

**TOWNSHIP OF LOWER
REPORT OF AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2016**

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TOWNSHIP OF LOWER
PART I
REPORT ON AUDIT OF
FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED
DECEMBER 31, 2016



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Honorable Mayor and
Members of Township Council
Township of Lower
County of Cape May, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Township of Lower, as of December 31, 2016 and 2015, the related statement 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, 2016, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 audit. We conducted our audit 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 Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant

accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 the 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 America, 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, 2016 and 2015, or changes in financial position for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis balance sheets and account group as of December 31, 2016 and 2015, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2016 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

Other Information

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 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 is the responsibility of management and was 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. 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the financial statements. Because of the significance of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2017 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

June 9, 2017

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**EXHIBIT - A
CURRENT FUND**

**CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Regular Fund:		
Cash:		
Cash Treasurer	\$ 9,321,138.53	8,187,891.43
Cash - Change	600.00	600.00
Total Cash	9,321,738.53	8,188,491.43
Other Receivables:		
Due from State - Chapter 20 P.L. 1971	3,683.76	4,736.31
Total Other Receivables	3,683.76	4,736.31
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	795,073.20	830,374.54
Tax Title Lien Receivable	233,612.06	212,847.90
Lower Township MUA Lien	7,848.36	7,848.36
Property Acquired for Taxes - at Assessed Valuation	1,663,300.00	1,663,300.00
Revenue Accounts Receivable	6,163.14	7,794.41
Municipal Fees Receivable	3,840.00	-
Lot Clearing Assessments	4,865.00	5,310.00
Total Receivables and Other Assets	2,714,701.76	2,727,475.21
Deferred Charges:		
Emergency Appropriation	-	10,000.00
Special Emergency Appropriation	74,000.00	111,000.00
Total Deferred Charges	74,000.00	121,000.00
Total Regular Fund	12,114,124.05	11,041,702.95
Federal and State Grant Fund:		
Federal and State Grants Receivable	1,291,447.60	741,265.67
Due from Current Fund	177,922.83	198,421.18
Total Federal and State Grant Fund	1,469,370.43	939,686.85
Total Current Fund	\$ 13,583,494.48	11,981,389.80

**CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2016</u>	<u>2015</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 1,043,789.11	1,278,541.74
Reserve for Encumbrances/Accounts Payable	365,820.11	473,231.59
Accounts Payable	7,268.31	-
Prepaid Taxes	1,117,250.37	995,943.68
Overpaid Taxes	16,948.06	24,860.21
County Added Tax Payable	23,916.30	18,848.61
Due to State:		
Burial Permits	-	15.00
Marriage Licenses	875.00	900.00
Permit Surcharge Fees	16,330.00	18,833.00
Interfund Payable:		
Federal and State Grant Funds	177,922.83	198,421.18
Trust Other Fund	-	3,675.03
Other		
Prepaid Fees	9,612.00	16,876.00
Reserve for Prepaid Seniors & Vets	1,500.00	-
Reserve for Reassessment	38,781.50	38,781.50
	<u>2,820,013.59</u>	<u>3,068,927.54</u>
Reserve for Receivables and Other Assets	2,714,701.76	2,727,475.21
Fund Balance	6,579,408.70	5,245,300.20
Total Regular Fund	<u>12,114,124.05</u>	<u>11,041,702.95</u>
Federal and State Grant Fund:		
Unappropriated Reserves	-	295.20
Appropriated Reserves	1,141,267.67	568,365.25
Encumbrances Payable	328,102.76	371,026.40
Total Federal and State Grant Fund	<u>1,469,370.43</u>	<u>939,686.85</u>
Total Current Fund	<u>\$ <u>13,583,494.48</u></u>	<u>11,981,389.80</u>

**CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES
IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	2016	2015
Revenue and Other Income Realized		
Fund Balance	\$ 2,180,000.00	1,800,000.00
Miscellaneous Revenue Anticipated	4,720,430.55	4,804,171.77
Receipts from Delinquent Taxes	825,830.26	916,893.04
Receipts from Current Taxes	62,053,946.14	59,811,382.80
Non Budget Revenue	284,541.30	191,238.75
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	905,303.86	607,069.47
Prior Years' Accounts Payable Cancelled	500.00	215.50
Cancel Prior Years Outstanding Grant Balances	11,904.81	-
Total Income	70,982,456.92	68,130,971.33
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	10,388,449.02	10,197,467.00
Other Expenses	8,698,750.50	8,594,325.00
Deferred Charges & Statutory Expenditures	2,371,508.00	2,374,486.00
Appropriations Excluded from "CAPS"		
Operations:		
Salaries and Wages	120,839.01	126,871.47
Other Expenses	923,393.98	844,895.79
Capital Improvements	250,000.00	95,000.00
Debt Service	2,750,794.15	2,563,066.39
Deferred Charges	47,000.00	217,000.00
Local District School Tax	16,545,016.00	16,061,940.00
Regional District School Tax	13,374,330.50	12,368,068.50
County Tax	9,712,864.63	9,424,585.84
County Share of Added Tax	23,916.30	18,848.61
Other:		
Special District Tax	2,251,624.00	2,221,371.00
Refund of Prior Year's Revenue	9,862.33	-
Cancellation of Senior and Vet Due from State	-	7,772.60
Total Expenditures	67,468,348.42	65,115,698.20
Excess in Revenue	3,514,108.50	3,015,273.13

**CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES
IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	<u>2016</u>	<u>2015</u>
Adjustments to Income before Fund Balance:		
Emergency Appropriation	-	10,000.00
Total Adjustments	<u>-</u>	<u>10,000.00</u>
Statutory Excess to Fund Balance	<u>3,514,108.50</u>	<u>3,025,273.13</u>
Fund Balance January 1	<u>5,245,300.20</u>	<u>4,020,027.07</u>
	8,759,408.70	7,045,300.20
Decreased by:		
Utilization as Anticipated Revenue	<u>2,180,000.00</u>	<u>1,800,000.00</u>
Fund Balance December 31	<u>\$ <u>6,579,408.70</u></u>	<u>5,245,300.20</u>

