

**TOWNSHIP OF LOWER
REPORT OF AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2012**

TOWNSHIP OF LOWER
TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page No.</u>
	<u>PART I</u>	
	Independent Auditor's Report	1 - 3
	<u>CURRENT FUND</u>	
A	Comparative Balance Sheet - Regulatory Basis	4 - 5
A - 1	Comparative Statement of Operations and Change in Fund Balance - Regulatory Basis	6 - 7
A - 2	Statement of Revenues - Regulatory Basis	8 - 11
A - 3	Statement of Expenditures - Regulatory Basis	12 - 16
	<u>TRUST FUND</u>	
B	Comparative Balance Sheet - Regulatory Basis	17 - 18
	<u>GENERAL CAPITAL FUND</u>	
C	Comparative Balance Sheet - Regulatory Basis	19
C - 1	Statement of Fund Balance - Regulatory Basis	20
	<u>GENERAL FIXED ASSETS ACCOUNT GROUP</u>	
D	Comparative Balance Sheet - Regulatory Basis	21
	NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS	22 - 39
	<u>SUPPLEMENTAL SCHEDULES</u>	
	<u>CURRENT FUND</u>	
A - 4	Schedule of Cash - Treasurer	40 - 41
A - 7	Schedule of Taxes Receivable and Analysis of Property Tax Levy	42
A - 8	Schedule of Tax Title Liens	43
A - 9	Schedule of Revenue Accounts Receivable	44
A - 10	Schedule of Appropriation Reserves - Prior Year	45 - 48
A - 11	Schedule of Federal and State Grants Receivable	49
A - 12	Schedule of Reserves for Federal and State Grants - Unappropriated	50
A - 13	Schedule of Appropriated Reserves for Federal and State Grants	51

TOWNSHIP OF LOWER
TABLE OF CONTENTS

<u>Exhibit</u>	<u>SUPPLEMENTAL SCHEDULES</u>	<u>Page No.</u>
<u>TRUST FUND</u>		
B - 1	Schedule of Animal Control Cash - Treasurer	52
B - 2	Schedule of Other Trust Cash - Treasurer	53 - 54
B - 3	Schedule of Reserve for Animal Control Expenditures	55
B - 4	Schedule of Due to State of New Jersey	56
<u>GENERAL CAPITAL FUND</u>		
C - 2	Schedule of Cash - Treasurer	57
C - 3	Analysis of Cash	58
C - 4	Schedule of Capital Improvement Fund	59
C - 5	Schedule of Deferred Charges to Future Taxation - Funded	59
C - 6	Schedule of Deferred Charges to Future Taxation - Unfunded	60
C - 7	Schedule of Improvement Authorizations	61
C - 8	Schedule of General Serial Bonds	62
C - 8A	Schedule of Refunding Bonds Payable	63
C - 8B	Schedule of Green Trust Loans Payable	64 - 65
C - 9	Schedule of Bond Anticipation Notes	66
C - 10	Schedule of Bonds and Notes Authorized But Not Issued	67
<u>PART II</u>		
	Independent Auditor's Report - Government Auditing Standards	68 - 69
	General Comments	70 - 71
	Findings and Recommendations	72
<u>PART III</u>		
	Independent Auditor's Report - Single Audit	73 - 75
	Schedule of Expenditures of Federal Awards	76
	Notes to Schedules of Federal Awards	77
	Schedule of Findings and Questioned Costs	78 - 79

TOWNSHIP OF LOWER

PART I

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS - REGULATORY BASIS

FOR THE YEAR ENDED

DECEMBER 31, 2012



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • PO BOX 538 • OCEAN CITY, NJ • 08226-0538

PHONE 609.399.6333 • FAX 609.399.3710

www.ford-scott.com

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of Township Council
Township of Lower Township, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account groups of the Township of Lower, New Jersey, as of December 31, 2012 and 2011, the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2012.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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, the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Township of Lower on a basis of the financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of American, to meet the requirements of New Jersey.

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 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 of the Township of Lower as of December 31, 2012 and 2011, or changes in financial position for the years the ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis balance sheets and account group as of December 31, 2012 and 2011, the regulatory basis statements of operations for the years the ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2012 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Lower's basic financial statements. The supplementary information listed in the table of contents and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents, schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2013 on our consideration of the Township of Lower'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 of Lower's internal control over financial reporting and compliance.

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello
Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

April 5, 2013

**EXHIBIT - A
CURRENT FUND**

TOWNSHIP OF LOWER
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

<u>Assets</u>	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
Regular Fund:			
Cash:			
Treasurer	A-4	\$ 4,614,646.00	\$ 5,286,305.22
Change and Petty Cash Funds		600.00	525.00
		<u>4,615,246.00</u>	<u>5,286,830.22</u>
Other Receivables:			
Due from State - Seniors and Veterans		2,961.73	1,174.66
		<u>2,961.73</u>	<u>1,174.66</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-7	1,173,015.37	1,094,143.11
Tax Title Liens Receivable	A-8	148,877.92	134,332.00
Lower Township MUA Lien	A-8	7,848.36	7,848.36
Property Acquired at Assessed Valuation		1,490,700.00	1,490,700.00
Lot Clearing Assessments		13,190.00	5,236.70
Revenue Accounts Receivable	A-9	6,838.64	6,740.54
		<u>2,840,470.29</u>	<u>2,739,000.71</u>
Deferred Charges:			
Special Emergency		540,000.00	720,000.00
		<u>540,000.00</u>	<u>720,000.00</u>
		<u>7,998,678.02</u>	<u>8,747,005.59</u>
Federal and State Grant Fund:			
Cash	A-4	-	1,578.62
Grant Receivables	A-11	681,799.39	1,321,738.93
Due from Current Fund		38,374.38	165,684.34
		<u>720,173.77</u>	<u>1,489,001.89</u>
		<u>\$ 8,718,851.79</u>	<u>\$ 10,236,007.48</u>

See Accompanying Notes to Financial Statements - Regulatory Basis

TOWNSHIP OF LOWER
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

<u>Liabilities, Reserves and Fund Balance</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2012</u>	<u>Balance Dec. 31, 2011</u>
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3:A-10	\$ 775,888.94	\$ 799,132.70
Reserve for Encumbrances		204,071.29	195,261.40
Prepaid Taxes		856,426.98	851,026.93
Prepaid Bulk Trash Receipts		15,806.75	-
Tax Overpayments		47,726.06	21,214.50
Accounts Payable		7,642.35	104,142.37
Reserve for Tax Map		-	4,036.50
Due to County Added Taxes		10,505.67	16,477.17
Due to State Permit Surcharge Fees		11,768.00	31,004.00
Due to State - Marriage Licenses		875.00	925.00
Due to Federal and State Grant Fund		38,374.38	165,684.34
Reserve for Accumulated Absence		499,456.60	679,456.60
Reserve for Garden State Preservation		87,437.00	87,437.00
		<u>2,555,979.02</u>	<u>2,955,798.51</u>
Reserve for Receivables and Other Assets		2,840,470.29	2,739,000.71
Fund Balance	A-1	<u>2,602,228.71</u>	<u>3,052,206.37</u>
		<u>7,998,678.02</u>	<u>8,747,005.59</u>
Federal and State Grant Fund:			
Unappropriated Reserves	A-12	51,888.64	62,325.03
Appropriated Reserves	A-13	497,787.53	1,419,869.29
Encumbrances Payable		170,497.60	6,807.57
		<u>720,173.77</u>	<u>1,489,001.89</u>
		<u>\$ 8,718,851.79</u>	<u>\$ 10,236,007.48</u>

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

	Ref.	Year 2012	Year 2011
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$	2,118,000.00	\$ 1,890,000.00
Miscellaneous Revenue Anticipated		3,568,073.24	4,360,808.53
Receipts from Delinquent Taxes		1,083,965.08	1,218,977.94
Receipts from Current Taxes		54,111,897.69	54,386,397.99
Non-Budget Revenue		382,696.77	254,490.56
Other Credits to Income:			
Interfunds Returned		125.00	-
Unexpended Balance of Appropriation Reserves		530,261.87	659,428.22
Prior Years' Accounts Payable Cancelled		101,812.87	-
Total Income		<u>61,896,832.52</u>	<u>62,770,103.24</u>
<u>Expenditures</u>			
Budget and Emergency Appropriations:			
Appropriations Within "CAP"			
Operations:			
Salaries and Wages		9,539,477.00	9,472,205.00
Other Expenses		7,317,268.00	7,078,112.75
Deferred Charges & Statutory Expenditures		2,296,470.00	2,534,628.00
Appropriations Excluded from "CAP"			
Operations:			
Salaries and Wages		129,960.00	138,470.32
Other Expenses		368,884.10	1,108,331.23
Capital Improvements		295,000.00	95,000.00
Municipal Debt Service		2,627,250.54	2,578,978.93
Deferred Charges & Statutory Expenditures		180,000.00	180,000.00
Special District Taxes		2,059,897.00	2,042,642.00
County Taxes		9,340,370.47	9,354,249.88
County Added and Omitted Taxes		10,505.67	16,477.17
Local District School Tax		14,805,920.50	14,515,608.00
Regional High School Tax		11,244,645.47	11,495,057.34
Cancellation of Grant Balance		-	22,500.00
Prior Year Revenue Refunded		5,860.06	-
Cancellation of Senior and Vet Due From State		7,301.37	8,644.52
Total Expenditures		<u>60,228,810.18</u>	<u>60,640,905.14</u>

See Accompanying Notes to Financial Statements - Regulatory Basis

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

	<u>Ref.</u>	<u>Year 2012</u>	<u>Year 2011</u>
Excess In Revenue		\$ 1,668,022.34	\$ 2,129,198.10
Adjustments to Income before Fund Balance:			
Expenditures Included Above Which are by			
Statute Deferred Charges to Budget of			
Succeeding Year		-	-
		-	-
Statutory Excess to Fund Balance		1,668,022.34	2,129,198.10
Fund Balance January 1	A	3,052,206.37	2,813,008.27
		4,720,228.71	4,942,206.37
Decreased by:			
Utilization as Anticipated Revenue		2,118,000.00	1,890,000.00
Fund Balance December 31	A	\$ 2,602,228.71	\$ 3,052,206.37

TOWNSHIP OF LOWER
CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS

	Ref.	Anticipated		Realized	Excess or (Deficit)
		Budget	N.J.S. 40A:4-87		
Fund Balance Anticipated		\$ 2,118,000.00	\$ -	\$ 2,118,000.00	\$ -
Total Surplus Anticipated		2,118,000.00	-	2,118,000.00	-
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages		35,000.00		38,400.00	3,400.00
Other		150,000.00		221,876.50	71,876.50
Fees and Permits		75,000.00		89,128.00	14,128.00
Fines and Costs:					
Municipal Court		100,000.00		126,887.35	26,887.35
Interest and Costs on Taxes		200,000.00		207,983.16	7,983.16
Interest on Investments and Deposits		10,000.00		4,719.51	(5,280.49)
Recreation Fees		40,000.00		53,360.00	13,360.00
Payments in Lieu of Taxes - Yorkshire Place		19,000.00		20,739.14	1,739.14
Bulk Trash Receipts		20,000.00		96,667.75	76,667.75
Cable Franchise Fees		115,000.00		123,708.87	8,708.87
Payments in Lieu of Taxes - Haven House		25,000.00		68,761.24	43,761.24
Consolidated Municipal Property Tax Relief Aid		80,511.00		80,511.00	-
Energy Receipts Tax (P.L. 1997, Ch. 162 & 167)		1,395,280.00		1,395,280.00	-
Garden State Preservation Trust		87,437.00		87,437.00	-
Uniform Construction Code Fees		330,000.00		288,474.10	(41,525.90)
Boards of Education - Special Police		129,960.00		129,960.00	-
County Interlocal - Garage Services		42,000.00		42,205.00	205.00

TOWNSHIP OF LOWER
CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS

	Ref.	Anticipated		Realized	Excess or (Deficit)
		Budget	N.J.S. 40A:4-87		
Miscellaneous Revenues (continued):					
Special Items:					
State and Federal Programs Off-Set by Revenues:					
Recycling Tonnage Grant		\$ 42,834.74	\$	\$ 42,834.74	\$ -
Clean Communities			59,083.07	59,083.07	-
Click it or Ticket			4,000.00	4,000.00	-
Drive Sober			4,400.00	4,400.00	-
JIF Safety			3,525.00	3,525.00	-
Drunk Driving Enforcement Fund		8,514.15		8,514.15	-
Alcohol Education and Rehabilitation Fund		755.09		755.09	-
Municipal Alliance on Alcoholism and Drug Abuse		33,497.00		33,497.00	-
Over the Limit Under Arrest		4,650.00		4,650.00	-
Body Armor Grant		5,071.05		5,071.05	-
NJ State Council on the Arts		500.00		500.00	-
Other Special Items:					
Uniform Fire Safety Act		250,125.00		280,144.52	30,019.52
Aid from Fire Districts #1, 2 and 3		45,000.00		45,000.00	-
	A-1	3,245,135.03	71,008.07	3,568,073.24	251,930.14
Total Miscellaneous Revenues					
Receipts from Delinquent Taxes	A-1-A-2	1,035,000.00		1,083,965.08	48,965.08

