0-
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$ 476,100.00</u>	<u>\$ -0-</u>	<u>\$ 9,784.06</u>

Summary of Statutory Debt Condition – Annual Debt Statement

The summarized statement of debt condition, which follows, is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.177%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 476,100.00		\$ 476,100.00
Regional School District Debt	1,529,597.39	\$ 1,529,597.39	
	<u>\$ 2,005,697.39</u>	<u>\$ 1,529,597.39</u>	<u>\$ 476,100.00</u>

Net Debt: \$476,100.00 divided by Average Equalized Valuations of \$269,048,419.00 of Real Property = .177%.

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

3-1/2% Average Equalized Valuation of Real Property	\$ 9,416,694.67
Net Debt	<u>476,100.00</u>
Remaining Borrowing Power	<u>\$ 8,940,594.67</u>

The foregoing debt information is in agreement with the Annual Debt Statement filed by the Chief Financial Officer.

TOWNSHIP OF LIBERTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

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

Summary of Municipal Debt Issued and Outstanding - Prior Year

Fund	Balance 12/31/2014	Retirements	Balance 12/31/2015
Loans Payable:			
General Capital Fund			
Green Acres Trust Loan #2	\$ 9,784.06	\$ 9,784.06	
	<u>\$ 9,784.06</u>	<u>\$ 9,784.06</u>	<u>\$ -0-</u>

The Township had no debt issued and outstanding on December 31, 2016.

Net Pension Liability

The State of New Jersey Public Employees' Retirement System's (PERS) net pension liability was calculated to be \$750,876 at December 31, 2015. See Note 4 for further information on the PERS.

Note 3: Fund Balances Appropriated

The amount of fund balance at December 31, 2016 included in the 2017 Introduced Current Fund budget for the year ending December 31, 2017 is \$595,000.

Note 4: Pension Plans

Township employees participate in a contributory, defined benefit public employee retirement system: the State of New Jersey Public Employee's Retirement System (PERS).

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

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

TOWNSHIP OF LIBERTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 4. Pension Plans (Cont'd)

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

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 to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Township contributions to PERS amounted to \$36,971 for 2016.

The employee contribution rate was 7.06% effective July 1, 2015 and increased to 7.20% effective July 1, 2016. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Pension Liabilities and Pension Expense

At December 31, 2015, the Township's liability was \$965,330 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

TOWNSHIP OF LIBERTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 4. Pension Plans (Cont'd)

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

Pension Liabilities and Pension Expense (Cont'd)

At June 30, 2015, the Township's proportion was 0.0040%, which was a decrease of 0.0003% from its proportion measured as of June 30, 2014. The Town has rolled forward the net pension liability to December 31, 2015 with no adjustments. The State of New Jersey Public Employee's Retirement System (PERS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Services, State of New Jersey is permitting municipalities to include the June 30, 2015 pension information in the Notes to the Financial Statements as the June 30, 2016 pension information has not been released as of the date of the audit.

For the year ended December 31, 2016, the Township recognized actual pension expense in the amount of \$36,971.

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	3.04%
Salary Increases:	
2012-2021	2.15 – 4.40% based on age
Thereafter	3.15 – 5.40% based on age
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality (setback 3 years for males and setback one year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2015 are summarized in the following table:

TOWNSHIP OF LIBERTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

(Continued)

Note 4. Pension Plans (Cont'd)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
Core Bonds	1.75%	1.64%
Intermediate-Term Bonds	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	325.00%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex. U.S.	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rate

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 3.80% as of June 30, 2015 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Township's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Township's proportionate share of the collective net pension liability as of December 31, 2015 calculated using the discount rate as disclosed below, as well as what the Township's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>Year Ended December 31, 2015</u>		
	1%	Current	1%
	Decrease (3.90%)	Discount Rate (4.90%)	Increase (5.90%)
Township's proportionate share of the Net Pension Liability	\$ 1,199,787	\$ 965,330	\$ 768,763

TOWNSHIP OF LIBERTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 4. Pension Plans (Cont'd)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

Note 5: Accrued Sick and Vacation Benefits

The Township permits employees to accrue a limited amount of unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$36,500 at December 31, 2016. This amount is not reported either as expenditure or a liability. It is expected that the cost of such unpaid compensation would be included in the Township's budget operating expenditures in the year in which it is used.