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Fund Balance Anticipated	\$ 2,180,000.00		2,180,000.00	-
Total Fund Balance Anticipated	2,180,000.00	-	2,180,000.00	-
Miscellaneous Revenues:				
Section A: Local Revenues				
Licenses:				
Alcoholic Beverages	35,000.00		38,900.00	3,900.00
Other	181,500.00		114,998.60	(66,501.40)
Fees and Permits	79,500.00		72,224.25	(7,275.75)
Fines and Costs:				
Municipal Court	101,500.00		107,420.25	5,920.25
Interest and Costs on Taxes	150,000.00		178,315.20	28,315.20
Interest Earned on Investments	3,000.00		53,288.96	50,288.96
Amount Anticipated from LTMUA per N.J.S.A. 40A:5A-12.1	205,000.00		205,000.00	-
Recreation Fees	40,000.00		72,166.60	32,166.60
Payment in Lieu of Taxes - Yorkshire Place	15,000.00		25,415.10	10,415.10
Payment in Lieu of Taxes - Haven House	55,000.00		38,239.50	(16,760.50)
Payment in Lieu of Taxes - Conifer	135,000.00		38,256.10	(96,743.90)
Cable Franchise Fees	25,000.00		136,706.56	111,706.56
Bulk Trash Receipts	30,000.00		74,612.90	44,612.90
Total Section A: Local Revenues	1,055,500.00	-	1,155,544.02	100,044.02
Section B: State Aid Without Offsetting Appropriations				
Consolidated Municipal Property Tax Relief	21,597.00		21,597.00	-
Energy Receipts Tax	1,454,194.00		1,454,194.00	-
Garden State Preservation Trust Fund	87,437.00		87,437.00	-
Total Section B: State Aid Without Offsetting Appropriations	1,563,228.00	-	1,563,228.00	-

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Section C: Uniform Construction Code Fees				
Uniform Construction Code Fees	250,000.00		524,672.00	274,672.00
Total Section C: Uniform Construction Code Fees	250,000.00	-	524,672.00	274,672.00
Section D: Interlocal Municipal Service Agreements				
Offset with Appropriations				
Boards of Educations - Special Police	79,293.76		78,293.76	(1,000.00)
County Interlocal - Garage Services	42,000.00		42,205.00	205.00
Total Section D: Interlocal Municipal Service Agreements	121,293.76	-	120,498.76	(795.00)
Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations				
Recycling Tonnage Grant	46,517.52		46,517.52	-
Drunk Driving Enforcement Fund		7,714.01	7,714.01	-
Alcohol Education and Rehabilitation Fund		1,027.39	1,027.39	-
Municipal Alliance on Alcoholism and Drug Abuse		29,839.00	29,839.00	-
Small Cities	550,000.00		550,000.00	-
Body Armor Grant	295.20	7,604.64	7,899.84	-
Atlantic County JIF Grant		5,400.00	5,400.00	-
Clean Communities		90,672.08	90,672.08	-
Click it or Ticket		5,000.00	5,000.00	-
Hacmat - FEIMA		75,000.00	75,000.00	-
Body Worn Cameras		23,000.00	23,000.00	-
Drive Sober or Get Pulled Over		5,000.00	5,000.00	-
USDA		26,021.15	26,021.15	-
Total Section F: Special Items - Public and Private Programs	596,812.72	276,278.27	873,090.99	-
Off-Set with Appropriations				

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Section G: Other Special Items				
Uniform Fire Safety Act	280,022.00	-	303,396.78	23,374.78
Reserve for Debt Service	123,000.00		123,000.00	-
Aid from Fire Districts #1,2 & 3	57,000.00		57,000.00	-
Total Section G: Other Special Items	460,022.00	-	483,396.78	23,374.78
Total Miscellaneous Revenues:	4,046,856.48	276,278.27	4,720,430.55	397,295.80
Receipts from Delinquent Taxes	800,000.00		825,830.26	25,830.26
Amount to be Raised by Taxes for Support of Municipal Budget Local Tax for Municipal Purposes	20,086,897.94		21,294,160.39	1,207,262.45
Total Amount to be Raised by Taxes for Support of Municipal Budget	20,086,897.94	-	21,294,160.39	1,207,262.45
Budget Totals	27,113,754.42	276,278.27	29,020,421.20	1,630,388.51
Non-Budget Revenues: Other Non-Budget Revenues:			284,541.30	284,541.30
	27,113,754.42	276,278.27	29,304,962.50	1,914,929.81

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	\$	62,053,946.14
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Less: Reserve for Tax Appeals Pending		62,053,946.14
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Net Revenue from Collections		62,053,946.14
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Allocated to:

School, County and Other Taxes		42,573,877.93
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Balance for Support of Municipal Budget Appropriations		19,480,068.21
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Increased by:

Appropriation "Reserved for Uncollected Taxes"		1,814,092.18
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Amount for Support of Municipal Budget Appropriations		21,294,160.39
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Receipts from Delinquent Taxes:

Delinquent Tax Collection		823,905.74
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Tax Title Lien Collections		1,924.52
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Total Receipts from Delinquent Taxes		825,830.26
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Analysis of Non-Budget Revenue:

Miscellaneous Revenue Not Anticipated:

Assessor		640.00
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Legal Settlement		96,000.00
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Municipal Land Use Fees		36,483.86
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Police Reports		6,845.21
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Administration Fees		7,232.46
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Vital Statistics		23,392.00
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JIF Dividend		107,669.00
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Dog Damage		6,278.77
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Total Miscellaneous Revenue Not Anticipated:	\$	284,541.30
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**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
OPERATIONS WITHIN "CAPS" GENERAL GOVERNMENT:						
Office of Township Council						
Salaries and Wages	\$ 63,000.00	63,000.00	63,000.00	-	-	-
Other Expenses	18,950.00	18,950.00	12,662.27	4,529.95	1,757.78	-
Office of Township Clerk						
Salaries and Wages	221,500.00	223,000.00	218,218.14		4,781.86	-
Other Expenses	8,800.00	8,800.00	5,919.88	2,168.03	712.09	-
Elections						
Other Expenses	7,000.00	7,000.00	3,793.31		3,206.69	-
Office of Township Solicitor						
Other Expenses	216,000.00	191,000.00	135,294.57	17,860.75	37,844.68	-
Office of Township Manager						
Salaries and Wages	162,000.00	162,000.00	157,947.40		4,052.60	-
Other Expenses	15,500.00	15,500.00	11,515.98	1,303.38	2,680.64	-
Department of Revenue and Finance						
Salaries and Wages	324,000.00	314,000.00	307,884.27		6,115.73	-
Other Expenses	46,150.00	46,150.00	39,479.71	4,571.35	2,098.94	-
Audit Services						
Other Expenses	32,800.00	32,800.00	32,800.00		-	-
Division of Tax Assessment						
Salaries and Wages	134,500.00	124,500.00	116,043.81		8,456.19	-
Other Expenses	13,200.00	13,200.00	11,381.98	1,792.97	25.05	-