TOWNSHIP OF LOWER
CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS

	Ref.	Anticipated		Realized	Excess or (Deficit)
		Budget	N.J.S. 40A:4-87		
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal Purposes		\$ 18,137,058.16	\$	18,576,712.38	\$ 439,654.22
Total Amount to be Raised by Taxes for Support of Municipal Budget		<u>18,137,058.16</u>	<u>-</u>	<u>18,576,712.38</u>	<u>439,654.22</u>
Budget Totals		<u>24,535,193.19</u>	<u>71,008.07</u>	<u>25,346,750.70</u>	<u>740,549.44</u>
Non-Budget Revenues		<u>24,535,193.19</u>	<u>71,008.07</u>	<u>382,696.77</u>	<u>382,696.77</u>
		<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
				<u>25,729,447.47</u>	<u>1,123,246.21</u>

TOWNSHIP OF LOWER
CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS

Analysis of Realized RevenuesAllocation of Current Tax Collections:

Revenues from Collections	\$ 54,111,897.69
Add: Prior Year's Reserve for Tax Appeals	-
	<u>54,111,897.69</u>
Allocated to:	
School, County and Other Taxes	<u>37,383,377.47</u>
Balance for Support of Municipal Budget Appropriations	16,728,520.22
Add: Appropriation	
"Reserve for Uncollected Taxes"	<u>1,848,192.16</u>
Amount for Support of Municipal	
Budget Appropriations	<u>\$ 18,576,712.38</u>

Receipts from Delinquent Taxes:

Delinquent Tax Collections	\$ 1,081,737.88
Tax Title Lien Collections	<u>2,227.20</u>
	<u>\$ 1,083,965.08</u>

Analysis of Non-Budget Revenues:

Miscellaneous Revenue Not Anticipated:	
Assessor	\$ 768.00
DMV Inspections	1,028.00
Auction Proceeds	69,911.16
Joint Insurance Fund Dividend	34,650.00
Fish and Wildlife	1,240.00
Municipal Land Use Fees	38,765.08
Police Reports	3,203.40
Seniors & Veterans Administrative Fee	9,075.00
Vital Statistics	19,453.00
Cape May County Municipal Alliance	1,414.00
Recycling Rebate	192,457.46
Dog Damage	5,510.12
Miscellaneous	<u>5,221.55</u>
	<u>\$ 382,696.77</u>

**TOWNSHIP OF LOWER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Paid or Charged	Expenditures		Reserved	(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification		Encumbered	Reserved		
OPERATIONS WITHIN "CAPS"							
GENERAL GOVERNMENT:							
Office of Township Council							
Salaries and Wages	\$ 63,000.00	\$ 63,000.00	\$ 62,307.77	\$ 179.36	\$ 692.23	\$ 2,588.68	
Other Expenses	18,950.00	18,950.00	16,181.96				
Office of Township Clerk							
Salaries and Wages	229,000.00	229,000.00	203,329.41		25,670.59		
Other Expenses	8,200.00	8,200.00	5,324.35	526.14	2,349.51		
Elections							
Other Expenses	7,000.00	7,000.00	5,762.19		1,237.81		
Office of Township Solicitor							
Salaries and Wages	20,500.00	21,100.00	21,099.96		0.04		
Other Expenses	150,000.00	117,400.00	88,907.42	1,100.00	27,392.58		
Office of Township Manager							
Salaries and Wages	142,300.00	142,300.00	140,749.46		1,550.54		
Other Expenses	2,025.00	2,025.00	1,678.31	248.00	96.69		
Department of Revenue and Finance							
Salaries and Wages	293,100.00	293,100.00	283,128.98		9,971.02		
Other Expenses	19,400.00	14,400.00	11,194.85	509.00	2,696.15		
Audit Services							
Other Expenses	32,800.00	32,800.00	32,800.00		-		
Division of Tax Assessment							
Salaries and Wages	133,300.00	133,300.00	132,901.29		398.71		
Other Expenses	13,000.00	13,000.00	8,319.37		4,680.63		
Division of Tax Collection							
Salaries and Wages	168,300.00	168,300.00	168,300.00		-		
Other Expenses							
Liquidation of Tax Title Liens	1,000.00	1,000.00				1,000.00	
Miscellaneous Other Expenses	8,925.00	8,925.00	4,988.49	185.00	3,751.51		
Department of Planning and Development							
Salaries and Wages	177,100.00	177,100.00	177,100.00		-		
Other Expenses	15,795.00	17,295.00	9,641.23	3,316.00	4,337.77		
Engineering Services and Costs							
Other Expenses	9,000.00	9,000.00	840.24		8,159.76		
Department of Parks and Recreation							
Salaries and Wages	274,200.00	274,200.00	265,465.37		8,734.63		
Other Expenses	171,520.00	171,520.00	159,813.27	9,335.98	2,370.75		
Department of Public Works							
Salaries and Wages	2,761,000.00	2,761,000.00	2,762,571.75		18,428.25		
Other Expenses							
Sanitary Landfill							
Miscellaneous Other Expenses	780,000.00	755,400.00	480,290.91	67,668.52	207,440.57		
Public Buildings and Grounds	263,150.00	285,150.00	257,530.92	24,843.49	2,775.59		
Salaries and Wages	65,300.00	69,400.00	69,359.33		40.67		
Other Expenses	239,500.00	235,400.00	190,389.10	19,653.01	25,357.89		

See Accompanying Notes to Financial Statements - Regulatory Basis

**TOWNSHIP OF LOWER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Expenditures		(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Encumbered	
PUBLIC SAFETY:					
Department of Public Safety					
Salaries and Wages	\$ 4,047,440.00	\$ 4,047,440.00	\$ 4,012,394.82	\$ 22,386.26	\$ 35,045.18
Other Expenses	118,545.00	123,545.00	99,452.75		1,695.99
Uniform Fire Safety Act (PL 1983, Ch. 383)					
Salaries and Wages	157,537.00	157,537.00	157,533.88		3.12
Other Expenses	137,588.00	137,588.00	105,379.59	1,082.36	31,126.05
Emergency Management Services					
Salaries and Wages	10,100.00	10,100.00	9,547.98		552.02
Other Expenses	7,500.00	18,500.00	9,559.19	6.55	8,934.26
Contribution to First Aid Organizations	105,000.00	105,000.00	105,000.00		-
Demolition (Code Enforcement)					
Other Expenses	4,750.00	4,750.00		2,500.00	2,250.00
Police 911 Dispatchers					
Salaries and Wages	469,000.00	469,000.00	442,690.76		26,309.24
Other Expenses	8,253.00	8,253.00	4,372.06	3,507.70	373.24
OFFICE OF NON-DEPARTMENTAL BOARDS, AUTHORITIES AND AGENCIES:					
Municipal Land Use Law (NJSA 40:55 D-1):					
Planning Board					
Other Expenses	6,100.00	6,100.00	5,457.34	466.66	176.00
Zoning Board					
Other Expenses	6,100.00	6,100.00	5,780.00		320.00
Animal Regulation					
Salaries and Wages	23,500.00	24,400.00	24,388.42		1.58
Other Expenses:					
Contractual	89,076.00	89,076.00	89,076.00		-
Miscellaneous Other Expenses	17,000.00	16,100.00	14,964.10	205.33	930.57
Municipal Court					
Salaries and Wages	212,100.00	212,100.00	204,233.72	550.22	7,866.28
Other Expenses	12,950.00	12,950.00	10,671.83		1,727.95
Public Defender					
Salaries and Wages	11,200.00	11,200.00	11,199.97		0.03
INSURANCE:					
General Liability Insurance	296,193.00	296,193.00	288,705.57	1,161.73	6,325.70
Workers Compensation Insurance	737,439.00	737,439.00	737,439.00		-
Employee Group Health	3,047,054.00	2,835,534.00	2,788,679.06	8,498.13	38,356.81
Health Benefit					
Salaries and Wages	20,000.00	20,000.00	20,000.00		-
UNIFORM CONSTRUCTION CODE:					
State Uniform Construction Code					
Construction Official	235,600.00	255,900.00	255,900.00	955.00	-
Salaries and Wages	10,575.00	6,475.00	3,556.67		1,963.33
Other Expenses					

See Accompanying Notes to Financial Statements - Regulatory Basis

**TOWNSHIP OF LOWER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Expenditures		(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Encumbered Reserved	
UNCLASSIFIED:					
OTHER COMMON OPERATIONS FUNCTIONS					
Celebration of Public Events or Holidays (N.J.S. 40:48-5.4)	\$ 53,000.00	\$ 53,000.00	\$ 41,786.34	\$ 5,499.00	\$ 5,714.66
UTILITY EXPENSES AND BULK PURCHASES:					
Electricity	205,500.00	205,500.00	140,612.90	14,053.36	50,833.74
Street Lighting	312,500.00	312,500.00	272,354.66	1,842.34	38,303.00
Telephone	82,000.00	82,000.00	74,811.92	6,293.49	894.59
Water	13,900.00	13,900.00	10,215.09	5,452.34	3,684.91
Natural Gas	45,000.00	45,000.00	38,045.22	1,131.25	1,502.44
Heating Oil	35,000.00	35,000.00	1,131.25	2,036.32	33,868.75
Gasoline/Diesel Fuel	454,000.00	449,000.00	352,811.33	204,071.29	94,152.35
TOTAL OPERATIONS WITHIN "CAPS"	17,058,865.00	16,856,445.00	15,897,737.35	204,071.29	754,636.36
Contingent	300.00	300.00	-	-	300.00
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	17,059,165.00	16,856,745.00	15,897,737.35	204,071.29	754,936.36
Detail:					
Salaries and Wages	9,493,577.00	9,539,477.00	9,404,212.87	-	135,264.13
Other Expenses	7,565,588.00	7,317,268.00	6,493,524.48	204,071.29	619,672.23
REGULATORY EXPENDITURES:					
Contributions to:					
Public Employee's Retirement System	590,200.00	590,320.00	590,320.00	-	-
Social Security System (O.A.S.I.)	750,000.00	750,000.00	731,330.11	-	18,669.89
Police and Firemen's Retirement System	874,850.00	874,850.00	874,850.00	-	-
Unemployment Compensation Insurance	73,000.00	73,000.00	72,080.65	-	919.35
DCRP	6,000.00	8,300.00	6,937.66	-	1,362.34
TOTAL DEFERRED CHARGES AND REGULATORY EXPENDITURES WITHIN "CAPS"	2,294,050.00	2,296,470.00	2,275,518.42	-	20,951.58
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	19,353,215.00	19,153,215.00	18,173,255.77	204,071.29	775,887.94
OPERATIONS EXCLUDED FROM "CAPS"					
INSURANCE (N.J.S.A. 40A:4-45.3(00))	143,515.00	143,515.00	143,515.00	-	-
Employee Group Health					
TOTAL OTHER OPERATIONS - EXCLUDED FROM "CAPS"	143,515.00	143,515.00	143,515.00	-	-

See Accompanying Notes to Financial Statements - Regulatory Basis

**TOWNSHIP OF LOWER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Paid or Charged	Expenditures		Reserved	(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification		Encumbered	Reserved		
INTERLOCAL MUNICIPAL SERVICE AGREEMENTS							
Special Resource Police							
Salaries and Wages	\$ 129,960.00	\$ 129,960.00	\$ 129,960.00	\$ -	\$ -	\$ -	
County Interlocal - Garage Services							
Other Expenses	42,000.00	42,000.00	42,000.00	-	-	-	
TOTAL INTERLOCAL MUNICIPAL SERVICE AGREEMENTS	171,960.00	171,960.00	171,960.00	-	-	-	
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES							
Drunk Driving Enforcement Fund							
Salaries and Wages	8,514.15	8,514.15	8,514.15	-	-	-	
Alcohol Education and Rehabilitation Fund	755.09	755.09	755.09	-	-	-	
Recycling Tonnage Grant	42,834.74	42,834.74	42,834.74	-	-	-	
Cape May County Municipal Alliance Funds							
State Share	33,497.00	33,497.00	33,497.00	-	-	-	
Local Share	8,374.00	8,374.00	8,374.00	-	-	-	
Clean Communities							
Supplemental Fire Services Program							
Fire District Direct Program	8,165.00	8,165.00	8,164.00	-	-	1.00	
JIF Safety							
Division of Highway Safety -							
Over the Limit - Under Arrest							
Drive Sober Pullover	4,650.00	4,650.00	4,650.00	-	-	-	
Click it or Ticket							
NJ State Council of the Arts	500.00	4,000.00	4,000.00	-	-	-	
Body Armor Grant	500.00	500.00	500.00	-	-	-	
TOTAL PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES	112,361.03	183,369.10	183,368.10	-	-	1.00	
TOTAL OPERATIONS EXCLUDED FROM "CAPS"	427,896.03	498,844.10	498,843.10	-	-	1.00	
Detail:							
Salaries and Wages	138,474.15	138,474.15	129,960.00	-	-	-	
Other Expenses	289,361.88	360,369.95	368,883.10	-	-	1.00	