Note 6: Selected Tax Information

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Tax Rate</u>	\$ 3.019	\$ 2.881	\$ 2.927
<u>Apportionment of Tax Rate</u>			
Municipal (Includes Open Space)	.333	.334	.335
County	.781	.745	.761
Regional School District	1.905	1.802	1.831
<u>Assessed Valuations</u>			
2016	<u>\$ 269,048,419.00</u>		
2015		<u>\$ 268,874,400.00</u>	
2014			<u>\$ 269,428,800.00</u>

Comparison of Tax Levies and Collections Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2016	\$ 8,123,377.14	\$ 7,872,503.68	96.91%
2015	7,755,346.79	7,504,010.75	96.76%
2014	7,889,096.44	7,580,741.55	96.09%

TOWNSHIP OF LIBERTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 6: Selected Tax Information (Cont'd)

Also, increases in future tax levies can also be warranted if revenue sources outside of those directly generated by the municipality, such as federal or state aid, should decline without corresponding decreases in budgeted expenditures.

Note 7: Cash and Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, amounts in deposits, money market accounts, and short-term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The Township classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the Township in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial risk is the risk that in the event of bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the Township ensures that any deposit or investments matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Township limits its investments to those authorized in its cash management plan which are permitted under state statutes as detailed on the following page.

Custodial Credit Risk – The Township's policy with respect to custodial credit risk requires that the Township ensures that Township funds are only deposited in financial institutions in which New Jersey municipalities are permitted to invest their funds.

Deposits:

New Jersey statutes require that municipalities deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Municipalities are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

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

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

In addition to the above collateral requirement, if public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

TOWNSHIP OF LIBERTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
 (Continued)

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

Investments

New Jersey statutes permit the Township to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

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

<u>Fund</u>	<u>Cash on Hand</u>	<u>Savings and Checking Accounts</u>	<u>Totals</u>
Current	\$ 250.00	\$ 2,402,282.03	\$ 2,402,532.03
Federal and State Grants		151,332.46	151,332.46
Animal Control Trust		6,903.60	6,903.60
Other Trust		404,800.44	404,800.44
General Capital		851.76	851.76
	<u>\$ 250.00</u>	<u>\$ 2,966,170.29</u>	<u>\$ 2,966,420.29</u>

TOWNSHIP OF LIBERTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(Continued)

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

Investments (Cont'd)

During the period ended December 31, 2016, the Township did not hold any investments. The carrying amount of the Township's cash and cash equivalents at December 31, 2016, was \$2,966,420.29 and the bank balance was \$2,925,213.78.

Note 8: Regional School District Taxes

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

	Balance Dec. 31, 2016	Balance Dec. 31, 2015
Balance of Tax	\$ 2,620,555.05	\$ 2,483,217.55
Amount Deferred	1,520,074.75	1,520,074.75
School Taxes Payable	\$ 1,100,480.30	\$ 963,142.80

Note 9: Contingent Liabilities

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

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

Note 10: Fixed Assets

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

	Balance Dec. 31, 2015	Additions	Deletions	Balance Dec. 31, 2016
Land	\$ 71,400.00	\$ 459,915.48		\$ 531,315.48
Buildings	1,485,008.00			1,485,008.00
Equipment and Vehicles	1,240,087.29	58,639.99	\$ 780.00	1,297,947.28
	\$ 2,796,495.29	\$ 518,555.47	\$ 780.00	\$ 3,314,270.76

Note 11: Open Space Trust Fund

On November 3, 1998, the Township of Liberty created an Open Space Trust Fund with a tax levy of \$.02 per \$100 of assessed valuation. The funds collected are used to acquire and maintain open space property in the Township. As of December 31, 2016 the balance in the Open Space Trust Fund was \$54,003.29.

TOWNSHIP OF LIBERTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
 (Continued)

Note 12: Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. Health benefits are provided through the State of New Jersey health benefits plan.

Property and Liability Insurance – The Township maintains commercial insurance coverage for property, liability and surety bonds.

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

Note 13: Economic Dependency

The Township of Liberty receives a substantial amount of support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Township’s programs and activities.

Note 14: Interfund Receivables and Payables

The following interfund balances remain on the balance sheet at December 31, 2016:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 170,223.08	
General Capital Fund		\$ 170,099.48
Animal Control Fund		123.60
	<u>\$ 170,223.08</u>	<u>\$ 170,223.08</u>

The interfund receivable in the Current Fund is comprised of funds advanced to the General Capital Fund and funds over the statutory excess for Animal Control Fund.

TOWNSHIP OF LIBERTY

SUPPLEMENTARY DATA

TOWNSHIP OF LIBERTY
OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2016

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name of Corporate Surety</u>
John Inscho	Mayor		
Daniel Grover	Deputy Mayor		
Ronald Petersen	Committeeman		
Peter Karcher	Committeeman		
Carl Cummins	Committeeman		
Diane M. Pflugfelder	Clerk/Administrator	(A)	
Kevin Lifer	Chief Financial Officer	\$ 50,000.00	Selective Insurance Company
Eleanor Clarkson	Deputy Clerk	(A)	
Patricia Noll	Tax Collector	200,000.00	RLI Insurance Company
Penny Holenstein	Tax Assessor	(A)	
Roger J. Skoog	Attorney		
Ferriero Engineering	Engineer		
Eric Snyder	Zoning Official	(A)	

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

All bonds were examined and were properly executed.