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Division of Taxation						
Salaries and Wages	190,500.00	190,500.00	183,875.17		6,624.83	-
Other Expenses:						
Liquidation of Tax Title Liens	1,000.00	1,000.00			1,000.00	-
Miscellaneous Other Expenses	9,725.00	9,725.00	6,028.43	786.12	2,910.45	-
Department of Planning and Development						
Salaries and Wages	197,000.00	177,000.00	168,278.01		8,721.99	-
Other Expenses	6,795.00	6,795.00	4,584.13	1,031.48	1,199.39	-
Engineering Services and Costs						
Other Expenses	9,000.00	11,500.00	6,565.72	2,434.28	2,500.00	-
Department of Parks and Recreation						
Salaries and Wages	254,000.00	254,000.00	247,849.11		6,150.89	-
Other Expenses	175,880.00	175,880.00	148,567.39	27,278.04	34.57	-
Department of Public Works						
Salaries and Wages	2,750,000.00	2,750,000.00	2,703,565.74		46,434.26	-
Other Expenses:						
Sanitary Landfill	730,000.00	820,000.00	688,951.40	123,780.53	7,268.07	-
Miscellaneous Other Expenses	280,245.00	300,245.00	273,745.97	25,599.46	899.57	-
Public Buildings and Grounds						
Salaries and Wages	139,000.00	140,500.00	137,961.29		2,538.71	-
Other Expenses	116,530.00	126,530.00	107,085.29	14,235.96	5,208.75	-
Department of Public Safety						
Salaries and Wages	4,440,706.24	4,350,875.00	4,138,258.86		212,616.14	-
Other Expenses	234,500.00	240,500.00	207,049.61	33,067.97	382.42	-

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Uniform Fire Safety Act (P.L. 1983, Ch. 383)						
Salaries and Wages	155,222.00	155,222.00	154,918.09		303.91	-
Other Expenses	181,800.00	181,800.00	129,795.17	3,397.98	48,606.85	-
Emergency Management Services						
Salaries and Wages	17,000.00	17,000.00	17,000.00		-	-
Other Expenses	7,500.00	7,500.00	135.00		7,365.00	-
Contributions to First Aid Organizations	105,000.00	105,000.00	105,000.00		-	-
Demolition						
Other Expenses	13,750.00	13,750.00	7,632.98		6,117.02	-
Police 911 Dispatchers						
Salaries and Wages	388,400.00	353,400.00	336,247.33		17,152.67	-
Other Expenses	9,960.00	109,960.00	108,956.06	366.00	637.94	-
Planning Board						
Other Expenses	8,000.00	8,000.00	7,500.00		500.00	-
Zoning Board of Adjustments						
Other Expenses	8,000.00	8,000.00	7,500.00		500.00	-
Animal Regulation:						
Other Expenses:						
Contractual	124,000.00	109,000.00	106,969.00		2,031.00	-
Miscellaneous Other Expenses	70,000.00	70,000.00	69,621.00		379.00	-
Municipal Court						
Salaries and Wages	216,500.00	216,500.00	194,203.30		22,296.70	-
Other Expenses	12,950.00	12,950.00	11,030.36	1,849.60	270.04	-

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Public Defender (P.L. 1997, C. 256) Salaries and Wages	11,200.00	11,200.00	11,200.00	-	-	-
General Liability	357,860.00	332,096.00	323,499.12	915.00	7,681.88	-
Workers Compensation Insurance	625,549.00	666,313.00	666,313.00	-	-	-
Employee Group Health	4,078,183.52	3,895,431.50	3,449,079.92	33,214.02	413,137.56	-
Health Benefit						
Salaries and Wages	108,000.00	111,252.02	111,252.02	-	-	-
Interlocal Agreement - Fire District #3	10,000.00	10,000.00	10,000.00	-	-	-
Construction Official						
Salaries and Wages	279,500.00	294,500.00	289,677.31		4,822.69	-
Other Expenses	14,135.00	14,135.00	11,217.50	1,875.52	1,041.98	-
Terminal Leave						
Salaries and Wages	380,000.00	480,000.00	480,000.00	-	-	-
Celebration of Public Events or Holidays	89,040.00	89,040.00	84,736.92	4,219.00	84.08	-
Electricity	205,500.00	223,500.00	193,271.52	15,035.13	15,193.35	-
Street Lighting	360,000.00	424,000.00	390,222.57	2,004.95	31,772.48	-
Telephone	85,000.00	85,000.00	75,301.62	1,797.66	7,900.72	-
Water	13,900.00	13,900.00	12,480.24		1,419.76	-
Natural Gas	70,000.00	70,000.00	37,685.70	7,385.65	24,928.65	-
Heating Oil	35,000.00	15,000.00	1,181.60		13,818.40	-
Gasoline	338,500.00	208,500.00	165,708.15	33,519.33	9,272.52	-
TOTAL OPERATIONS WITHIN "CAPS"	19,177,730.76	19,086,899.52	17,707,622.92	365,820.11	1,013,456.49	-

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Contingent	300.00	300.00			300.00	-
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	19,178,030.76	19,087,199.52	17,707,622.92	365,820.11	1,013,756.49	-
Detail:						
Salaries and Wages	10,432,028.24	10,388,449.02	10,037,379.85	-	351,069.17	-
Other Expenses	8,746,002.52	8,698,750.50	7,670,243.07	365,820.11	662,687.32	-
DEFERRED CHARGES AND STATUTORY EXPENDITURES:						
Deferred Charges:						
None						
Statutory Expenditures:						
Contributions to:						
Public Employees' Retirement System	601,226.00	571,226.00	569,381.67		1,844.33	-
Social Security System (O.A.S.I.)	800,000.00	792,000.00	786,043.54		25,956.46	-
Unemployment	100,000.00	100,000.00	99,366.51		633.49	-
Police and Firemen's Retirement System	903,082.00	903,082.00	902,901.40		180.60	-
Defined Contribution Retirement Program	10,200.00	5,200.00	4,175.26		1,024.74	-
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	2,414,508.00	2,371,508.00	2,341,868.38	-	29,639.62	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	21,592,538.76	21,458,707.52	20,049,491.30	365,820.11	1,043,396.11	-