See Accompanying Notes to Financial Statements - Regulatory Basis

**TOWNSHIP OF LOWER MERIDEN
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Paid or Charged	Expenditures		(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification		Encumbered	Reserved	
CAPITAL IMPROVEMENTS						
Capital Improvement Fund	\$ 95,000.00	\$ 295,000.00	\$ 295,000.00	\$ -	\$ -	\$ -
TOTAL CAPITAL IMPROVEMENTS	\$ 95,000.00	\$ 295,000.00	\$ 295,000.00	\$ -	\$ -	\$ -
DEBT SERVICE						
Payment of Bond Principal	2,085,000.00	2,085,000.00	2,085,000.00	-	-	-
Interest on Bonds	400,000.00	400,000.00	396,481.25	-	-	3,518.75
Interest on Notes	21,500.00	21,500.00	21,402.89	-	-	97.11
GREEN TRUST LOAN PROGRAM:						
Loan Repayment for Principal and Interest	124,450.00	124,450.00	124,366.40	-	-	83.60
TOTAL DEBT SERVICE	2,630,950.00	2,630,950.00	2,627,250.54	-	-	3,699.46
DEFERRED CHARGES EXCLUDED FROM "CAPS"						
Special Emergency Authorization - 5 Years	180,000.00	180,000.00	180,000.00	-	-	-
TOTAL DEFERRED CHARGES EXCLUDED FROM "CAPS"	180,000.00	180,000.00	180,000.00	-	-	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	3,333,786.03	3,604,794.10	3,601,093.64	-	1.00	3,699.46
SUBTOTAL GENERAL APPROPRIATIONS	22,687,001.03	22,758,009.10	21,774,349.41	204,071.29	775,888.94	3,699.46
Reserve for Uncollected Taxes	1,848,192.16	1,848,192.16	1,848,192.16	-	-	-
TOTAL GENERAL APPROPRIATIONS	\$ 24,535,193.19	\$ 24,606,201.26	\$ 23,622,541.57	\$ 204,071.29	\$ 775,888.94	\$ 3,699.46

Adopted Budget \$ 24,535,193.19
 Added Appropriations N.J.S.A. 40A:4-87 71,008.07
\$ 24,606,201.26

Cash Disbursements \$ 21,419,145.31
 Federal and State Grants 175,204.10
 Reserve for Uncollected Taxes 1,848,192.16
 Deferred Charges 180,000.00
Total \$ 23,622,541.57

**EXHIBIT - B
TRUST FUND**

TOWNSHIP OF LOWER
TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

<u>Assets</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2012</u>	<u>Balance Dec. 31, 2011</u>
<u>Animal Control Fund</u>			
Cash and Investments	B-1	\$ 9,086.40	\$ 9,618.60
		<u>9,086.40</u>	<u>9,618.60</u>
<u>Other Funds</u>			
Cash and Investments	B-2	1,450,001.58	1,527,262.57
Program Loans Receivable		361,622.30	119,893.75
		<u>1,811,623.88</u>	<u>1,647,156.32</u>
		<u>\$ 1,820,710.28</u>	<u>\$ 1,656,774.92</u>

TOWNSHIP OF LOWER
TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

<u>Liabilities, Reserves and Fund Balance</u>	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
<u>Animal Control Fund</u>			
Reserve for Animal Control Expenditures	B-4	\$ 9,084.00	\$ 9,606.00
Due to State of New Jersey		2.40	8.40
Prepaid License Fees		-	4.20
		<u>9,086.40</u>	<u>9,618.60</u>
<u>Other Funds</u>			
Deposits for Redemption of Tax Title			
Lien Certificates		26,373.37	387.38
Encumbrances Payable		2,614.59	-
Premiums Received at Tax Sale		234,700.00	141,900.00
Reserve for Program Loans Receivable		361,622.30	119,893.75
Reserve for Unemployment Compensation		41,104.46	64,107.99
Reserve for AFLAC Flex Trust		38.44	360.04
Reserve for Performance and Escrow Deposits		448,527.58	465,008.44
Reserve for Recreation		31,910.53	44,918.04
Reserve for Bail Escrow		725.00	725.00
Reserve for POAA		24.00	14.00
Reserve for Small Cities Revolving Loan		317,742.06	569,110.89
Reserve for Historic Commission		818.81	818.22
Reserve for Police Forfeiture		16,329.69	15,131.50
Reserve for Police Investigative Trust		414.77	414.77
Reserve for Joint Housing		40,238.88	40,198.41
Reserve for Public Defender		952.80	1,452.80
Reserve for Escrow Deposits		163,729.53	119,606.52
Reserve for DARE		2,859.63	2,830.84
Reserve for Fire Safety Fees		89,868.06	33,088.13
Reserve for Off Duty Police		14,920.75	9,159.25
Reserve for Accumulated Absences		498.18	180.35
Reserve for Tax Maps		10,436.50	4,600.00
Reserve for Snow Removal		4,693.65	-
Reserve for Donations		480.30	13,250.00
		<u>1,811,623.88</u>	<u>1,647,156.32</u>
		\$ <u>1,820,710.28</u>	\$ <u>1,656,774.92</u>

See Accompanying Notes to Financial Statements - Regulatory Basis

**EXHIBIT - C
GENERAL CAPITAL FUND**

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

<u>Assets</u>	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
Cash and Investments		\$ 1,388,800.02	\$ 1,556,763.21
Deferred Charges to Future Taxation:			
Funded	C-5	11,983,479.57	14,160,493.86
Unfunded	C-6	6,160,000.00	3,430,000.00
		<u>\$ 19,532,279.59</u>	<u>\$ 19,147,257.07</u>
 <u>Liabilities, Reserves and Fund Balance</u>			
Serial Bonds Payable	C-8	\$ 8,400,000.00	\$ 9,800,000.00
Refunding Bonds Payable	C-8A	2,035,000.00	2,720,000.00
Green Trust Loans	C-8B	1,548,479.57	1,640,493.86
Bond Anticipation Notes Payable	C-9	3,325,000.00	2,125,000.00
Improvement Authorizations:			
Funded	C-7	345,727.24	379,714.07
Unfunded	C-7	3,330,721.13	1,431,829.40
Encumbrances Payable		241,532.85	812,975.94
Capital Improvement Fund	C-4	220,323.00	100,323.00
Fund Balance	C-1	85,495.80	136,920.80
		<u>\$ 19,532,279.59</u>	<u>\$ 19,147,257.07</u>

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

Balance December 31, 2011	<u>Ref.</u> C		\$	136,920.80
Increased By:				
Premium on Bond Anticipation Notes		\$		<u>11,575.00</u>
				<u>11,575.00</u>
				148,495.80
Decreased By:				
Appropriated to Fund Improvement Authorization				<u>63,000.00</u>
				<u>63,000.00</u>
Balance December 31, 2012	C		\$	<u><u>85,495.80</u></u>

EXHIBIT - D
GENERAL FIXED ASSETS ACCOUNT GROUP

TOWNSHIP OF LOWER
GENERAL FIXED ASSET ACCOUNT GROUP
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

<u>General Fixed Assets</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2012</u>	<u>Balance Dec. 31, 2011</u>
Land	\$	2,076,786.58	\$ 1,904,500.00
Building		3,067,831.76	3,025,600.00
Machinery and Equipment		10,231,240.57	12,145,001.59
	\$	<u>15,375,858.91</u>	<u>\$ 17,075,101.59</u>
 <u>Investment in General Fixed Assets</u>			
Investment in General Fixed Assets	\$	15,375,858.91	\$ 17,075,101.59
	\$	<u>15,375,858.91</u>	<u>\$ 17,075,101.59</u>

TOWNSHIP OF LOWER
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements – regulatory basis of the Township of Lower have been prepared in conformity with an "Other Comprehensive Basis of Accounting" (OCBOA), as established by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The more significant of the Township's accounting policies are described below.

Description of Financial Reporting Entity

The Township of Lower is a mainland community located in the County of Cape May, State of New Jersey. The population according to the 2010 census is 22,866.

The Township is incorporated and operates under a Mayor and Council form of government. There are four council members (three elected from wards and one at-large) and the mayor, who is elected by the people. In addition, a Township Manager, since 1984, supervises all departments, is responsible for the preparation and administration of the annual budget, and is chief executive officer.

Basis of Presentation, Fund Accounting

The financial statements – regulatory basis of the Township of Lower contain all funds and account groups in accordance with the "Requirements of Audit", as promulgated by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions, and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Township of Lower accounts for its financial transactions through the following separate funds, which differ from the funds required by GAAP.

Current Fund

The Current Fund accounts for resources and expenditures for governmental operations of a general nature, including Federal and State Grant Funds.

Trust Funds

The various Trust Funds account for receipts, custodianship and disbursement of funds in accordance with the purpose, for which, each fund was created.

General Capital Fund

The General Capital Fund accounts for the receipt and disbursement of funds for the acquisition of general facilities other than those acquired in the Current Fund.

TOWNSHIP OF LOWER
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting

The Township of Lower must adopt an annual budget in accordance with N.J.S.A. 40A:4 et al. State statutes require the governing body to introduce and approve the annual municipal budget no later than February 10th of each year. At introduction, the governing body shall fix the time and place for a public hearing on the budget, and must advertise the time and place at least ten days prior to the hearing in a newspaper published and circulating in the municipality. The public hearing must not be held less than twenty-eight days after the date of introduction. After the hearing has been held, the governing body may, by majority vote, adopt the budget or may amend the budget in accordance with N.J.S.A. 40A:4-9.

An extension of the regulatory due dates for introduction, approval and adoption of the municipal budget may be granted by the Director of the Division of Local Government Services.

Budgets are adopted on the same basis of accounting utilized for the preparation of the Township's financial statements – regulatory basis.

Cash and Investments

New Jersey municipal units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank approved by the State Department of Banking and Insurance, and organized under laws of the United States or the State of New Jersey or the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey municipal units.

The cash management plan adopted by the Township of Lower requires it to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-42 requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

Public funds are defined as the funds of any governmental unit. Public depositories include banks (both state and federal), savings and loan institutions and savings banks, the deposits of which are federally insured. All public depositories pledge collateral, having a market value of five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories in the collateral pool, is available to pay the full amount of their deposits to the governmental units.

Generally, the Township considers all investments that mature in one year or less, to be cash equivalents.

All certificates of deposit are recorded as cash regardless of date of maturity.

Interfunds

Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed. Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to Fund Balance. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve.

TOWNSHIP OF LOWER
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

General Fixed Assets

Property and Equipment purchased by the Current and General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized.

Accounting for Governmental Fixed Assets, as promulgated by Technical Accounting Directive No. 2, as issued by the Division of Local Government Services, differs in certain respects from GAAP. The following is a brief description of the provisions of the Directive:

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

No depreciation on general fixed assets is recorded in the financial statements – regulatory basis.

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

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

Foreclosed Property

Foreclosed property is recorded in the Current Fund, at the assessed valuation when such property was acquired, and is fully reserved. Ordinarily, it is the intention of the municipality to resell foreclosed property, in order to recover all or a portion of the delinquent taxes or assessments by returning the property to a taxpaying basis. For this reason, the value of foreclosed property has not been included in the General Fixed Assets Account Group. If such property is converted to municipal use, it will be capitalized in the General Fixed Assets Account Group. GAAP requires property to be recorded at the market value at the time of acquisition.

Deferred Charges

The recognition of certain expenditures is deferred to future periods. These expenditures, or Deferred Charges, are generally overexpenditures of legally adopted budget appropriations made in accordance with N.J.S.A. 40A:4-46 et al. Deferred charges are subsequently raised as items of appropriation in budgets of succeeding years.

TOWNSHIP OF LOWER
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Appropriation Reserves

Appropriation Reserves covering unexpended appropriation balances are automatically created at year end and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation Reserves are available, until lapsed at the close of the succeeding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriation Reserves are not established under GAAP.