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2016
CURRENT FUND

TOWNSHIP OF LIBERTY
CURRENT FUND
SCHEDULE OF CASH

Balance December 31, 2015	<u>Ref.</u> A	\$ 2,431,348.56
Increased by Receipts:		
Tax Collector	\$ 8,372,673.85	
Revenue Accounts Receivable	208,414.25	
Miscellaneous Revenue Not Anticipated	34,746.47	
Due from State of N.J.:		
Marriage License Fees	525.00	
Veterans and Senior Citizens' Deductions	20,750.00	
Due from Other Trust Funds:		
Reserve for Tax Sale Premiums	77,200.00	
Due From General Capital Fund:		
Interfund Returned	290,000.00	
Garden State Preservation Fund	34,362.00	
Payroll Deductions Payable	33,282.12	
	<hr/>	9,071,953.69
		<hr/> 11,503,302.25
Decreased by Disbursements:		
2016 Appropriation Expenditures	1,013,091.61	
2015 Appropriation Reserves	56,169.04	
Regional School Taxes	4,983,772.50	
County Taxes	2,099,527.02	
Tax Overpayments	4,045.32	
Tax Sale Premiums	119,300.00	
Due Other Trust Funds:		
Open Space Tax Levy	53,812.69	
Due from General Capital Fund:		
Expenses Paid on Behalf of General Capital Fund	460,099.48	
Due To State of New Jersey:		
Marriage License Fees	500.00	
Accounts Payable - Vendors	2,000.00	
Payroll Deductions Payable	32,895.75	
Redemption of Third Party Liens	275,806.81	
	<hr/>	9,101,020.22
		<hr/> 9,101,020.22
Balance December 31, 2016	A	\$ 2,402,282.03

TOWNSHIP OF LIBERTY
CURRENT FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2016

Increased by Receipts:

Taxes Receivable	\$ 7,978,580.85	
Interest and Costs on Taxes	28,540.57	
2017 Prepaid Taxes	51,578.71	
Tax Overpayments	4,045.32	
Tax Title Lien Redemptions	2,036.01	
Third Party Liens	265,777.36	
Miscellaneous	15.03	
Tax Sale Premiums	<u>42,100.00</u>	
		<u>\$ 8,372,673.85</u>

Decreased by:

Disbursed to Municipal Treasurer		<u><u>\$ 8,372,673.85</u></u>
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TOWNSHIP OF LIBERTY
CURRENT FUND
SCHEDULE OF CASH - FEDERAL AND STATE GRANT FUNDS

	<u>Ref.</u>	
Balance December 31, 2015	A	\$ 602.83
Increased by Receipts:		
Grant Funds Received	\$ 8,867.16	
Unappropriated Reserves	160,396.78	
Due to Current Fund:		
Interest Earned	32.75	
		169,296.69
		169,899.52
Decreased by Disbursements:		
Due to Other Trust Funds:		
Prior Year Interfund	4,000.00	
Due to Current Fund:		
Interest Earned	32.75	
Appropriated Reserve Expenditures	14,534.31	
		18,567.06
Balance December 31, 2016	A	\$ 151,332.46

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

Year	Balance		Collections		State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Transferred to Tax Title Liens	Balance Dec. 31, 2016
	Dec. 31, 2015	2016 Levy	2015	2016				
2014	\$ 7,105.76							\$ 7,105.76
2015	184,818.79		\$ 174,114.47	\$ 174,114.47	(250.00)	115.24	3,844.01	6,995.07
2016	191,924.55	\$ 8,123,377.14	\$ 47,787.30	174,114.47	(250.00)	115.24	3,844.01	14,100.83
		\$ 8,123,377.14	\$ 47,787.30	7,804,466.38	20,250.00	42,901.87	27,044.26	180,927.33
	\$ 191,924.55	\$ 8,123,377.14	\$ 47,787.30	\$ 7,978,580.85	\$ 20,000.00	\$ 43,017.11	\$ 30,888.27	\$ 195,028.16

Ref. A

Analysis of 2016 Property Tax Levy:

Tax Yield:	
General Purpose Tax	\$ 8,116,642.92
Added and Omitted Taxes	6,734.22
	<u>\$ 8,123,377.14</u>

Tax Levy:

Regional School District Taxes	
County Taxes:	\$ 5,121,110.00
General Tax	\$ 1,842,570.63
Library Tax	144,753.09
Open Space Tax	109,856.68
Due County for Added and Omitted Taxes	1,742.09
	<u>2,098,922.49</u>
Local Tax for Open Space	53,812.69
	<u>7,273,845.18</u>
Local Tax for Municipal Purposes Levied	844,563.00
Add: Additional Tax Levied	4,968.96
	<u>849,531.96</u>
	<u>\$ 8,123,377.14</u>

TOWNSHIP OF LIBERTY
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

	<u>Ref.</u>	
Balance December 31, 2015	A	\$ 440,886.11
Increased by:		
Interest and Costs Accrued at Tax Sale		\$ 709.56
Transfer from Taxes Receivable - 2015		3,844.01
Transfer from Taxes Receivable - 2016		27,044.26
		31,597.83
		472,483.94
Decreased by:		
Cancelled		230,884.57
Cash Received		2,036.01
		232,920.58
Balance December 31, 2016	A	\$ 239,563.36

TOWNSHIP OF LIBERTY
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2016

	Accrued In 2016	Collected by Treasurer
Clerk:		
Alcoholic Beverage Licenses	\$ 5,231.58	\$ 5,231.58
Interest on Investments	14,579.67	14,579.67
Energy Receipts Tax	183,751.00	183,751.00
Consolidated Municipal Property Tax Relief Act	4,852.00	4,852.00
	\$ 208,414.25	\$ 208,414.25

TOWNSHIP OF LIBERTY
CURRENT FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

TOWNSHIP OF LIBERTY
CURRENT FUND
SCHEDULE OF 2015 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2016

	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
GENERAL GOVERNMENT:				
Administrative and Executive:				
Salaries & Wages	\$ 28.00	\$ 28.00		\$ 28.00
Other Expenses	450.35	450.35	\$ 210.00	240.35
Mayor and Council:				
Salaries & Wages	880.00	880.00		880.00
Other Expenses	979.00	979.00		979.00
Municipal Clerk:				
Salaries & Wages	988.20	988.20		988.20
Other Expenses	4,002.58	4,002.58	304.39	3,698.19
Financial Administration:				
Other Expenses	655.50	655.50	611.64	43.86
Assessment of Taxes:				
Other Expenses	1,663.15	1,663.15	749.59	913.56
Collection of Taxes:				
Other Expenses	2,554.75	2,554.75	1,238.00	1,316.75
Legal Services and Costs:				
Other Expenses	12,876.76	12,876.76	5,601.84	7,274.92
Engineering Services and Costs:				
Other Expenses	12,879.03	9,979.03		9,979.03
Municipal Land Use Law:				
Municipal Land Use Board:				
Other Expenses	279.54	3,179.54	2,891.09	288.45
Insurance:				
Group Insurance Plan for Employees	1,851.00	1,851.00	250.00	1,601.00
Emergency Management:				
Salaries & Wages	625.00	625.00		625.00
Other Expenses	220.12	220.12		220.12
Fire Prevention Bureau:				
Other Expenses	250.00	250.00		250.00
Fire Department:				
O.S.H.A. Required Equipment	14,150.00	14,150.00	14,100.00	50.00
Streets and Roads:				
Road Repair and Maintenance:				
Salaries & Wages	5,782.72	5,282.72		5,282.72
Other Expenses	2,411.79	2,911.79	2,706.51	205.28
Sanitation:				
Garbage and Trash Removal:				
Other Expenses	7,234.95	7,234.95	69.55	7,165.40
Public Buildings and Grounds:				
Other Expenses	52,531.75	52,531.75	2,980.41	49,551.34

TOWNSHIP OF LIBERTY
CURRENT FUND
SCHEDULE OF 2015 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2016

	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Balance After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
GENERAL GOVERNMENT:				
Environmental Commission :				
Other Expenses	\$ 3,420.55	\$ 3,420.55	\$ 60.00	\$ 3,360.55
RECREATION AND EDUCATION:				
Recreation:				
Other Expenses	4,780.96	4,780.96	145.68	4,635.28
Maintenance of Parks:				
Other Expenses	375.00	375.00	375.00	
Beach and Boardwalk:				
Other Expenses	609.46	609.46		609.46
Utility Expenses and Bulk Purchases	13,004.28	13,004.28	4,272.91	8,731.37
Statutory Expenditures:				
Contributions to:				
Social Security System (O.A.S.I.)	227.94	227.94		227.94
Unemployment Compensation	88.89	88.89		88.89
Public Employees' Retirement System	1,577.00	1,577.00		1,577.00
Defined Contribution Retirement Program	100.00	100.00		100.00
Capital Improvements:				
Improvements to Municipal Facilities	33,702.43	33,702.43	33,702.43	
	<u>\$ 181,180.70</u>	<u>\$ 181,180.70</u>	<u>\$ 70,269.04</u>	<u>\$ 110,911.66</u>
<u>Analysis of Balance as of 12/31/15:</u>				
Unencumbered	A	\$ 161,759.53		
Encumbered	A	19,421.17		
		<u>\$ 181,180.70</u>		
		Cash Disbursed	\$ 56,169.04	
		Accounts Payable	14,100.00	
		Total	<u>\$ 70,269.04</u>	