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
OPERATIONS - EXCLUDED FROM "CAPS"					
(A) Operations - Excluded from "CAPS"					
Interlocal Municipal Service Agreements					
School Resource Officer	79,293.76	113,125.00	113,125.00	-	-
County Interlocal - Garage Services	42,000.00	42,000.00	42,000.00	-	-
	<u>121,293.76</u>	<u>155,125.00</u>	<u>155,125.00</u>	<u>-</u>	<u>-</u>
(A) Public and Private Programs Off-Set by Revenues					
Drunk Driving Enforcement Fund					
Salaries and Wages		7,714.01	7,714.01	-	-
Clean Communities		90,672.08	90,672.08	-	-
Hazmat - FEIMA		75,000.00	75,000.00	-	-
Municipal Alliance on Alcoholism and Drug Abuse					
State Match		29,839.00	29,839.00	-	-
Local Match	7,852.00	7,852.00	7,460.00	392.00	-
Recycling Tonnage Grant	46,517.52	46,517.52	46,517.52	-	-
Body Armor	295.20	7,899.84	7,899.84	-	-
Alcohol Education Rehabilitation		1,027.39	1,027.39	-	-
Click It or Ticket		5,000.00	5,000.00	-	-
JIF Safety		5,400.00	5,400.00	-	-
Supplemental Fire Services Program					
Fire District Direct Program	8,165.00	8,165.00	8,164.00	1.00	-
Small Cities	550,000.00	550,000.00	550,000.00	-	-
Drive Sober or Get Pulled Over		5,000.00	5,000.00	-	-
USDA		26,021.15	26,021.15	-	-
Body Worn Cameras		23,000.00	23,000.00	-	-
	<u>612,829.72</u>	<u>889,107.99</u>	<u>888,714.99</u>	<u>393.00</u>	<u>-</u>
Total Public and Private Programs Off-Set by Revenues					

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Appropriations		Budget After Modifications	Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications			Encumbered	Reserved	
Total Operations - Excluded from "CAPS" Detail:							
Salaries and Wages	734,123.48	1,044,232.99	1,043,839.99	-	393.00	-	
Other Expenses	79,293.76	120,839.01	120,839.01	-	-	-	
	654,829.72	923,393.98	923,000.98	-	393.00	-	
(C) Capital Improvements							
Capital Improvement Fund	150,000.00	250,000.00	250,000.00	-	-	-	
Total Capital Improvements	<u>150,000.00</u>	<u>250,000.00</u>	<u>250,000.00</u>	-	-	-	
(D) Debt Service							
Payment of Bond Principal	2,200,000.00	2,200,000.00	2,180,000.00	-	-	20,000.00	
Payment of Bond Anticipation Notes and Capital Notes	1,000.00	1,000.00	1,000.00	-	-	-	
Interest on Bonds	450,000.00	450,000.00	445,427.78	-	-	4,572.22	
Green Trust Loan Program:							
Loan Repayments for Principal and Interest	125,000.00	125,000.00	124,366.37	-	-	633.63	
Total Debt Service	<u>2,776,000.00</u>	<u>2,776,000.00</u>	<u>2,750,794.15</u>	-	-	<u>25,205.85</u>	
(E) Deferred Charges							
Emergency Authorizations	10,000.00	10,000.00	10,000.00	-	-	-	
Special Emergency Authorizations	37,000.00	37,000.00	37,000.00	-	-	-	
Total Deferred Charges	<u>47,000.00</u>	<u>47,000.00</u>	<u>47,000.00</u>	-	-	-	

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	3,707,123.48	4,117,232.99	4,091,634.14	-	393.00	25,205.85
SUBTOTAL GENERAL APPROPRIATIONS	25,299,662.24	25,575,940.51	24,141,125.44	365,820.11	1,043,789.11	25,205.85
(M) Reserve for Uncollected Taxes	1,814,092.18	1,814,092.18	1,814,092.18			-
TOTAL GENERAL APPROPRIATIONS	\$ 27,113,754.42	27,390,032.69	25,955,217.62	365,820.11	1,043,789.11	25,205.85
Budget Appropriations by 40A-4-87 Emergency Appropriation		27,113,754.42			Cancelled Overexpended	25,205.85
		276,278.27				-
		<u>27,390,032.69</u>				<u>25,205.85</u>
Reserve for Uncollected Taxes Federal and State Grants Deferred Charges Disbursements			1,814,092.18			
			888,714.99			
			47,000.00			
			23,205,410.45			
			<u>25,955,217.62</u>			

**EXHIBIT - B
TRUST FUND**

**TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

<u>Assets</u>	<u>2016</u>	<u>2015</u>
<u>Animal Control Fund</u>		
Cash and Investments	\$ 6,987.00	8,211.00
	<u>6,987.00</u>	<u>8,211.00</u>
<u>Other Funds</u>		
Cash and Investments	2,451,169.28	1,941,208.22
Due from Current Fund	-	3,675.03
Program Loans Receivable	1,415,378.23	451,621.70
	<u>3,866,547.51</u>	<u>2,396,504.95</u>
	<u>\$ 3,873,534.51</u>	<u>2,404,715.95</u>

**TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

<u>Liabilities, Reserves and Fund Balance</u>	<u>2016</u>	<u>2015</u>
<u>Animal Control Fund</u>		
Reserve for Animal Control Expenditures	\$ 6,972.00	8,211.00
Due to State of New Jersey	15.00	-
	<u>6,987.00</u>	<u>8,211.00</u>
<u>Other Funds</u>		
Deposits for Redemption of Tax Title		
Lien Certificates	14,382.08	22,391.17
Premiums Received at Tax Sale	395,800.00	367,600.00
Reserve for Program Loans Receivable	1,415,378.23	451,621.70
Reserve for Unemployment Compensation	120,070.74	86,748.84
Reserve for AFLAC Flex Trust	38.65	38.54
Reserve for Performance and Escrow Deposits	518,463.12	414,878.00
Reserve for Recreation	25,048.81	21,930.49
Reserve for Bail Escrow	725.00	725.00
Reserve for POAA	56.00	42.00
Reserve for Small Cities Revolving Loan	462,209.16	380,354.66
Reserve for Historic Commission	823.03	820.16
Reserve for Police Forfeiture	23,393.13	25,574.49
Reserve for Police Investigative Trust	294.78	294.78
Reserve for Joint Housing	40,556.52	40,335.90
Reserve for Public Defender	8,770.29	4,176.33
Reserve for Escrow Deposits	124,337.61	104,741.72
Reserve for Community Police	3,656.66	3,987.11
Reserve for Fire Safety Fees	305,008.56	293,354.74
Reserve for Off Duty Police	8,720.63	1,772.50
Reserve for Accumulated Absences	355,526.15	163,949.54
Reserve for Group Insurance	38.04	37.92
Reserve for Snow Removal	43,200.32	11,129.36
Reserve for Donations	50.00	-
	<u>3,866,547.51</u>	<u>2,396,504.95</u>
	<u>\$ 3,873,534.51</u>	<u>2,404,715.95</u>

EXHIBIT - C
GENERAL CAPITAL FUND

**GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Cash	\$ 8,082,010.02	5,328,588.46
Deferred Charges to Future Taxation -		
Funded	17,301,552.09	15,061,190.37
Unfunded	2,110,000.00	4,521,000.00
	<u>27,493,562.11</u>	<u>24,910,778.83</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Encumbrances Payable	1,382,624.93	1,226,753.41
Serial Bonds Payable	16,140,000.00	13,800,000.00
Green Trust Loan Payable	1,161,552.09	1,261,190.37
Improvement Authorizations:		
Funded	6,988,488.67	3,349,127.75
Unfunded	747,089.72	4,521,000.00
Reserve for Debt Service	775,229.60	589,130.20
Capital Improvement Fund	175,114.00	40,114.00
Fund Balance	123,463.10	123,463.10
	<u>\$ 27,493,562.11</u>	<u>24,910,778.83</u>

There were bonds and notes authorized but not issued at December 31,

2015	4,521,000.00
2016	2,110,000.00

**GENERAL CAPITAL FUND
COMPARATIVE STATEMENT OF FUND BALANCE -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	<u>2016</u>	<u>2015</u>
Beginning Balance January 1	\$ 123,463.10	123,463.10
Increased by:		
Premiums on sale of Bonds & Notes		
Decreased by:		
None		
Ending Balance December 31	<u>\$ 123,463.10</u>	<u>123,463.10</u>

EXHIBIT - G
GENERAL FIXED ASSETS ACCOUNT GROUP

**GENERAL FIXED ASSET ACCOUNT GROUP
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

<u>General Fixed Assets</u>	<u>2016</u>	<u>2015</u>
Land	\$ 2,076,786.58	2,076,786.58
Building	3,060,731.76	3,060,731.76
Machinery and Equipment	12,149,867.12	10,987,331.82
	<u>17,287,385.46</u>	<u>16,124,850.16</u>
<u>Investment in General Fixed Assets</u>		
Investment in General Fixed Assets	17,287,385.46	16,124,850.16
	<u>\$ 17,287,385.46</u>	<u>16,124,850.16</u>

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Except as noted below, the financial statements of the Township of Lower include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the Township of Lower, as required by N.J.S. 40A:5-5.

Component units are legally separate organizations for which the township is financially accountable. The township is financially accountable for an organization if the township appoints a voting majority of the organization's governing board and (1) the township is able to significantly influence the programs or services performed or provided by the organization; or (2) the township is legally entitled to or can otherwise access the organization's resources; the township is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the township is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the township in that the township approves the budget, the issuance of debt or the levying of taxes. The Township of Lower has component units consisting of three fire districts and one municipal utility authority as defined by Governmental Accounting Standards Board (GASB). The following organizations are considered component units of the Township:

Lower Township Fire District #1
1619 Bayshore Road
Villas, New Jersey 08251

Lower Township Fire District #2
224 Town Bank Road
North Cape May, New Jersey 08204

Lower Township Fire District #3
P.O. Box 162
Rio Grande, New Jersey 08242

Lower Township Municipal Utility Authority
2900 Bayshore Road
Villas, New Jersey 08251

Complete financial statement information can be obtained from the organization listed above.

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.

B. Description of Funds

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

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

Current Fund -- resources and expenditures for governmental operations of a general nature, including Federal and State grant funds.

Trust Funds -- receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

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

General Fixed Assets Account Group -- All fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds.

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local governmental units. The more significant policies in New Jersey follow.

A modified accrual basis of accounting is followed with minor exceptions.

Revenues -- are recorded as received in cash except for certain amounts, which are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the Township budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Township's Current Fund, such amounts are not recorded as revenue until collected. Other amounts that are due to the Township which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

Expenditures -- are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements. Appropriation reserves covering unencumbered appropriation balances are automatically created at December 31st of each year 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 year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis. Compensated absences are treated on a pay as you go basis with no amount charged to operations in the year incurred.

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.

Interfunds -- 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.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories is 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.

The Township has developed a fixed assets accounting and reporting system, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles.

As required by New Jersey Statutes, foreclosed property is reported in the current operating fund of the municipality.

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value on the date of acquisition.

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the Capital fund 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.

Levy of Taxes -- The County Board of Taxation certifies the tax levy of the municipality each year. The tax levy is based on the assessed valuation of taxable property within the municipality. Taxes are payable on the first day of February, May, August, and November. Any taxes that have not been paid by 11th day of the 11th month in the fiscal year levied are subject to being included in the tax sale and the lien enforced by selling the property in accordance with NJSA 54:5 et. seq.

The municipality is responsible for remitting 100% of the fire district, school and county taxes to the respective agency. The loss for delinquent or uncollectible accounts is borne by the municipality and not the fire district, school district or county.

Interest on Delinquent Taxes -- It is the policy of the Township of Lower to collect interest for the nonpayment of taxes or assessments on or before the date when they would become delinquent. The Tax Collector is authorized to charge eight percent (8%) per annum on the first \$1,500.00 of taxes becoming delinquent after due date and eighteen percent (18%) per annum on any amount of taxes in excess of \$1,500.00 becoming delinquent after due date and if a delinquency is in excess of \$10,000.00 and remains in arrears beyond December 31st, an additional penalty of six percent (6%) shall be charged against the delinquency. There is a ten day grace period.