Liens Sold for Other Governmental Units

Liens sold on behalf of other governmental units are not recorded on the records of the tax collector until such liens are collected. Upon their collection, such liens are recorded as a liability due to the other governmental unit net of costs of the sale. The related costs of sale are recognized as revenue when received.

Fund Balance

Fund Balances included in the Current Fund represent amounts available for anticipation as revenue in future years' budgets, with certain restrictions.

Revenues

Revenues are recorded as received in cash, except for certain amounts that are due from other governmental units. Revenue from Federal and State Grants is realized as revenue when anticipated as such in the Township's budget. Other amounts that are due the Township, which are susceptible to accrual, are also recorded as receivables with offsetting reserves, and recorded as revenue when received. GAAP generally requires that grant revenue be recognized when actual expenditures financed by the grant are made.

Property Tax Revenues

Property tax revenues are collected in quarterly installments due February 1st, May 1st, August 1st, and November 1st. Property taxes unpaid are subject to tax sale in accordance with statutes. The amount of tax levied, includes not only the amount required in support of the Township's annual budget, but also the amounts required in support of the entities that follow. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Township's Current Fund; accordingly, such amounts are not recorded as revenue until collected. GAAP requires such revenues to be recognized when they are available and measurable reduced by an allowance for doubtful accounts.

**TOWNSHIP OF LOWER
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

School Taxes

The Township is responsible for levying, collecting and remitting school taxes for the Township of Lower School District, as well as for the Township's share of the Lower Cape May Regional High School District. Fund Balance is charged for the full amount required to be raised from taxation to operate the school districts from January 1st through December 31st. Deferred school taxes arise due to the differences in the municipal and school district fiscal year ends. As of December 31, 2012 and 2011, the following is a breakdown of the school tax payable and year-end tax deferral:

Category	Dec. 31, 2012	Dec. 31, 2011
Regional School Tax Payable	\$ -	\$ -
Regional School Tax Deferred	5,583,341.92	5,661,303.57
	\$ 5,583,341.92	\$ 5,661,303.57

County and Special Fire District Taxes

The Township is responsible for levying, collecting and remitting county taxes for the County of Cape May. Fund Balance is charged for the amount due the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10th of the current year. In addition, Fund Balance is charged for the County Share of Added and Omitted Taxes, certified to the County Board of Taxation by October 10th of the current year, and due to be paid to the County by February 15th of the following year. The Township is also responsible for levying, collecting, and remitting 100% of their special fire district taxes to the respective agencies.

Reserve for Uncollected Taxes

The inclusion of the "Reserve for Uncollected Taxes", appropriation in the Township's annual budget protects the Township from taxes not paid currently. The minimum amount of the reserve, determined by the percentage of collections experienced in the preceding year, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations. A reserve for uncollected taxes is not established under GAAP.

Expenditures

Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order, in conjunction with the encumbrance system. Outstanding encumbrances at December 31st are recorded as a cash liability. Appropriations for principal payments on outstanding General Capital Fund bonds and notes are provided on the cash basis. Interest on General Capital Fund indebtedness is on the cash basis. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on long – term debt, which is recognized when due.

**TOWNSHIP OF LOWER
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences and Post – Employment Benefits

Compensated absences for vacation, sick leave and other compensated absences are recorded and provided for, in the annual budget in the year in which they are paid, on a "pay as you go" basis. Likewise, no accrual is made for post employment benefits, if any, which are also funded on a "pay as you go" basis. The Township has established a reserve to fund some of these costs. GAAP requires that the amount that would normally be liquidated with expendable financial resources, be recorded as an expenditure in the operating funds, and the remaining obligations be recorded as long – term obligations.

NOTE 2: LONG-TERM DEBT

Summary of Municipal Debt

	<u>Year 2012</u>	<u>Year 2011</u>	<u>Year 2010</u>
Issued:			
General:			
Bonds, Loans and Notes	\$ 15,308,479.57	\$ 16,285,493.86	\$ 16,210,695.11
Total Issued	<u>15,308,479.57</u>	<u>16,285,493.86</u>	<u>16,210,695.11</u>
Less:			
Funds Temporarily Held to Pay			
Bonds and Notes:			
Reserve to Pay BANs	-	-	-
Net Debt Issued	<u>15,308,479.57</u>	<u>16,285,493.86</u>	<u>16,210,695.11</u>
Authorized But Not Issued:			
General:			
Bonds and Notes	<u>2,835,000.00</u>	<u>1,305,000.00</u>	<u>3,030,000.00</u>
Total Authorized But Not Issued	<u>2,835,000.00</u>	<u>1,305,000.00</u>	<u>3,030,000.00</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 18,143,479.57</u>	<u>\$ 17,590,493.86</u>	<u>\$ 19,240,695.11</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 .45%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 18,143,479.57	\$ -	\$ 18,143,479.57
School Debt	4,039,350.37	4,039,350.37	-
Municipal Utilities Authority	<u>24,169,552.00</u>	<u>24,169,552.00</u>	-
	<u>\$ 46,352,381.94</u>	<u>\$ 28,208,902.37</u>	<u>\$ 18,143,479.57</u>

TOWNSHIP OF LOWER
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 2: LONG-TERM DEBT (Continued)

Net debt \$18,143,479.57 divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$4,001,365,827 = .45%.

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

3-1/2% of Equalized Valuation Basis	\$ 140,047,803.95
Net Debt	<u>18,143,479.57</u>
Remaining Borrowing Power	<u><u>\$ 121,904,324.38</u></u>

The Annual Debt Statement is in agreement with the foregoing net debt information.

Description of Bonds and Loans Payable

At December 31, 2012, bonds payable in the General Capital Fund consisted of the following individual issues:

\$4,700,000.00 General Improvement Bonds dated December 1, 2004, due in annual installments beginning December 15, 2007 through December 15, 2016, bearing interest at various rates from 3.375% to 3.750% per annum. The balance remaining as of December 31, 2012, is \$2,000,000.00.

\$8,800,000.00 General Improvement Bonds dated April 1, 2009, due in annual installments beginning April 1, 2010 through April 1, 2018, bearing interest at various rates from 3.000% to 4.000% per annum. The balance remaining as of December 31, 2012, is \$6,400,000.00.

\$2,720,000.00 General Improvement Refunding Bonds dated August 15, 2011, due in annual installments beginning July 15, 2012 through July 15, 2015, bearing interest at various rates from 2.000% to 4.000% per annum. The balance remaining as of December 31, 2012, is \$2,035,000.00.

\$800,000.00 State of New Jersey Green Trust Loans dated 2006, due in semi-annual installments beginning in 2007 through 2026, bearing interest at 2.00% per annum. The balance remaining as of December 31, 2012, is \$586,004.62.

\$900,000.00 State of New Jersey Green Trust Loans dated 2007, due in semi-annual installments beginning in 2007 through 2027, bearing interest at 1.00% per annum. The balance remaining as of December 31, 2012, is \$701,401.69.

\$300,000.00 State of New Jersey Green Trust Loans dated 2009, due in semi-annual installments beginning in 2010 through 2029, bearing interest at 1.00% per annum. The balance remaining as of December 31, 2012, is \$261,073.26.

**TOWNSHIP OF LOWER
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 2: LONG-TERM DEBT (Continued)

Changes in Long-Term Debt

The following schedule represents the changes in the Long-Term Debt:

	<u>Outstanding 12/31/11</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Outstanding 12/31/12</u>
General Capital Fund:				
Bonds Payable	\$ 12,520,000.00	\$ -	\$ 2,085,000.00	\$ 10,435,000.00
Green Trust Loans	1,640,493.86		92,014.29	1,548,479.57
Total All Funds	\$ 14,160,493.86	\$ -	\$ 2,177,014.29	\$ 11,983,479.57

Schedule of Annual Debt Service for Principal and Interest for Serial Bonds and Green Trust Loans Issued and Outstanding

Year Ending December 31	General Capital Fund	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 2,268,863.76	\$ 377,477.62
2014	2,275,750.42	307,840.96
2015	2,277,675.02	237,391.36
2016	1,599,638.28	156,978.10
2017	1,301,641.00	94,725.38
2018-2022	1,739,683.59	106,148.31
2023-2027	492,795.55	26,384.10
2028-2029	27,431.95	550.46
	\$ 11,983,479.57	\$ 1,307,496.29

NOTE 3: SHORT-TERM FINANCING

Short-term debt provides for financing of governmental activities and capital projects. On August 9, 2012, the Township issued Bond Anticipation Notes in the amount of \$3,325,000.00 at a rate of 1.25% to temporarily finance General Capital projects. The note will mature on August 9, 2013.

The following is a summary of changes in short-term debt for the year ended December 31, 2012.

	<u>Current Fund</u>	<u>General Capital Fund</u>	<u>Total</u>
Balance December 31, 2011	\$ -	\$ 2,125,000.00	\$ 2,125,000.00
Increases		3,325,000.00	3,325,000.00
Decreases		2,125,000.00	2,125,000.00
Balance December 31, 2012	\$ -	\$ 3,325,000.00	\$ 3,325,000.00

TOWNSHIP OF LOWER
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 4: COMPENSATED ABSENCES

The Township has permitted employees to accrue unused vacation, personal and sick time, which may be taken as time off or paid at a later date at an agreed upon rate. The monetary value of these earned and unused employee benefits has not been accrued by, either charges to operations, or to budgets of prior years, although in some cases they might be material, since the realization of this liability may be affected by conditions which preclude an employee from receiving full payment of the accrual. At December 31, 2012, the Township estimates this liability to approximate \$2,704,539.15 based on 2012 pay rates and compensated absence balances. The Township has established a reserve in the amount of \$499,456.60 to offset this liability.

NOTE 5: DEFERRED COMPENSATION ACCOUNT

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. In 1999, the Township of Lower amended the plan by resolution to comply with a private letter ruling of the Internal Revenue Service that requires assets of deferred compensation plans be held in Trust under the beneficial ownership of the Trustee, (Township of Lower) serving as Trustee, for the exclusive benefit of the plan participants and their beneficiaries, and that the assets shall not be diverted to any other purpose. The plan administrator is as follows:

ICMA Retirement Corporation

NOTE 6: TAXES COLLECTED IN ADVANCE

Taxes collected in advance include amounts set forth as cash liabilities in the financial statements as follows:

		Balance December 31, 2012		Balance December 31, 2011
	\$	856,426.98	\$	851,026.93
Prepaid Taxes - Cash Liability				

NOTE 7: RETIREMENT PLANS

Plan Descriptions

All eligible employees participate in either the Public Employees' Retirement System (PERS) or the Police and Firemen's Retirement System (PFRS) benefit plans. These plans are cost-sharing multiple-employer contributory defined benefit plans that are sponsored and administered by the State of New Jersey Department of Treasury, Division of Pensions and Benefits.

Certain eligible employees participate in the Defined Contribution Retirement Program (DCRP) which is a single-employer defined contribution plan also sponsored by the State of New Jersey but administered for the State by Prudential Financial.

The Division of Pensions and Benefits issues publicly available financial reports that include the financial statements and required supplementary information for plans. Those reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

The Public Employees' Retirement System was established in January 1955, under the provisions of N.J.S.A. 43:14A, to provide coverage including post-retirement health care to substantially all full-time employees of the

TOWNSHIP OF LOWER
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 7: RETIREMENT PLANS (Continued)

State or any County, Municipality, School district or public agency, provided the employee is not a member of another state-administered retirement system.

The Police and Firemens' Retirement System was established in July 1944, under the provisions of N.J.S.A. 43:16A, to provide coverage to substantially all full-time County and Municipal police or firemen and State firemen appointed after June 30, 1944.

Plan Descriptions

The Defined Contribution Retirement Program (DCRP) was under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, and expanded under the provisions of Chapter 89, P.L. 2008. The DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance coverage and disability coverage.

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:3B. All benefits vest after eight to ten years of service, except for medical benefits, which vest after 25 years of service. Retirement benefits for age and service are available at age 60 and, under recently enacted legislation are generally determined to be 1/55 of final average salary for each year of service credit. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years service credit, or they may elect deferred retirement after achieving eight to ten years of service credit, in which case benefits would begin the first day of the month after the member attains normal retirement age.

The vesting and benefit provisions for PFRS are set by N.J.S.A. 43:16A and 43:3B. All benefits vest after ten years of service, except for disability benefits, which vest after four years of service. Retirement benefits for age and service are available at age 55, and generally determined to be 2% of final average compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Final average compensation equals the average compensation for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek special retirement after achieving 20 or 25 years of creditable service, or they may elect deferred retirement after achieving ten years of service, in which case benefits would begin at age 55, equal to 2% of final average compensation for each year of service.