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

Balance December 31, 2015	<u>Ref.</u>		
School Taxes Deferred		\$ 1,520,074.75	
School Taxes Payable	A	<u>963,142.80</u>	\$ 2,483,217.55
Increased by:			
Levy - School Year July 1, 2016 to June 30, 2017			<u>5,121,110.00</u>
			<u>7,604,327.55</u>
Decreased by:			
Payments to Regional School Districts			<u>4,983,772.50</u>
			<u>2,620,555.05</u>
Balance December 31, 2016			
School Taxes Deferred		1,520,074.75	\$ <u>2,620,555.05</u>
School Taxes Payable	A	<u>1,100,480.30</u>	
Increase in Deferred School Taxes		<u>\$ -0-</u>	

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

	Balance Dec. 31, 2015	Budget Revenue Realized	Cash Receipts	Balance Dec. 31, 2016
Clean Communities Grant		\$ 8,487.16	8,487.16	
ANJEC Environmental Grant	\$ 380.00		380.00	
US Conservation Service Grant	98,993.62			\$ 98,993.62
Highlands Plan Conformance Grant	24,922.50			24,922.50
	<u>\$ 124,296.12</u>	<u>\$ 8,487.16</u>	<u>\$ 8,867.16</u>	<u>\$ 123,916.12</u>

Ref.

A

A

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

	Balance Dec. 31, 2015	Transferred from 2016 Budget Appropriations	Paid or Charged	Balance Dec. 31, 2016
Recycling Tonnage Grant - 2004	\$ 996.12			\$ 996.12
Recycling Tonnage Grant - 2012	2,536.60			2,536.60
Recycling Tonnage Grant - 2013	6,178.42	\$	100.00	6,078.42
Beach Donation	100.00			100.00
Clean Communities Grant - 2015	7,864.62		7,864.62	
Clean Communities Grant - 2016		\$ 8,487.16	6,569.69	1,917.47
Highlands Plan Conformance Grant - 2009	8,914.75			8,914.75
Municipal Alliance Grant - Local Match	3,868.60			3,868.60
US Conservation Service Grant	85,971.50			85,971.50
	<u>\$ 116,430.61</u>	<u>\$ 8,487.16</u>	<u>\$ 14,534.31</u>	<u>\$ 110,383.46</u>

Ref.

A

A

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

	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Cash</u> <u>Receipts</u>	<u>Balance</u> <u>Dec. 31, 2016</u>
Recycling Tonnage Grant	\$ 2,279.86	\$ 2,486.07	\$ 4,765.93
Clean Communities - 2015	1,184.49	2,574.31	3,758.80
Municipal Court Rehabilitation Funds	1,003.99		1,003.99
NJ Department of Transportation Grant		155,336.40	155,336.40
	<u>\$ 4,468.34</u>	<u>\$ 160,396.78</u>	<u>\$ 164,865.12</u>
<u>Ref.</u>	A		A

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2016
TRUST FUNDS

TOWNSHIP OF LIBERTY
TRUST FUNDS
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Animal Control Fund</u>	<u>Other Trust Funds</u>
Balance December 31, 2015	B	\$ 5,888.80	\$ 468,445.22
Increased by Receipts:			
Animal Control License Fees		\$ 3,821.60	
Late Registration Fees		1,213.00	
State Dog License Fees		887.40	
Performance Bonds and Escrow Deposits			\$ 9,484.38
Housing Trust			17.02
Recreation Programs			26,280.68
Open Space Trust:			
Open Space Levy			53,812.69
Interest Earned			5.00
Due Current Fund:			4,000.00
Prior Year Interfund - Federal and State Grant Fund		43.61	
Interest Earned		5,965.61	93,599.77
		<u>11,854.41</u>	<u>562,044.99</u>
Decreased by Disbursements:			
Due to State of New Jersey		885.00	
Administrative Expenses		4,022.20	
Performance Bonds and Escrow Expenses			53,154.45
Recreation Expenses			26,890.10
Due Current Fund:			77,200.00
Tax Sale Premium Lapsed to Township			
Interest Earned		43.61	157,244.55
		<u>4,950.81</u>	<u>157,244.55</u>
Balance December 31, 2016	B	\$ 6,903.60	\$ 404,800.44