Capitalization of Interest -- It is the policy of the Township of Lower to treat interest on projects as a current expense and the interest is included in the current operating budget.

Use of Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles or the regulatory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

D. Required Financial Statements

The State of New Jersey requires the following financial statements to be presented for each fund on the regulatory basis of accounting: Balance Sheet, Statement of Operations and Changes in Fund Balance, Statement of Revenue and Statement of Expenditures. These statements differ from those presented under Generally Accepted Accounting Principles, which requires a Statement of Net Position and Statement of Activities in addition to the fund financial statements.

E. Comparative Data

Comparative total data for the prior year has been presented in the accompanying Balance Sheets and Statement of Operations in order to provide an understanding of changes in the Township's financial position. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in the Statement of Revenue-Regulatory Basis and Statement of Expenditures-Regulatory Basis since their inclusion would make the statements unduly complex and difficult to read.

F. Recent Accounting Pronouncements Not Yet Effective

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans other Than Pension Plans". This statement is effective for fiscal periods beginning after June 30, 2016, and establishes new accounting and financial reporting requirements for OPEB plans. It is anticipated that this statement will not have any effect on the City's financial reporting.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement is effective for fiscal periods beginning after June 30, 2017. Although not determinable, the impact of this statement on the net position of the entity is anticipated to be significant.

In August 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 77 "Tax Abatement Disclosures". This statement, which is effective for fiscal periods beginning after December 15, 2015, will not have any effect on the City's financial reporting.

In December 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 78 "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans". This statement, which is effective for fiscal periods beginning after December 15, 2015, will not have any effect on the City's financial reporting.

In January 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 80 "Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14". This statement, which is effective for fiscal periods beginning after June 15, 2016, will not have any effect on the City's financial reporting.

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 81 "Irrevocable Split-Interest Agreements" This statement, which is effective for fiscal periods beginning after December 15, 2016, will not have any effect on the City's financial reporting.

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 82 "Pension issues – an amendment of GASB Statements No. 67, No.68, and No. 73". This statement, which is effective for fiscal periods beginning after June 15, 2016, may have an effect on the City's financial reporting.

In November 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 83 "Certain Asset Retirement Obligations" This statement, which is effective for fiscal periods beginning after June 15, 2018, will not have any effect on the City's financial reporting.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the Township is required to establish a reserve for uncollected taxes. The 2016 and 2015 statutory budgets included a reserve for uncollected taxes in the amount of \$1,814,092.18 and \$1,958,798.55. To balance the budget, the Township is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2016 and 2015 statutory budgets was \$2,180,000.00 and \$1,800,000.00.

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1 these transfers can be made in the form of a resolution and approved by the Township Committee. The following significant budget transfers were approved in the 2016 and 2015 calendar years:

<u>Budget Category</u>	<u>2016</u>	<u>2015</u>
<u>Current Fund:</u>		
Office of the Township Solicitor		
Other Expenses	(25,000.00)	
Department of Public Works		
Salaries and Wages		
Other Expenses: Sanitary Landfill	90,000.00	(111,500.00)
Department of Public Safety		
Salaries and Wages	(89,831.24)	
Police 911 Dispatchers		
Salaries and Wages	(35,000.00)	
Other Expenses	100,000.00	
General Liability Insurance	(25,764.00)	30,000.00
Workers Compensation Insurance	40,764.00	
Employee Group Health	182,752.02	150,000.00
Terminal Lease	100,000.00	
Street Lighting	64,000.00	
Gasoline	130,000.00	(93,500.00)
Social Security System (O.A.S.I.)		(30,000.00)

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During 2016 and 2015, the following budget insertions were approved:

<u>Budget Category</u>	<u>2016</u>	<u>2015</u>
Clean Communities Program	\$ 90,672.08	79,302.73
Click it or Ticket	5,000.00	4,000.00
JIF	5,400.00	1,000.00
Drive Sober or Get Pulled Over	5,000.00	10,000.00
Emergency Management		5,000.00
Cops in Shops		1,200.00
Drunk Driving Enforcement Fund	7,714.01	6,360.67
Body Armor	7,604.64	5,091.99
Municipal Alliance on Alcoholism and Drug Abuse	29,839.00	
Alcohol Education Rehab	1,027.39	58.93
SJ Game On		1,000.00
Wildlife Protection		5,000.00
Coastal Resiliency		250,000.00
Ducks Unlimited		1,000.00
Small Cities		50,000.00
Hazmat - FEMA	75,000.00	
Body Worn Cameras	23,000.00	
USDA	26,021.15	

The Township may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. The Township approved a special emergency and emergency appropriation in 2013 for \$185,000.00 and \$200,000.00. The special emergency was for a program of reassessment of real property in the Township. The emergency appropriation was for health insurance expenses. The Township previously approved a special emergency for terminal leave payments in the amount of \$900,000.00 which has been funded in full by the Townships budget. The unfunded balance of these emergencies as of December 31, 2016 was \$74,000.00.

NOTE 3: 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, 2016 and 2015, the Township did not have any investments.

Interest Rate Risk. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

Credit Risk. New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the local unit or school districts of which the local unit is a part of; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk. The municipality places no limit on the amount the Township can invest in any one issuer.

NOTE 4: CASH

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The municipality's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds or fund that may pass to the municipality relative to the happening of a future condition. As of December 31, 2016 and 2015, \$0 of the Township's bank balance of \$20,349,214.00 and \$14,578,094.94 was exposed to custodial credit risk.