Newly elected or appointed officials that have an existing DCRP account, or are a member of another State-administered retirement system are immediately invested in the DCRP. For newly elected or appointed officials that do not qualify for immediate vesting in the DCRP, employee and employer contributions are held during the initial year of membership. Upon commencing the second year of DCRP membership, the member is fully invested. However, if a member is not eligible to continue in the DCRP for a second year of membership, the member may apply for a refund of the employee contributions from the DCRP, while the employer contributions will revert back to the employer.

**TOWNSHIP OF LOWER
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 7: PENSION PLANS (Continued)

Funding Policy

The contribution policy for PERS is set by N.J.S.A. 43:15A, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Members contributed at a uniform rate, the member rate was set at 6.5% of base salary for the first two quarters of 2012 and increased to 6.64% for the last two quarters of 2012. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits.

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits. Members contribute at a uniform rate of 10.0% of base salary.

For the DCRP, members contribute at a uniform rate of 5.5% of their base salary. Employers are required to contribute at a set rate of 3.0% of base salary.

For the Public Employees' Retirement System, the Township's contribution was \$590,197.00 for 2012 and \$585,186.00 for 2011.

Three Year Trend Information for PERS			
Funding Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/12	\$ 590,197.00	100%	\$ -
12/31/11	585,186.00	100%	-
12/31/10	529,657.00	100%	-

For the Police and Firemens' Retirement System, the Township's contribution was \$874,850.00 for 2012 and \$1,025,942.00 2011 respectively.

Three Year Trend Information for PFRS			
Funding Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/12	\$ 874,850.00	100%	\$ -
12/31/11	1,025,942.00	100%	-
12/31/10	845,716.00	100%	-

TOWNSHIP OF LOWER
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 7: PENSION PLANS (Continued)

Funding Policy (Continued)

For the DCRP, the Township's contribution was \$6,937.66 for 2012 and \$5,049.58 for 2011.

<u>Year</u>	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Obligation</u>
12/31/12	\$ 6,937.66	100%	\$ -
12/31/11	5,049.58	100%	-
12/31/10	4,150.03	100%	-

NOTE 8: DEPOSITS AND INVESTMENTS

Deposits

Operating cash, in the form of checking, savings and money market savings accounts, is held in the Township's name by several commercial banking institutions and financial institutions. At December 31, 2012, the carrying amount of the Township's deposits was \$7,463,134.00 and the bank balance was \$8,073,322.67. Of the bank balance, \$434,957.60 was insured with Federal Deposit Insurance Corporation and \$7,574,590.35 with GUDPA.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the Township's bank accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the Township would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At December 31, 2012, all of the Township's deposits were insured by either FDIC or GUDPA and therefore not exposed to custodial credit risk. The Township does not have a policy for custodial credit risk, other than the regulatory requirements of utilizing only GUDPA institutions.

Investments

Pursuant to the Enabling Act, the funds of the Township may be invested in any direct obligations of, or obligations as to which the principal and interest thereof is guaranteed by, the United States of America or other obligations as the Township may approve. It invests pooled monies from various State and non-State agencies in primarily short-term investments.

As of December 31, 2012, the Township did not have any investments.

TOWNSHIP OF LOWER
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 9: PROPERTY TAXES

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners, but it often results in a divergence of the assessment ratio to true value.

Upon the filing of certified adopted budgets by the municipality, the local and regional school districts, and the county, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof is set forth in N.J.S.A. 54:4 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June. The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current fiscal year's total tax liability. The preliminary taxes, due February 1 and May 1 of the succeeding fiscal year, are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date, are subject to interest penalties of 8% per annum on the first \$1,500 of the delinquency, and 18% per annum on any amount in excess of \$1,500. Pursuant to P.L. 1991, c. 75, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed 6% of the amount of the delinquency. The interest and penalties are the highest permitted under New Jersey Statutes. Delinquent taxes open for one year or more are annually included in the tax sale in accordance with New Jersey statutes.

The New Jersey statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 of each year, the municipality must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Tax Board, on or before April 1, for review. Due to errors or delinquencies in notices sent to property owners, the April 1 deadline to file an appeal petition may be extended. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year, and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels the County Board of Taxation unsatisfactorily reviewed the petition, appeal may be made to the Tax Court of New Jersey for further hearing. Some Tax Court appeals may take several years prior to settlement, and any losses in tax collection from prior years, are charged to a reserve set aside for this purpose or directly charged to Fund Balance.

TOWNSHIP OF LOWER
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 9: PROPERTY TAXES (Continued)

The following is a three-year comparison of certain statistical information relative to property taxes and property tax collections for the current and previous two years:

Comparative Schedule of Tax Rates			
	2012	2011	2010
Tax Rate	\$ 1.307	\$ 1.306	\$ 1.299
Apportionment of Tax Rate:			
Municipal	0.443	0.443	0.433
County	0.229	0.231	0.230
Local School	0.362	0.355	0.351
Regional School	0.273	0.277	0.285

Assessed Valuation	
2012	\$ 4,095,467,792
2011	4,090,589,040
2010	4,096,120,972 R

R = Reassessment

Comparison of Tax Levies and Collections			
Year	Tax Levy	Collections	Percentage of Collections
2012	\$ 55,662,327.90	\$ 54,111,897.69	97.21%
2011	55,571,637.19	54,386,397.99	97.87%
2010	55,353,129.76	54,118,125.83	97.77%

Delinquent Taxes and Tax Title Liens				
Year	Tax Title Liens	Delinquent Taxes	Total Delinquent	Percentage of Tax Levy
2012	\$ 148,877.92	\$ 1,173,015.37	\$ 1,321,893.29	2.37%
2011	134,332.00	1,094,143.11	1,228,475.11	2.24%
2010	116,276.49	1,217,208.82	1,333,485.31	2.57%

Property Acquired by Tax Title Lien Liquidation

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

Year	Amount
2012	\$ 1,490,700.00
2011	1,490,700.00
2010	1,490,700.00

TOWNSHIP OF LOWER
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 10: ECONOMIC DEPENDENCY

The Township of Lower is not economically dependent on any one funding agency within the Township or the State of New Jersey.

NOTE 11: FUND BALANCES APPROPRIATED

The following schedule details the amount of Fund Balances available at the end of each year and the amounts utilized in the subsequent year's budgets:

	<u>Year</u>	<u>Balance December 31st</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percent Utilized</u>
Current Fund	2012	\$ 2,602,228.71	\$ 1,678,000.00 *	64.48%
	2011	3,052,206.37	2,118,000.00	69.39%
	2010	2,813,008.27	1,890,000.00	67.19%
	2009	2,943,190.01	2,160,000.00	73.39%
	2008	2,898,799.30	1,949,500.00	67.25%

* - As intended to be introduced by the Township as of the date of this report.

NOTE 12: RECEIVABLES AND PAYABLES WITHIN THE REPORTING ENTITY

A receivable between the Current Fund and Grant Fund has resulted from temporary funding of grant activity and is expected to be returned within the following year. Receivables and payables at December 31, 2012 are as follows:

<u>Amount</u>	<u>Due To</u>	<u>Due From</u>
\$ 38,374.38	Federal and State Grant Fund	Current Fund
<u>\$ 38,374.38</u>		

NOTE 13: BUDGETARY DATA

Annually, Township Council adopts the annual appropriation budgets for the Current Fund and the Capital Improvement Plan. Once approved, the Township Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Supplemental appropriations per N.J.S.A. 40A:4-46 and 54, Emergencies and Special Emergencies, become charges against the budget of the following year per N.J.S.A. 40A:4-47 except when financing is provided for by bonding ordinances.

Budget transfers between appropriation accounts are prohibited until the last two months of the year. The Township Council approves the transfers by Resolution. Budgetary transfers during the year were not significant.

TOWNSHIP OF LOWER
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 14: FEDERAL AND STATE GRANTS

In the normal course of operations, the Township receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as a result of these audits, is not believed to be material.

NOTE 15: GENERAL FIXED ASSETS

The following schedule is a summarization of the changes in General Fixed Assets for the year ended December 31, 2012:

	Balance as of December 31, 2011	Additions/ Adjustments	Disposals/ Adjustments	Balance as of December 31, 2012
Land	\$ 1,904,500.00	\$ 172,286.58	\$	\$ 2,076,786.58
Building Improvements	3,025,600.00	42,231.76		3,067,831.76
Machinery & Equipment	12,145,001.59	823,820.31	2,737,581.33	10,231,240.57
Total	<u>\$ 17,075,101.59</u>	<u>\$ 1,038,338.65</u>	<u>\$ 2,737,581.33</u>	<u>\$ 15,375,858.91</u>

NOTE 16: RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. There have been no significant decreases in Township coverage, nor any known significant claims exceeding coverage.

Property and Liability Insurance

The Township maintains insurance coverage for property, liability and surety bonds.

TOWNSHIP OF LOWER
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)

NOTE 17: LITIGATION

The Township is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome from such litigation is unknown and potential losses if any would not be material to the financial statements.

NOTE 18: POST- RETIREMENT BENEFITS

The Township offers medical, prescription drug, dental and vision coverage to eligible retirees and their dependants.

Effective January 21, 2009, the Township participated in the New Jersey State Health Benefits Program (“the SHBP”), which qualifies as a cost-sharing, multiple-employer plan in accordance with GASB Statement 45 “Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions” (“OPEB”). The SHBP is administered by the State of New Jersey, Department of Treasury, Division of Pension and Benefits. Under the SHBP, retirees may continue the health benefits programs in which they are enrolled at the time of retirement, provided the retiree pays the costs of the benefits (at group rates) for themselves and their eligible dependents.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the SHBP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

The SHBP is established under the authority of N.J.S.A. 52:14-17.25 et seq. and regulations adopted by the State Health Benefits Commission. The required contribution rate is determined on an annual pay as you go basis. The following were the required contributions:

2012 - \$ 500,015.86
2011 - \$2,672,259.12
2010 - \$2,447,358.17

Beginning in March 2013, the Township left the SHBP and opted to utilize a private insurer.

The Township provides forty-seven retirees with prescription and/or dental costs from Horizon Dental. The following is an alternate valuation method, which is used when the number of retirees receiving a benefit is less than 100.

Annual OPEB Cost and Net OPEB Obligation

The Township’s annual OPEB cost represents the accrued cost for post-employment benefits under GASB 45. The cumulative difference between the annual OPEB cost and the benefits paid during a year will result in a net OPEB obligation. The annual OPEB cost is equal to the annual required contribution (ARC) less adjustment if a net OPEB obligation exists. The ARC is equal to the normal cost and amortization of the Unfunded Actuarial Accrued Liability (UAAL) plus interest. The Actuarial Accrued Liability (AAL) as of December 31, 2012 is \$29,945,413 based upon a discount rate of 4.50% per annum and the plan provisions in effect as of year end. As of the measurement date, the plan has no assets to offset any portion of the Actuarial Accrued Liability (AAL), therefore the UAAL and AAL are equal.

**TOWNSHIP OF LOWER
NOTES TO FINANCIAL STATEMENTS –
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(CONTINUED)**

NOTE 18: POST- RETIREMENT BENEFITS (Continued)

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates and assumptions about the probability of occurrences of events far into the future, including future employment, mortality and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Other Post-Employment Benefit Costs and Obligations

In the December 31, 2012 actuarial valuation, the Annual Required Contribution (ARC) for the year ending December 31, 2012 was projected as follows:

		<u>12/31/2012</u>
Normal Cost	\$	243,417
AAL		29,945,413
Less Assets		-
UAAL		29,945,413
30 Year Amortization of UAAL at Discount Rate		1,838,395
 Total ARC	 \$	 <u><u>2,081,812</u></u>

NOTE 19: SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2012 and April 5, 2013, the date the financial statements were issued for possible disclosure and recognition in the financial statement and no items have come to the attention of the Township that would require disclosure.