TOWNSHIP OF LIBERTY
ASSESSMENT TRUST FUND
ANALYSIS OF CASH
YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

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

	<u>Ref.</u>	
Balance December 31, 2015	B	\$ 5,668.80
Increased by:		
Dog License Fees:		
Collected in Current Year		\$ 3,821.60
Cancellation of Prior Year Encumbrances		220.00
Late Registration Fees		1,213.00
		5,254.60
		10,923.40
Decreased by:		
Expenditures Under RS:4.19-15.1		4,022.20
Statutory Excess Due to Current Fund		123.60
		4,145.80
Balance December 31, 2016	B	\$ 6,777.60

License Fees Collected

<u>Year</u>	<u>Amount</u>
2015	\$ 3,916.80
2014	2,860.80
	6,777.60
Maximum Allowable Reserve	\$ 6,777.60

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2016
GENERAL CAPITAL FUND

TOWNSHIP OF LIBERTY
GENERAL CAPITAL FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2015	C	\$ 229,878.94
Increased by:		
Due Bond Fund		\$ 43,288.82
Due Current Fund:		
Interfund Returned		184.00
Budgeted Capital Improvement Fund		17,500.00
Interest Earned		48.03
		61,020.85
		290,899.79
Decreased by:		
Due Current Fund:		
Transfer to Current Fund		290,000.00
Interest Earned		48.03
		290,048.03
Balance December 31, 2016	C	\$ 851.76

TOWNSHIP OF LIBERTY
GENERAL CAPITAL FUND
ANALYSIS OF CASH

	Balance Dec. 31, 2015	Receipts		Disbursements		Transfers		Balance/ (Deficit) Dec. 31, 2016	
		Budget Appropriation	Miscellaneous	Miscellaneous	Miscellaneous	From	To		
Capital Improvement Fund	\$ 123,555.44	\$ 17,500.00				\$ 23,900.00		\$ 117,155.44	
Due Current Fund			\$ 232.03	\$ 290,048.03	184.00	\$ 460,099.48		170,099.48	
Due Bond Fund	12,255.40		43,288.82		43,288.82			12,255.40	
Reserve for Marble Hill Fund Balance	18,836.69							18,836.69	
Ord. No.									
		Improvement Description							
98-07	20,317.87							20,317.87	
10-03	4,485.14							4,485.14	
10-05	50,428.40							50,428.40	
16-04						460,099.48	67,372.82	(392,726.66)	
	\$ 229,878.94	\$ 17,500.00	\$ 43,520.85	\$ 290,048.03	\$ 527,472.30	\$ 527,472.30	\$ 527,472.30	\$ 851.76	

TOWNSHIP OF LIBERTY
GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED
YEAR ENDED DECEMBER 31, 2016

Ord. No.	Improvement Description	2016 Authorizations	Balance Dec. 31, 2016	Analysis of Balance Dec 31, 2016	
				Expenditures	Unexpended Improvement Authorizations
16-04	Land Acquisition	\$ 476,100.00	\$ 476,100.00	\$ 392,726.66	\$ 83,373.34
		<u>\$ 476,100.00</u>	<u>\$ 476,100.00</u>	<u>\$ 392,726.66</u>	<u>\$ 83,373.34</u>

Ref.

C

TOWNSHIP OF LIBERTY
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Date	Ordinance	Amount	Balance Dec. 31, 2015		2016 Authorizations		Balance Dec. 31, 2016	
					Funded	Unfunded	Capital Improvement Fund	Deferred Charges to Future Taxation Unfunded	Funded	Unfunded
98-07	Various Improvements	03/12/98	\$ 627,100.00	\$ 20,317.87					\$ 20,317.87	
10-03	Road Improvements and Equipment	08/05/10	111,000.00	4,485.14					4,485.14	
10-05	Recreation Facilities Improvement	11/04/10	64,700.00	50,428.40					50,428.40	
16-04	Land Acquisition	06/02/16	500,000.00		\$ 23,900.00	\$ 476,100.00	\$ 416,626.66			\$ 83,373.34
					<u>\$ 75,231.41</u>	<u>\$ 476,100.00</u>	<u>\$ 416,626.66</u>		<u>\$ 75,231.41</u>	<u>\$ 83,373.34</u>

Ref:

C

C

C

TOWNSHIP OF LIBERTY
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2015	C	\$ 123,555.44
Increased by:		
2016 Budget Appropriation		<u>17,500.00</u>
		141,055.44
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>23,900.00</u>
Balance December 31, 2016	C	<u>\$ 117,155.44</u>