NOTE 5: FIXED ASSETS

The following schedules are a summarization of the changes in general fixed assets for the calendar years ended December 31, 2016 and 2015:

	Balance 12/31/2014	Additions	Retirements/ Adjustments	Balance 12/31/2015
Land	\$ 2,076,786.58			2,076,786.58
Building	3,060,731.76			3,060,731.76
Machinery and Equipment	10,859,885.87	849,699.32	722,253.37	10,987,331.82
	<u>\$ 15,997,404.21</u>	<u>849,699.32</u>	<u>722,253.37</u>	<u>16,124,850.16</u>

	Balance 12/31/2015	Additions	Retirements/ Adjustments	Balance 12/31/2016
Land	\$ 2,076,786.58			2,076,786.58
Building	3,060,731.76			3,060,731.76
Machinery and Equipment	10,987,331.82	1,218,364.63	55,829.33	12,149,867.12
	<u>\$ 16,124,850.16</u>	<u>1,218,364.63</u>	<u>55,829.33</u>	<u>17,287,385.46</u>

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 6: SHORT-TERM OBLIGATIONS

	Balance 12/31/14	Issued	Retired	Balance 12/31/15
Bond Anticipation Notes payable:				
General	\$ 4,800,000.00		4,800,000.00	-
	<u>\$ 4,800,000.00</u>	-	<u>4,800,000.00</u>	<u>-</u>
	Balance 12/31/15	Issued	Retired	Balance 12/31/16
Bond Anticipation Notes payable:				
General	\$ -			-
	<u>\$ -</u>	-	-	<u>-</u>

The note was originally issued on August 11, 2011 and was due and payable on August 6, 2015 with interest at 1.00%. As of December 31, 2016 the Township has authorized but not issued bonds in the amount of \$2,110,000.00 in the General Capital Fund.

NOTE 7: LONG TERM DEBT

Long-term debt as of December 31, 2016 and 2015 consisted of the following:

	Balance 12/31/14	Issued	Retired	Balance 12/31/15	Amounts Due Within One Year
Other liabilities:					
Compensated					
Absences Payable	\$ 2,340,326.59	31,306.18	59,643.25	2,311,989.52	-
General Capital Fund:					
Bonds Payable	6,080,000.00	9,900,000.00	2,180,000.00	13,800,000.00	2,180,000.00
Green Trust Loans	1,358,865.39		97,675.02	1,261,190.37	99,638.28
Total long-term liabilities	<u>\$ 9,779,191.98</u>	<u>9,931,306.18</u>	<u>2,337,318.27</u>	<u>17,373,179.89</u>	<u>2,279,638.28</u>

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	Balance 12/31/15	Issued	Retired	Balance 12/31/16	Amounts Due Within One Year
Other liabilities:					
Compensated					
Absences Payable	\$ 2,311,989.52		109,310.49	2,202,679.03	-
General Capital Fund					
Bonds Payable	13,800,000.00	4,520,000.00	2,180,000.00	16,140,000.00	2,180,000.00
Green Trust Loans	1,261,190.37		99,638.28	1,161,552.09	101,641.00
Total long-term liabilities	<u>\$ 17,373,179.89</u>	<u>4,520,000.00</u>	<u>2,388,948.77</u>	<u>19,504,231.12</u>	<u>2,281,641.00</u>

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	
	Principal	Interest
2017	2,281,641.00	528,703.15
2018	2,403,684.01	456,482.38
2019	1,335,768.04	397,398.34
2020	1,457,893.98	358,372.38
2021	1,480,062.65	315,703.72
2022-2026	7,709,526.78	763,431.89
2027-2029	632,975.63	12,844.16
	<u>\$ 17,301,552.09</u>	<u>2,832,936.02</u>

Summary of Municipal Debt

	<u>Year 2016</u>	<u>Year 2015</u>	<u>Year 2014</u>
<u>Issued:</u>			
General - Bonds and Notes	\$ 17,301,552.09	15,061,190.37	12,238,865.39
Total Issued	<u>17,301,552.09</u>	<u>15,061,190.37</u>	<u>12,238,865.39</u>
<u>Authorized but not issued:</u>			
General - Bonds and Notes	2,110,000.00	4,521,000.00	3,541,000.00
Total Authorized But Not Issued	<u>2,110,000.00</u>	<u>4,521,000.00</u>	<u>3,541,000.00</u>
Total Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 19,411,552.09</u>	<u>19,582,190.37</u>	<u>15,779,865.39</u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.518%.

	Gross Debt	Deductions	Net Debt
Municipal/County General Obligations	\$ 35,198,913.09	15,787,361.00	19,411,552.09
School Debt	10,763,127.53	10,763,127.53	-
	<u>\$ 45,962,040.62</u>	<u>26,550,488.53</u>	<u>19,411,552.09</u>

Net Debt \$19,411,552.09 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$3,744,605,781.67= 0.518%.

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

3 1/2 % of Equalized Valuation Basis (Municipal)	\$ 131,061,202.36
Net Debt	19,411,522.09
Remaining Borrowing Power	<u>\$ 111,649,680.27</u>

Description of Bonds and Loans Payable

At December 31, 2016, bonds payable in the General Capital Fund consisted of the following individual issues:

\$4,700,000.00 General Improvement Bonds dated December 15, 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. There is no balance remaining as of December 31, 2016.

\$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, 2016, is \$2,400,000.00.

\$9,900,000.00 General Improvement Bonds dated July 18, 2015, due in annual installments beginning July 15, 2016 through July 15, 2025, bearing interest at various rates from 3.000% to 4.000% per annum. The balance remaining as of December 31, 2016, is \$9,220,000.00.

\$4,520,000.00 General Improvement Bonds dated August 5, 2016, due in annual installments beginning July 15, 2017 through July 15, 2027, bearing interest at various rates from 2.000% to 3.000% per annum. The balance remaining as of December 31, 2016, is \$4,520,000.00.

\$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, 2016, is \$428,467.28.

\$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, 2016, is \$527,664.29.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

\$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, 2016, is \$205,420.52.

NOTE 8: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2016 and 2015, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Current Fund	\$ 2,525,000.00	2,180,000.00

NOTE 9: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2016, the following deferred charges are shown on the balance sheets of the current fund.

	Balance December 31, 2016	2017 Budget Appropriation	Balance to Succeeding
Current fund:			
Special Emergency Appropriation	\$ 74,000.00	37,000.00	37,000.00
	<u>\$ 74,000.00</u>	<u>37,000.00</u>	<u>37,000.00</u>

NOTE 10: SCHOOL TAXES

Local District School Tax in the amounts of \$16,545,016.00 and \$16,061,940.00 have been raised for the 2016 and 2015 calendar years and remitted or due to the school district. The school tax levy is determined by taking 50% of the prior year and 50% of the current year requirements, plus the actual amount needed for debt service, if any.