SUPPLEMENTAL SCHEDULES

TOWNSHIP OF LOWER
CURRENT FUND
SCHEDULE OF CASH - TREASURER

Ref.	Current Fund	Federal and State Grant Fund
Balance December 31, 2011	\$ 5,286,305.22	\$ 1,578.62
Increased By Receipts:		
Taxes Receivable	\$ 53,879,770.40	
Tax Title Liens	2,227.20	
Reserve for Garden State Preservation Trust	87,437.00	
Due to State of New Jersey -		
Marriage Licenses	3,900.00	
Permit Surcharge Fees	19,739.00	
Due from State of New Jersey -		
Senior Citizens & Veterans	453,749.80	
Prepaid Taxes	856,426.98	
Prepaid Bulk Trash Receipts	15,806.75	
Tax Overpayments	25,563.94	
Federal and State Grants Received		525,887.85
Unappropriated Reserves		110,971.71
Program Income		0.93
Miscellaneous Revenue	3,696,502.91	
Due to Lower Township MUA	143,466.56	
Due from Current Fund		127,309.96
	<u>59,184,590.54</u>	<u>764,170.45</u>
	64,470,895.76	765,749.07

TOWNSHIP OF LOWER
CURRENT FUND
SCHEDULE OF CASH - TREASURER

Ref.	Current Fund	Federal and State Grant Fund
Decreased By Disbursements:		
2012 Appropriations	\$ 21,419,145.31	
2011 Appropriation Reserves	263,276.52	
Reserve for Encumbrances	195,261.40	
Accounts Payable	281.46	6,807.57
Refund of Prior Revenue	5,860.06	
County Taxes	9,340,370.47	
County Added and Omitted Taxes	16,477.17	
Local District School Tax	14,805,920.50	
Regional School District Taxes	11,244,645.48	
Fire District Taxes	2,059,897.00	
Due to Trust Other - Reserve for Accumulated Absences	180,000.00	
Reserve for Tax Maps	4,036.50	
Due to State of New Jersey - Marriage Licenses	3,950.00	
Permit Surcharge Fees	38,975.00	
Cancellation of Senior and Vet Due From State Increase Change Fund	7,301.37	
Due to Lower Township MUA	75.00	
Due to Grant Fund	143,466.56	
Federal and State Grant Expenditures	127,309.96	758,941.50
	59,856,249.76	765,749.07
Balance December 31, 2012	\$ 4,614,646.00	\$ -

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

Year	Balance Dec. 31, 2011	2012 Levy	Added Taxes	2011 Collections	2012 Collections	Adjustments	Transferred To Tax Title Liens	Balance Dec. 31, 2012
Arrears \$	6,615.11	\$	\$	\$	2,617.91	\$	\$	14,159.64
2011	1,087,528.00			1,079,119.97		(5,444.16)		2,963.87
	1,094,143.11			1,081,737.88		4,718.28		17,123.51
2012		55,589,278.16	73,049.74	53,260,870.76		(377,765.23)	16,773.12	1,155,891.86
\$	1,094,143.11	\$	73,049.74	\$	54,342,608.64	\$	16,773.12	\$
Ref.	A					(373,046.95)		1,173,015.37

\$ 53,879,770.40 Taxes Receivable
 \$ 462,838.24 Senior Citizens and Veterans
\$ 54,342,608.64

Analysis of 2012 Property Tax Levy
 Tax Yield:
 General Property Tax \$ 53,527,773.03
 Special District Taxes 2,061,505.13
 Added Taxes (54-4-63.1 et seq.) 73,049.74

Tax Levy:
 Local District School Tax: \$ 55,662,327.90
 Levy
 Regional High School Tax \$ 14,805,920.50
 County Taxes 11,166,683.83
 County Taxes Added and Omitted 9,340,370.47
 Special District Tax 10,505.67
 Local Tax for Municipal Purposes 2,059,897.00
 Add: Additional Tax Levied \$ 18,137,058.16
141,892.27
18,278,950.43 \$ 55,662,327.90

TOWNSHIP OF LOWER
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

Balance December 31, 2011	<u>Ref.</u> A	\$ 142,180.36
Increased By:		
Transfers from Taxes Receivable	\$ <u>16,773.12</u>	<u>16,773.12</u>
		158,953.48
Decreased By:		
Collections	<u>2,227.20</u>	<u>2,227.20</u>
Balance December 31, 2012		\$ <u><u>156,726.28</u></u>
Lower Township MUA Charges and Costs	A	\$ 7,848.36
Township Liens	A	<u>148,877.92</u>
		\$ <u><u>156,726.28</u></u>

TOWNSHIP OF LOWER
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

Miscellaneous Revenue Anticipated:	Ref.	Balance Dec. 31, 2011	Accrued In 2012	Collected	Balance Dec. 31, 2012
Municipal Court		\$ 6,740.54	\$ 126,985.45	\$ 126,887.35	\$ 6,838.64
Licenses:					
Alcoholic Beverage		-	38,400.00	38,400.00	-
Other		-	221,876.50	221,876.50	-
Fees and Permits		-	89,128.00	89,128.00	-
Interest on Taxes		-	207,983.16	207,983.16	-
Interest on Investments		-	4,719.51	4,719.51	-
Recreation Fees		-	53,360.00	53,360.00	-
PILOT - Yorkshire Place		-	20,739.14	20,739.14	-
Bulk Trash Receipts		-	96,667.75	96,667.75	-
Cable TV Franchise Fee		-	123,708.87	123,708.87	-
PILOT - Haven House		-	68,761.24	68,761.24	-
Consolidated Municipal Property Tax Relief Aid		-	80,511.00	80,511.00	-
Energy Receipts Tax		-	1,395,280.00	1,395,280.00	-
Garden State Preservation Trust		-	87,437.00	87,437.00	-
Uniform Construction Code Fees		-	288,474.10	288,474.10	-
Uniform Fire Code		-	280,144.52	280,144.52	-
Boards of Education - Special Police		-	129,960.00	129,960.00	-
County Interlocal - Garage Services		-	42,205.00	42,205.00	-
Aid from Fire Districts #1, 2 and 3		-	45,000.00	45,000.00	-
Miscellaneous Revenue Not Anticipated		-	382,696.77	382,696.77	-
TOTALS	Ref.	<u>\$ 6,740.54</u>	<u>\$ 3,784,038.01</u>	<u>\$ 3,783,939.91</u>	<u>\$ 6,838.64</u>
		A		A-4	A

	Ref.	
Treasurer Cash Collected	A-4	\$ 3,696,502.91
Garden State Preservation Trust		87,437.00
		<u>\$ 3,783,939.91</u>

TOWNSHIP OF LOWER
CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2011	Balance After Transfers	Paid or Charged	Balance Lapsed
Office of Township Council				
Salaries and Wages	230.69	230.69		230.69
Other Expenses	4,765.67	4,765.67	966.00	3,799.67
Office of Township Clerk				
Salaries and Wages	8,206.51	8,206.51	2,362.60	5,843.91
Other Expenses	1,730.07	1,730.07	935.99	794.08
Elections				
Other Expenses	3,002.23	3,002.23		3,002.23
Office of Township Solicitor				
Salaries and Wages	0.02	0.02		0.02
Other Expenses	22,777.87	22,777.87	9,995.50	12,782.37
Office of Township Manager				
Salaries and Wages	4,874.79	4,874.79		4,874.79
Other Expenses	612.72	612.72	259.14	353.58
Revenue and Finance				
Salaries and Wages	14,654.80	14,654.80		14,654.80
Other Expenses	1,782.34	1,782.34	619.00	1,163.34
Division of Tax Assessment				
Salaries and Wages	4,382.65	4,382.65	1,563.10	2,819.55
Other Expenses	1,746.16	1,746.16		1,746.16
Division of Tax Collection				
Salaries and Wages	6,432.64	6,432.64		6,432.64
Other Expenses				
Liquidation of Tax Title Liens	1,000.00	1,000.00		1,000.00
Miscellaneous Other Expenses	2,836.48	2,836.48	1,258.00	1,578.48

TOWNSHIP OF LOWER
CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2011	Balance After Transfers	Paid or Charged	Balance Lapsed
Planning and Development				
Salaries and Wages	\$ 6,338.65	\$ 6,338.65	\$ 2,287.48	\$ 4,051.17
Other Expenses	1,985.91	1,985.91	1,158.46	827.45
Engineering Services and Costs				
Other Expenses	5,305.00	5,305.00	1,064.40	4,240.60
Parks and Recreation				
Salaries and Wages	12,288.68	12,288.68	5,038.29	7,250.39
Other Expenses	8,970.64	8,970.64	6,843.36	2,127.28
Department of Public Works				
Salaries and Wages	72,538.34	72,538.34	18,406.33	54,132.01
Other Expenses	-			
Sanitary Landfill				
Miscellaneous	94,423.86	114,423.86	114,258.63	165.23
Public Buildings and Grounds	137,941.14	137,941.14	56,171.74	81,769.40
Salaries and Wages	2,601.23	2,601.23	996.00	1,605.23
Other Expenses	54,023.83	54,023.83	21,270.89	32,752.94
Department of Public Safety				
Salaries and Wages	105,868.60	96,118.60	39,326.70	56,791.90
Other Expenses	24,072.12	33,822.12	33,172.39	649.73
Uniform Fire Safety Act (PL 1983, Ch. 383)				
Salaries and Wages	161.26	161.26		161.26
Other Expenses	12,328.80	9,828.80	5,451.12	4,377.68
Emergency Management Services				
Salaries and Wages	409.55	409.55		409.55
Other Expenses	4,955.75	4,955.75	3,835.44	1,120.31
Demolition				
Other Expenses	4,750.00	4,750.00		4,750.00

TOWNSHIP OF LOWER
CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2011	Balance After Transfers	Paid or Charged	Balance Lapsed
Police 911 Dispatchers				
Salaries and Wages	\$ 30,128.63	\$ 30,128.63		\$ 30,128.63
Other Expenses	6,589.16	6,589.16	6,401.11	188.05
Planning Board				
Other Expenses	500.00	500.00		500.00
Zoning Board				
Other Expenses	500.00	500.00		500.00
Municipal Court				
Salaries and Wages	5,265.70	5,265.70	2,249.80	3,015.90
Other Expenses	2,738.14	2,738.14	428.63	2,309.51
Animal Regulation				
Salaries and Wages	566.50	3,066.50		3,066.50
Other Expenses:				
Miscellaneous Other Expenses	2,167.56	2,167.56	680.21	1,487.35
Insurance:				
Liability Insurance	17,047.80	17,047.80	7,362.10	9,685.70
Employee Group Health	2,441.58	2,441.58	2,441.58	-
Uniform Construction Code				
Salaries and Wages	19,926.85	19,926.85	2,121.33	17,805.52
Other Expenses	7,452.43	7,452.43	938.19	6,514.24
Celebration of Public Events				
	6,995.47	6,995.47	6,943.20	52.27
Electricity	35,153.54	35,153.54	20,248.84	14,904.70
Street Lighting	26,082.51	26,082.51	25,846.19	236.32
Telephone	7,939.83	7,939.83	7,146.92	792.91
Water	2,882.39	2,882.39		2,882.39
Natural Gas	9,843.46	9,843.46	8,086.40	1,757.06
Heating Oil	7,086.99	7,086.99		7,086.99
Gasoline/Diesel Fuel	39,222.05	39,222.05	32,587.45	6,634.60
Contingent	300.00	300.00		300.00

TOWNSHIP OF LOWER
CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Balance</u> <u>After</u> <u>Transfers</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
Contributions to:				
Social Security System (O.A.S.I.)	\$ 42,214.14	\$ 42,214.14		\$ 42,214.14
DCRP	450.42	450.42		450.42
Unemployment Compensation Insurance	1,558.81	1,558.81		1,558.81
Public Employees Retirement System	311.13	311.13	12.38	298.75
Police and Firemen's Retirement System	4.50	4.50		4.50
Supplemental Fire Services Program	1.00	1.00		1.00
<u>INSURANCE:</u>				
Employee Group Health	91,024.51	71,024.51	13,397.34	57,627.17
TOTALS	<u>\$ 994,394.10</u>	<u>\$ 994,394.10</u>	<u>\$ 464,132.23</u>	<u>\$ 530,261.87</u>
Ref.		A		
Appropriation Reserves	\$ 799,132.70			
Encumbrances Payable	<u>195,261.40</u>			
	<u>\$ 994,394.10</u>			
Cash Disbursements		A-4	\$ 458,537.92	
Accounts Payable		A	<u>5,594.31</u>	
			<u>\$ 464,132.23</u>	

**TOWNSHIP OF LOWER
FEDERAL AND STATE GRANT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE**

<u>Purpose</u>	Balance Dec. 31, 2011	Anticipated Revenues	Received	Cancelled	Balance Dec. 31, 2012
State:					
Alliance Funds (Lower Consortium)	\$ 33,190.22	\$ 41,871.00	\$ 28,772.45		\$ 46,288.77
Neighborhood Preservation	54,662.83				54,662.83
Division of Culture Heritage	2,018.80				2,018.80
NJ Emergency Management Grant	5,000.00		5,000.00		-
Over the Limit - Under Arrest	1,200.00		1,200.00		-
Drive Sober or Pullover	-	4,400.00			4,400.00
NJ DOT Trust Fund	15,948.84			15,948.84	-
NJDOT - Reconstruction of Station/Bayshore Rd. to States Ave.	50,721.25		38,597.40	12,123.85	-
Energy Efficiency and Conservation Block Grant	6,900.00			6,900.00	-
Click it or Ticket	-				-
Green Communities	3,000.00	4,000.00	4,000.00		-
Green Acres Program - Chamberlain Trust	132,875.00			132,875.00	3,000.00
Federal:					
Small Cities Program	1,011,171.99		443,268.00		567,903.99
Other:					
Atlantic County JIF	5,050.00	3,525.00	5,050.00		3,525.00
TOTALS	\$ 1,321,738.93	\$ 53,796.00	\$ 525,887.85	\$ 167,847.69	\$ 681,799.39
Ref.	A				A