TOWNSHIP OF LIBERTY
GENERAL CAPITAL FUND
SCHEDULE OF BONDS ANTICIPATION NOTES PAYABLE
YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

TOWNSHIP OF LIBERTY
GENERAL CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE
YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

TOWNSHIP OF LIBERTY
GENERAL CAPITAL FUND
SCHEDULE OF GREEN ACRES LOAN PAYABLE
YEAR ENDED DECEMBER 31, 2016

NOT APPLICABLE

TOWNSHIP OF LIBERTY
GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
YEAR ENDED DECEMBER 31, 2016

Ord. No.	Improvement Description	2016 Improvement Authorizations	Balance Dec 31, 2016
16-04	Land Acquisition	\$ 476,100.00	\$ 476,100.00
		<u>\$ 476,100.00</u>	<u>\$ 476,100.00</u>

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2016
WATER OPERATING FUND

NOT APPLICABLE

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2016
SEWER OPERATING FUND

NOT APPLICABLE

TOWNSHIP OF LIBERTY
COUNTY OF WARREN
2016
PUBLIC ASSISTANCE FUND

NOT APPLICABLE

TOWNSHIP OF LIBERTY
PART II
SINGLE AUDIT
YEAR ENDED DECEMBER 31, 2016

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

Federal Funding Department	Federal Program	CFDA #	Pass Through Entity ID	Grant Period		Grant Award Amount	Grant Receipts	Amount of Expenditures	Cumulative Expenditures
				From	To				
U.S. Department of Transportation (Passed through New Jersey Department of Transportation)	Municipal Aid - Request Road	20.205	480-078-6310 AJZ-TCAP-6010	01/01/16	12/31/16	\$ 200,000.00	\$ 155,336.40	\$ 155,336.40	\$ 155,336.40
Total Department of Transportation							<u>\$ 155,336.40</u>	<u>\$ 155,336.40</u>	<u>\$ 155,336.40</u>

SEE NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

TOWNSHIP OF LIBERTY
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

State Funding Department	State Program	State Grant Account Number	Grant Period		Grant Award Amount	Grant Receipts	Grant Expenditures	Cumulative Expenditures
			From	To				
Department of Environmental Protection	Clean Communities Program	765-042-4900	01/01/15	12/31/17	\$ 9,671.65	\$ 2,574.31	\$ 7,864.62	\$ 8,487.16
		-004-V42Y	01/01/16	12/31/17	8,487.16	8,487.16	6,569.69	6,569.69
	Recycling Grant	452-042-4900 001-V42Y	01/01/04	12/31/17	1,209.37	2,486.07	100.00	313.25
Total Department of Environmental Protection						13,547.54	14,534.31	15,370.10
Total State Awards					\$ 13,547.54	\$ 14,534.31	\$ 15,370.10	

SEE NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

TOWNSHIP OF LIBERTY
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2016

Note 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the “Schedules”) include the federal and state grant activity of the Township of Liberty under programs of the federal and state governments for the year ended December 31, 2016. The information in these schedules is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the Township, they are not intended to and do not present the financial position, changes in fund balance or cash flows of the Township.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through identifying numbers are presented where available. The Township has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.



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

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

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

Independent Auditor's Report

The Honorable Mayor and Members
 of the Township Committee
 Township of Liberty
 Great Meadows, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements – *regulatory basis* - of the various funds of the Township of Liberty, in the County of Warren (the "Township") as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated March 24, 2017. These financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

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

The Honorable Mayor and Members
of the Township Committee
Township of Liberty
Great Meadows, New Jersey

been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as Finding 2016-1, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Township's Response to the Finding

The Township's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Township's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Mount Arlington, New Jersey
March 24, 2017

NISIVOCCIA, LLP



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

TOWNSHIP OF LIBERTY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2016

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the Township prepared in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey.
- A significant deficiency was disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. No material weaknesses are reported.
- No instances of noncompliance material to the financial statements of the Township which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- The Township was not subject to the single audit provisions of the Uniform Guidance and New Jersey's OMB Circular 15-08 for the year ended December 31, 2016 as both state and federal grant expenditures were less than the single audit thresholds of \$750,000 identified in the Uniform Guidance and NJOMB 15-08.

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

- The audit disclosed the following significant deficiency required to be reported under Generally Accepted Government Auditing Standards:

Finding 2016-1

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

Management's Response

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

Findings and Questioned Costs for Federal Awards:

- Not applicable since federal expenditures were below the single audit threshold

Findings and Questioned Costs for State Awards:

- Not applicable since state expenditures were below the Single Audit threshold.