TOWNSHIP OF LOWER
FEDERAL AND STATE GRANT FUND
SCHEDULE OF RESERVES FOR FEDERAL AND STATE GRANTS - UNAPPROPRIATED

<u>Purpose</u>	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Received</u>	<u>Anticipated</u> <u>Revenues</u>	<u>Balance</u> <u>Dec. 31, 2012</u>
State:				
Alcohol Education and Rehabilitation	\$ 755.09	\$ 593.59	\$ 755.09	\$ 593.59
Recycling Tonnage Grant	42,834.74	38,371.03	42,834.74	38,371.03
Drunk Driving Enforcement Fund	8,514.15	6,248.96	8,514.15	6,248.96
Clean Communities	-	59,083.07	59,083.07	-
Cops in Shops	-	1,200.00		1,200.00
Over the Limit Under Arrest	4,650.00		4,650.00	-
Body Armor	5,071.05	5,475.06	5,071.05	5,475.06
Council of the Arts	500.00		500.00	-
Federal:				
None	-			-
TOTALS	\$ 62,325.03	\$ 110,971.71	\$ 121,408.10	\$ 51,888.64
Ref.	A			A

TOWNSHIP OF LOWER
TRUST FUND
SCHEDULE OF ANIMAL CONTROL CASH - TREASURER

Balance December 31, 2011	<u>Ref.</u> B		\$ 9,618.60
Increased By Receipts:			
Dog Licenses Fees		\$ 5,043.00	
State License Fees		3,055.20	
Other		<u>665.92</u>	
			<u>8,764.12</u>
			18,382.72
Decreased By Disbursements:			
State of New Jersey		3,061.20	
Animal Control Expenditures		725.00	
Due to Current Fund		<u>5,510.12</u>	
			<u>9,296.32</u>
Balance December 31, 2012	B		<u>\$ 9,086.40</u>

TOWNSHIP OF LOWER
TRUST FUND
SCHEDULE OF OTHER TRUST CASH - TREASURER

	<u>Ref.</u>	<u>Other</u>
Balance December 31, 2011	B	\$ 1,527,262.57
Increased By Receipts:		
Unemployment	\$	76,202.96
AFLAC Flex		1,249.92
DARE Receipts		3,552.30
Police Forfeiture		1,199.20
Redemption of Tax Title Liens		731,886.81
Premiums Received at Tax Sale		261,400.00
Historic Commission		0.59
P.O.A.A.		10.00
Dedicated Recreation Fees		47,771.50
Fire Safety		56,779.93
Off Duty Police		83,644.63
Grant Reserves		40.47
Small Cities Revolving Loan		68,176.72
Accumulated Absences		180,000.00
Performance Deposits		45,949.65
Developers' Escrow		185,843.23
Donations		40,831.97
Snow Removal		4,693.65
Tax Maps		5,836.50
		<u>1,795,070.03</u>
		3,322,332.60

TOWNSHIP OF LOWER
TRUST FUND
SCHEDULE OF OTHER TRUST CASH - TREASURER

	<u>Ref.</u>	<u>Other</u>
Decreased By Disbursements:		
Payment of Unemployment Claims	\$	99,206.49
AFLAC Flex		1,571.52
DARE Expenditures		3,523.51
Police Forfeiture		1.01
Refund of Tax Sale Certificates		705,900.82
Refund of Premiums		168,600.00
Public Defender		500.00
Dedicated Recreation Fees		58,164.42
Off Duty Police		77,883.13
Accumulated Absences		179,682.17
Performance Deposits		62,430.51
Developer's Escrow		141,720.22
Donations		53,601.67
Small Cities Revolving Loan		<u>319,545.55</u>
		<u>1,872,331.02</u>
Balance December 31, 2012	B	\$ <u><u>1,450,001.58</u></u>

TOWNSHIP OF LOWER
TRUST FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL EXPENDITURES

Balance December 31, 2011	<u>Ref.</u> B		\$	9,606.00
Increased By:				
Dog Licenses Fees Collected		\$ 5,043.00		
Other Fees Collected		665.92		
Prepaid Licenses Applied		<u>4.20</u>		
				<u>5,713.12</u>
				15,319.12
Decreased By:				
Statutory Excess Due to Current Fund		5,510.12		
Animal Control Expenditures		<u>725.00</u>		
				<u>6,235.12</u>
Balance December 31, 2012	B		\$	<u><u>9,084.00</u></u>

License Fees Collected		<u>Year</u>		
		2010	\$	5,443.00
		2011		<u>5,990.34</u>
			\$	<u><u>11,433.34</u></u>

TOWNSHIP OF LOWER
TRUST FUND
SCHEDULE OF AMOUNT DUE TO STATE OF NEW JERSEY

Balance December 31, 2011	<u>Ref.</u> B	\$	8.40
Increased By:			
License Fees Collected		\$	3,055.20
			<u>3,055.20</u>
			3,063.60
Decreased By:			
Paid to State of New Jersey			3,061.20
			<u>3,061.20</u>
Balance December 31, 2012	B	\$	<u><u>2.40</u></u>

TOWNSHIP OF LOWER
GENERAL CAPITAL FUND
SCHEDULE OF CASH - TREASURER

Balance December 31, 2011	<u>Ref.</u> C		\$ 1,556,763.21
Increased By Receipts:			
Bond Anticipation Notes Issued		\$ 1,200,000.00	
Premium on Bond Anticipation Notes Issued		11,575.00	
Due from Current Fund			
Capital Improvement Fund		<u>295,000.00</u>	
			<u>1,506,575.00</u>
			3,063,338.21
Decreased By Disbursements:			
Improvement Authorizations		<u>1,674,538.19</u>	
			<u>1,674,538.19</u>
Balance December 31, 2012	C		\$ <u><u>1,388,800.02</u></u>

TOWNSHIP OF LOWER
GENERAL CAPITAL FUND
ANALYSIS OF CASH

Ord. Number	Description	Receipts		Disbursements		Transfers		Balance Dec. 31, 2012
		Notes Issued	Bonds and Loans Issued	Improvement Authorizations	Misc.	From	To	
	Fund Balance	\$	\$	\$	\$	\$	\$	\$
	Capital Improvement Fund	136,920.80		11,575.00		63,000.00		85,495.80
	Encumbrances Payable	100,323.00		295,000.00		175,000.00		220,323.00
		812,975.94				812,975.94	241,532.85	241,532.85
	<u>Improvement Authorizations</u>							
	01-08 Installation of Water Lines and Related Improvements			32.68			32.68	
	04-07 Various Capital Improvements	67,079.15		29,379.97		25,077.00	3,499.00	16,121.18
	05-08 Various Capital Improvements	38,702.48		12,628.08		35,215.21	8,140.81	
	05-09 Recreation Development Project	121,552.97		5,301.51				
	05-13 Various Road Improvements	132,813.67		187,348.47		1,389.80	156,464.14	116,251.46
	05-20 Engineering Services	5,090.00				5,513.75	5,513.75	5,090.00
	06-13 Various Capital Improvements	5,790.33		5,365.28				9,952.05
	07-14 Various Capital Improvements	254,131.28		336,145.84		31,937.93	299,740.05	185,787.56
	08-15 ADA Improvements to Township Hall	7,685.47		5,722.40				1,963.07
	08-20 Various Capital Improvements	246,851.58		157,572.43		3,678.60	114,843.69	200,444.24
	09-11 Roads/Drainage	34,934.98		1,975.00		9,425.00	19,600.00	43,134.98
	09-12 Various Capital Improvements	75,702.04		39,735.50		20,200.00	21,438.00	37,204.54
	10-08 Various Capital Improvements	(528,457.71)		195,483.02		81,346.74	150,592.66	(54,694.61)
	10-09 Roads/Drainage	72,196.16		25,000.00		2,746.00	2,746.00	47,196.16
	11-14 Various Capital Improvements	(28,528.93)		163,787.14		43,796.11	20,837.16	(115,275.02)
	12-08 Acquisition of Various Vehicles			63,000.00			63,000.00	
	12-09 Acquisition of Various Equipments			38,166.40		423.66	45,000.00	6,409.94
	12-10 Various Capital Improvements			204,875.85		25,783.05	75,000.00	344,341.10
	12-16 Property Acquisition			202,417.62			10,000.00	(192,417.62)
	12-19 Road and Drainage Improvements			600.00			90,000.00	89,400.00
		\$	\$	\$	\$	\$	\$	\$
		1,556,763.21	1,200,000.00	306,575.00		1,337,508.79	1,337,508.79	1,388,800.02

Ref.

TOWNSHIP OF LOWER
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

Balance December 31, 2011	<u>Ref.</u> C		\$	100,323.00
Increased By:				
Current Fund Budget Appropriation		\$	<u>295,000.00</u>	<u>295,000.00</u>
				<u>395,323.00</u>
Decreased By:				
Appropriated to Finance Improvement Authorizations			<u>175,000.00</u>	<u>175,000.00</u>
Balance December 31, 2012	C		\$	<u><u>220,323.00</u></u>

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance December 31, 2011	<u>Ref.</u> C		\$	14,160,493.86
Increased By:				
None		\$	<u>-</u>	<u>-</u>
				<u>14,160,493.86</u>
Decreased By:				
2012 Budget Appropriation to Pay Bonds			<u>2,177,014.29</u>	<u>2,177,014.29</u>
Balance December 31, 2012	C		\$	<u><u>11,983,479.57</u></u>

TOWNSHIP OF LOWER
GENERAL CAPITAL FUND
SCHEDULE OF GENERAL SERIAL BONDS

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2011	Decreased	Balance Dec. 31, 2012
			Date	Amount				
General Improvements	12/15/2004	\$ 4,700,000	12/15/2013	\$ 500,000	3.500%	\$ 2,500,000.00	\$ 500,000.00	\$ 2,000,000.00
			12/15/2014	500,000	3.500%			
			12/15/2015	500,000	3.500%			
			12/15/2016	500,000	3.625%			
General Improvements	4/1/2009	8,800,000	4/1/2013	1,000,000	3.000%	7,300,000.00	900,000.00	6,400,000.00
			4/1/2014	1,000,000	3.000%			
			4/1/2015	1,000,000	3.000%			
			4/1/2016	1,000,000	3.125%			
			4/1/2017	1,200,000	3.500%			
			4/1/2018	1,200,000	4.000%			
					Ref. \$	<u>9,800,000.00</u>	<u>\$ 1,400,000.00</u>	<u>\$ 8,400,000.00</u>
						C		C
					Paid by Current Fund Budget \$		<u>1,400,000.00</u>	
							<u>\$ 1,400,000.00</u>	

TOWNSHIP OF LOWER
GENERAL CAPITAL FUND
SCHEDULE OF REFUNDING BONDS - GENERAL

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2011	Decreased	Balance Dec. 31, 2012
			Date	Amount				
General Refunding Issue of 2011	08/31/11	\$ 2,720,000	7/15/2013	\$ 675,000	3.000%	\$ 2,720,000.00	\$ 685,000.00	\$ 2,035,000.00
			7/15/2014	680,000	3.000%			
			7/15/2015	680,000	4.000%			
					Ref.	\$ 2,720,000.00	\$ 685,000.00	\$ 2,035,000.00
						C		C

TOWNSHIP OF LOWER
GENERAL CAPITAL FUND
SCHEDULE OF GREEN TRUST LOANS PAYABLE

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Loans					
			Date	Outstanding December 31, 2012 Amount	Interest Rate	Balance Dec. 31, 2011	Decreased	Balance Dec. 31, 2012
Recreation Development Various	2006	\$ 800,000	2013	\$ 38,216.58	2.000%	\$ 623,468.20	\$ 37,463.58	\$ 586,004.62
			2014	38,984.74				
			2015	39,768.34				
			2016	40,567.68				
			2017	41,383.08				
			2018	42,214.90				
			2019	43,063.40				
			2020	43,928.98				
			2021	44,811.96				
			2022	45,712.68				
			2023	46,631.52				
			2024	47,568.78				
			2025	48,524.94				
		2026	24,627.04					
Recreation Development Various	2007	\$ 900,000	2013	\$ 42,146.52	1.000%	742,717.76	41,316.07	701,401.69
			2014	42,993.66				
			2015	43,857.84				
			2016	44,739.38				
			2017	45,638.64				
			2018	46,555.98				
			2019	47,491.76				
			2020	48,446.34				
			2021	49,420.11				
			2022	50,413.45				
			2023	51,426.77				
			2024	52,460.44				
			2025	53,514.90				
		2026	54,590.55					
		2027	27,705.35					

TOWNSHIP OF LOWER
GENERAL CAPITAL FUND
SCHEDULE OF GREEN TRUST LOANS PAYABLE

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Loans Outstanding		Interest Rate	Balance Dec. 31, 2011	Decreased	Balance Dec. 31, 2012
			Date	Amount				
Bennett's Crossing	2009	\$ 300,000	2013	\$ 13,500.66	1.000%	\$ 274,307.90	\$ 13,234.64	\$ 261,073.26
			2014	13,772.02				
			2015	14,048.84				
			2016	14,331.22				
			2017	14,619.28				
			2018	14,913.13				
			2019	15,212.88				
			2020	15,518.66				
			2021	15,830.58				
			2022	16,148.78				
			2023	16,473.37				
		2024	16,804.48					
		2025	17,142.26					
		2026	17,486.82					
		2027	17,838.30					
		2028	18,196.85					
		2029	9,235.13					

Ref. <u>\$ 1,640,493.86</u>	<u>\$ 92,014.29</u>
<u>C</u>	<u>C</u>
<u>\$ 1,548,479.57</u>	

**TOWNSHIP OF LOWER
GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES**

Ord. Number	Improvement Description	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance		Increased	Decreased	Balance Dec. 31, 2012
						Dec. 31, 2011	Dec. 31, 2011			
07-14	Various Capital Improvements	8/11/2011	8/9/2012	8/9/2013	1.25%	\$ 375,000.00	\$ 375,000.00	\$ 375,000.00	\$ 375,000.00	\$ 375,000.00
08-20	Various Capital Improvements	8/11/2011	8/9/2012	8/9/2013	1.25%	755,000.00	755,000.00	755,000.00	755,000.00	755,000.00
09-11	Stormwater Outfall Extensions	8/11/2011	8/9/2012	8/9/2013	1.25%	245,000.00	245,000.00	245,000.00	245,000.00	245,000.00
09-12	Various Capital Improvements	8/11/2011	8/9/2012	8/9/2013	1.25%	335,000.00	335,000.00	335,000.00	335,000.00	335,000.00
10-09	Road and Drainage Improvements	8/11/2011	8/9/2012	8/9/2013	1.25%	415,000.00	415,000.00	415,000.00	415,000.00	415,000.00
10-08	Various Capital Improvements	8/9/2012	8/9/2012	8/9/2013	1.25%	600,000.00	600,000.00	600,000.00	600,000.00	600,000.00
11-14	Various Capital Improvements	8/9/2012	8/9/2012	8/9/2013	1.25%	100,000.00	100,000.00	100,000.00	100,000.00	100,000.00
12-10	Various Capital Improvements	8/9/2012	8/9/2012	8/9/2013	1.25%	500,000.00	500,000.00	500,000.00	500,000.00	500,000.00
						\$ 2,125,000.00	\$ 3,325,000.00	\$ 2,125,000.00	\$ 3,325,000.00	\$ 3,325,000.00
						Ref.	C	C	C	C

TOWNSHIP OF LOWER
GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ord. Number	Improvement Description	Balance Dec. 31, 2011	2012 Authorizations	Notes Issued	Balance Dec. 31, 2012
10-08	Various Capital Improvements	\$ 905,000.00	\$	600,000.00	\$ 305,000.00
11-14	Various Capital Improvements	400,000.00		100,000.00	300,000.00
12-10	Various Capital Improvements		830,000.00	500,000.00	330,000.00
12-16	Property Acquisition		200,000.00		200,000.00
12-19	Road and Drainage Improvements		1,700,000.00		1,700,000.00
		<u>\$ 1,305,000.00</u>	<u>\$ 2,730,000.00</u>	<u>\$ 1,200,000.00</u>	<u>\$ 2,835,000.00</u>
Ref.		C	C-6	C	C

TOWNSHIP OF LOWER
PART II
GENERAL COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED
DECEMBER 31, 2012



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAYEN AVENUE • PO BOX 538 • OCEAN CITY, NJ • 08226-0538
PHONE 609.399.6333 • FAX 609.399.3710
www.ford-scott.com

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of Township Council
Township of Lower, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the various funds and account group, of the Township of Lower, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated April 5, 2013 which was adverse due to being presented in accordance with the New Jersey regulatory basis of accounting.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello
Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

April 5, 2013

TOWNSHIP OF LOWER

GENERAL COMMENTS

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

N.J.S.A. 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 therefor, except as is provided otherwise in this act or specifically by any other law." The Township's bid threshold is \$36,000 with the appointment of a Qualified Purchasing Agent "QPA".

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

Our examination of expenditures did not reveal any payments in excess of the bid threshold for the provision or performance of any goods or services, other than those where bids had been previously sought by public advertisement, awarded under state or county cooperative purchasing agreements, or awarded in compliance with other provisions of the "Local Public Contracts Law," N.J.S.A. 40A:11.

The minutes indicate that bids were sought by public advertising for the following items:

- Tide Flex Check Valves
- Material and Pipe Supplies
- Delaware Bay Shore Outfall Extensions
- One Single Axel Cab Freightliner
- One Freightliner Dump Truck with Plow and Spreader
- Landscaping
- Fireworks Display
- Field Maintenance

Collection of Interest on Delinquent Taxes and Assessments

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

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

BE IT RESOLVED by the Township Council of the Township of Lower, in accordance with Chapter 75, New Jersey Laws of 1991, and N.J.S.A. 54:4-67, 54:5-32, 54:5-34 and 54:5-35, which authorizes the Governing Body *inter alia* to fix the rate of interest to be charged, in the Township of Lower, for the nonpayment of taxes, assessments and municipal charges, said rate of interest shall be and is hereby fixed at 8 per cent per annum on the first \$1,500 of delinquency and 18 per cent per annum on any amount in excess of \$1,500 to be calculated from the date when the taxes, assessments and charges become delinquent.

TOWNSHIP OF LOWER

GENERAL COMMENTS (CONTINUED)

Collection of Interest on Delinquent Taxes and Assessments - Continued

BE IT FURTHER RESOLVED by the Township Council of the Township of Lower, in accordance with N.J.S.A. 54:4-67, Chapter 75, New Jersey Laws of 1991, and Chapter 32, New Jersey Laws of 1994, which permits a 6 per cent penalty on taxes and municipal charges greater than \$10,000 as of the close of the fiscal year, that said end-of-year penalty shall be fixed for the Year 2012.

This Resolution shall take effect January 1, 2012.

It appears from an examination of the collector's records that interest was charged in accordance with the foregoing resolution.

Delinquent Taxes and Tax Title Liens

The tax sale was held and was complete. Inspection of tax sale certificates on file revealed that all tax sale certificates were available for audit.

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

<u>Year</u>	<u>Number</u>
2012	30
2011	35
2010	42

It is essential to good management that all means provided by the statutes be utilized to liquidate tax title liens, in order to get such properties back on a tax-paying basis.

Verification of Delinquent Taxes and Other Charges

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

<u>Type</u>	<u>Number Mailed</u>
Payments of 2012 and 2013 Taxes	25
Delinquent Taxes	25
Total	<u>50</u>

Deposit of Municipal Funds

N.J.S.A. 40A:5-15 states:

"All moneys, including moneys collected by taxation, received from any source by or on behalf of any local unit or any board or department thereof shall, within 48 hours after the receipt thereof, either

- a. be paid to the officer charged with the custody of the general funds of the local unit, who shall deposit all such funds within 48 hours after the receipt thereof to the credit of the local unit in its designated legal depository, or
- b. be deposited to the credit of the local unit in its designated legal depository."

Our examination revealed that municipal funds were deposited within the mandated time.

TOWNSHIP OF LOWER

FINDINGS AND RECOMMENDATIONS

NONE

Should any questions arise as to my comments or recommendations, or should you desire assistance in implementing my recommendations, please do not hesitate to contact me.

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello

Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

TOWNSHIP OF LOWER
PART III
FEDERAL AWARD PROGRAMS
FOR THE YEAR ENDED
DECEMBER 31, 2012



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • PO BOX 538 • OCEAN CITY, NJ • 08226-0538
PHONE 609.399.6333 • FAX 609.399.3710
www.ford-scott.com

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of Township Council
Township of Lower, New Jersey

Report on Compliance for Each Major Federal Program

We have audited Township of Lower's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Township of Lower's major federal programs for the year ended December 31, 2012. Township of Lower's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Township of Lower's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards, OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Township of Lower's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of Township of Lower's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the Township of Lower complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the Township of Lower is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Township of Lower's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Township of Lower's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedules of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the accompanying balance sheets - regulatory basis of the various funds and account groups of the Township of Lower, New Jersey, as of December 31, 2012 and 2011, the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2012, and have issued our report thereon dated April 5, 2013, which contained an adverse opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello
Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

April 5, 2013

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

Federal CFDA Number	Grant Period	Program or Award Amount	Cash Received	Amount of Expenditures	Cumulative Expenditures
<u>Department of Housing and Urban Development</u>					
<u>Passed Through NJ Department of Community Affairs</u>					
14.228	2/1/11-1/1/13	\$ 500,000.00	\$ 164,703.00	\$ 427,074.97	\$ 427,074.97
14.228	2/1/11-1/1/13	200,000.00	82,120.00	98,777.78	153,362.78
14.228	10/1/10-9/30/12	232,000.00	196,445.00	196,445.00	212,445.00
14.228	open	on-going	13,591.72	262,345.96	262,345.96
Total U.S. Department of Housing & Urban Development			456,859.72	984,643.71	1,055,228.71
<u>U.S. Department of Justice</u>					
<u>Passed Through NJ Department of Law and Public Safety</u>					
16.738	1/1/09-12/31/12	1,579.55	-	1,579.55	1,579.55
16.607	1/1/11-12/31/12	8,279.63	-	2,967.54	8,279.63
16.607	1/1/12-12/31/12	5,071.05	-	3,870.46	3,870.46
Total US Department of Justice			-	8,417.55	13,729.64
Total Federal Assistance			\$ 456,859.72	\$ 993,061.26	\$ 1,068,958.35

TOWNSHIP OF LOWER
NOTES TO THE SCHEDULES OF EXPENDITURES
OF FEDERAL AWARDS
DECEMBER 31, 2012

1. General

The accompanying schedule of financial assistance presents the activity of all state financial assistance programs of the Township of Lower. The Township of Lower is defined in Note 1(A) of the Township's financial statements. All federal financial assistance received from federal agencies, as well as, federal assistance passed through other governmental agencies, are included on the schedule of expenditures of federal awards.

2. Basis of Accounting

The accompanying schedules of financial assistance are presented using the modified accrual basis of accounting in accordance with the "Requirements of Audit" as promulgated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Township accounts for its financial transactions through separate funds, which differ from the funds required by accounting principles generally accepted in the United States of America (GAAP).

3. Relationship to Financial Statements

Amounts reported in the accompanying schedule agree with amounts reported in the Township's financial statements – regulatory basis. The financial statements – regulatory basis present the funds on a budgetary basis. The funds are presented in the accompanying schedules on the budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

Grant Fund	\$	730,715.30
Trust Fund		<u>262,345.96</u>
	\$	<u><u>993,061.26</u></u>

4. Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule agrees with the amounts reported in the related federal financial reports, where applicable.

TOWNSHIP OF LOWER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDING DECEMBER 31, 2012

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unqualified Opinion issued on the Financial Statements – Regulatory Basis, presented in accordance with an "Other Comprehensive Basis of Accounting" dated April 5, 2013**

Internal control over financial reporting:

- 1) Material weakness identified? **No**
- 2) Significant deficiencies identified that are not considered to be a material weakness? **None Reported**

Non-compliance material to financial statements – regulatory basis noted? **No**

Federal Awards

Internal control over major programs:

- 1) Material weakness identified? **No**
- 2) Significant deficiencies identified that are not considered to be a Material weakness? **None Reported**

Type of auditor's report issued on compliance for major programs: **An Unqualified Opinion was issued on compliance for major programs, dated April 5, 20 13**

Any audit findings disclosed that are required to be reported in accordance with New Jersey OMB Circular 04-04? **No**

C.F.D.A. Number(s)

14.228

Name of Federal Program

Small Cities

Dollar threshold used to distinguish between type A and type B Programs: **\$300,000**

Auditee qualified as low-risk auditee? **No**

TOWNSHIP OF LOWER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

II. FINDINGS RELATING TO THE FINANCIAL STATEMENTS – REGULATORY BASIS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, our audit disclosed no findings relating to the financial statements – regulatory basis that are required to be reported under this section. In addition, we did note certain immaterial findings that are reported in a separate management letter.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL ASSISTANCE

Federal:

None

STATUS OF PRIOR YEAR FINDINGS

There were no prior year questioned costs.