TOWNSHIP OF LIBERTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2016

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

TOWNSHIP OF LIBERTY

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2016

TOWNSHIP OF LIBERTY
COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required to be Advertised for N.J.S.A. 40A:11-4

N.J.S. 40A:11-3 states:

a. " When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

b. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to subparagraph (i) of paragraph (a) of subsection (1) of section 5 of P.L. 1971, c.198 (C.40A: 11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.

c. The Governor, in consultation with the Department of the Treasury, shall, no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L.1999, c.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L.1971, c.198 (C.40A11-2), and shall round the adjustment to the nearest \$1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. The adjustment shall become effective on July 1 of the year in which it is made."

N.J.S. 40A: 11-4 states: "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder."

Effective July 1, 2015 and thereafter the bid threshold in accordance with N.J.S.A. 40A:11-3 is \$17,500, and with a qualified purchasing agent the threshold may be up to \$40,000.

The governing body of the Township of Liberty has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year and where question arises as to whether any contract or agreement might result in violation of the statute, the Township Attorney's opinion should be sought before a commitment is made.

TOWNSHIP OF LIBERTY
COMMENTS AND RECOMMENDATIONS
(Continued)

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

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

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

Collection of Interest on Delinquent Taxes and Assessments

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

On January 7, 2016, the governing body adopted the following resolution authorizing interest to be charged on delinquent taxes charges:

BE IT RESOLVED by the Mayor and Committee of the Township of Liberty, Warren County, New Jersey, that the rate of interest charges on delinquent taxes in this Township shall be as follows:

On all delinquents to and including December 31, 2016, at the rate or rates heretofore governing, and on all delinquents on and after January 1, 2016 at the rate of 8% per annum for and upon the first \$1,500 of the delinquency, the rate of 18% per annum for and upon any amount of the delinquency in excess of \$1,500, and the rate of 6% per annum for and upon any amount in excess of \$10,000; and that a grace period of 10 days will be allowed on taxes due February 1, May 1, August 1, and November 1. If taxes are not paid by the 10th, interest shall be charged from the due date.

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

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

Delinquent Taxes and Tax Title Liens

The last tax sale was held on December 1, 2016, and included all items which were eligible for sale.

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

<u>Year</u>	<u>Number of Liens</u>
2016	35
2015	67
2014	66

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

TOWNSHIP OF LIBERTY
COMMENTS AND RECOMMENDATIONS
(Continued)

Verification of Delinquent Taxes and Other Charges

A test verification of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services, consisting of verification notices as follows:

<u>Type</u>	<u>Number Mailed</u>
Payments of 2016 and 2017 Taxes	20
Delinquent Taxes	15
Tax Title Liens	3

Verification notices were mailed to confirm balances and payments as of December 31, 2016. The items that were returned were checked and in agreement with the Township's records. For receivable items not returned, alternative procedures were performed.

New Jersey Administrative Code Accounting Requirements

The New Jersey Administrative Code has established three (3) accounting requirements which are as follows:

1. Maintenance of an encumbrance accounting system.
2. Fixed asset accounting and reporting system.
3. General ledger accounting system.

The Township maintains an encumbrance accounting system, a fixed asset accounting and reporting system and a general ledger accounting system.

Segregation of Duties

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

Management's Response

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

TOWNSHIP OF LIBERTY
COMMENTS AND RECOMMENDATIONS
(Continued)

Other Trust Funds

Upon review of the State's Budget Rider Report for the Township, it was noted that the Township does not have an approved dedication-by-rider for the Reserve for Housing Trust in the Other Trust Funds. Use of trust funds without a State approved dedication by rider is a violation of State statute and should not be permitted. Although the Township has submitted an application to the State of New Jersey for the approval in the past, the State has not formally approved it yet. It is recommended that the Township continue to follow-up with the State to seek approval for the submitted application for the dedication-by-rider for the Housing Trust Reserve in the Trust Fund reserves from the State of New Jersey according to New Jersey Statute 40A:4-39.

Management's Response

The Township will continue to contact the State and obtain a budget rider for the Reserve for Housing Trust.

Management Suggestion

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

Summary of Prior Year Recommendations

The recommendations from the 2015 audit concerning segregation of duties and there being no approved dedication-by-rider for the Housing Trust Reserve have not been resolved and are included in the 2016 audit report.

TOWNSHIP OF LIBERTY
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. An adequate segregation of duties be maintained with respect to the recording and treasury functions.
2. The Township continues to follow-up with the State to seek approval for the submitted application for the dedication-by-rider resolutions for the Housing Trust Reserve in the Other Trust Funds from the State of New Jersey according to New Jersey Statute 40A:4-39.

* * * * *