Regional High School Tax in the amounts of \$14,040,457.00 and \$12,708,204.00 have been raised for the 2016 and 2015 calendar years and remitted to the regional high school district.

Regional High School Taxes have been raised and a liability deferred by statute, resulting in the school tax deferred set forth in the Current Fund liabilities as follows:

	<u>12/31/2016</u>	<u>12/31/2015</u>
Balance of Tax Deferred	\$ 6,354,102.00	6,013,966.50
Deferred	(666,126.50)	(340,135.50)
Balance of Tax Deferred	<u>\$ 7,020,228.50</u>	<u>6,354,102.00</u>

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 11: TAXES COLLECTED IN ADVANCE

Taxes collected in advance are recorded as cash liabilities in the financial statements. Following is a comparison of the liability for the previous two years:

	Balance 12/31/16	Balance 12/31/15
Prepaid Taxes	\$ 1,117,250.37	995,943.68
Cash Liability for Taxes Collected in Advance	\$ 1,117,250.37	995,943.68

NOTE 12: PENSION FUNDS

Description of Plans

Substantially all of the Township's employees participate in the Public Employees' Retirement System (PERS) and Police and Fireman's Retirement System (PFRS) cost sharing multiple-employer defined benefit pension plan which has been established by State Statute and is administered by the New Jersey Division of Pensions and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the system terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the systems. This report may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, New Jersey 08625 or the report can be accessed on the internet at - <http://www.state.nj.us/treasury/pensions/annrpts.shtml>.

Public Employees' Retirement System

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The PERS is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State-administered retirement system.

Police and Fireman's Retirement System

The contribution policy for the Police and Fireman's Retirement System (PFRS) is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute to an actuarially determined rate.

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2008 under the provisions of Chapter 92, P.L. 2008 and Chapter 103, P.L. 2008 (NJSA 43:15c-1 et seq). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by NJSA 43: 15c-1 et seq. Currently there are fifteen individuals enrolled in DCRP.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provided for employee contributions of 7.06% through June 30, 2016 and 7.20% thereafter of employee's annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The current PERS rate is 12.46% of covered payroll. The Township's contributions to PERS for the years ended December 31, 2016, 2015, and 2014 were \$601,226.00, \$591,046.00 and \$504,295.04.

The contribution policy for the PFRS is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The Township's contributions to PFRS for the years ended December 31, 2016, 2015 and 2014 were \$903,382.00, \$870,440.00 and \$755,538.00.

The total payroll for the year ended December 31, 2016, 2015 and 2014 was \$10,200,838.93, \$10,016,873.07 and \$10,190,016.30. Payroll covered by PERS was \$4,511,093.00, \$4,543,278.00 and \$4,675,997.00. Payroll covered by PRFS was \$3,543,706.00, \$3,482,349.00 and \$3,501,866.00.

Significant Legislation

Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) operates and to the benefit provisions of those systems.

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

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

Chapter 1, P.L. 2010, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, special retirement under PFRS, and employer contributions to the retirement systems.

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60th from 1/55th, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of PFRS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for social security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined a 1/7th of the required amount, beginning in fiscal years 2012.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 92, P.L. 2007 implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform; established a DCRP for elected and certain appointed officials, effective July 1, 2007; the new pension loan interest rate became 4.69% per year, and an \$8.00 processing fee per loan was charged, effective January 1, 2008. The legislation also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the Funds and Systems when excess assets are available.

Note 13: PENSION LIABILITIES

In 2012, the Governmental Accounting Standards Board issued GASB statement 68. This statement is effective for fiscal years beginning after June 15, 2014. This statement changes the method of reporting the municipality's pension liabilities. However, due to the fact that the municipality reports on the regulatory basis of accounting, no financial statement impact will be recognized.

The following represents the municipality's pension liabilities as June 30, 2016:

Public Employees' Retirement System

The Municipality has a liability of \$20,197,948.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Municipality's proportion would be 0.06819684160%, which would be a decrease of 0.11% from its proportion measured as of June 30, 2015.

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

For the year ended December 31, 2016, the Municipality would have recognized pension expense of \$1,989,043.00. At December 31, 2016, the Municipality would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected & actual experience	\$ 375,621.00	
Changes of assumptions	4,183,936.00	
Changes in proportion	419,945.00	(230,626.00)
Net difference between projected and actual earnings on pension plan investments	770,166.00	
Total	<u><u>\$ 5,749,668.00</u></u>	<u><u>(230,626.00)</u></u>

Amounts that would be reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense as follows:

<u>Year ended June 30,</u>		
2017	\$	1,248,993.61
2018		1,248,993.61
2019		1,427,856.28
2020		1,194,877.84
2021		398,320.67
Total	<u><u>\$</u></u>	<u><u>5,519,042.00</u></u>

Actuarial Assumptions

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

Inflation rate	3.08%
Salary increases:	
Through 2026	1.65% - 4.15% (based on age)
Thereafter	2.65% - 5.15% (based on age)
Investment rate of return:	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2014 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflations. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

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

Discount Rate

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

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Municipality's proportionate share of the net pension liability to changes in the discount rate.

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

	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Municipality's proportionate share of the net pension liability	\$ 24,205,296.46	20,197,948.00	16,893,086.59

Pension plan fiduciary net position.

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

Police and Firemen's Retirement System

The Municipality has a liability of \$21,043,842.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Municipality's proportion would be 0.11016242880%, which would be a decrease of 0.84% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Municipality would have recognized pension expense of \$2,384,626.00. At December 31, 2016, the Municipality would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience		(137,945.00)
Changes of assumptions	2,914,745.00	
Changes in proportion	667,317.00	(298,338.00)
Net difference between projected and actual earnings on pension plan investments	1,474,500.00	
Total	<u>\$ 5,056,562.00</u>	<u>(436,283.00)</u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

Amounts that would be reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense as follows:

Year ended June 30,		
2017	\$	1,117,242.27
2018		1,117,242.27
2019		1,482,910.45
2020		868,722.07
2021		34,161.96
Total	\$	<u>4,620,279.00</u>

Actuarial Assumptions

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

Inflation rate	3.08%
Salary increases:	
Through 2026	2.10% - 8.98% (based on age)
Thereafter	3.10% - 9.98% (based on age)
Investment rate of return:	7.65%

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

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

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2016 are summarized in the following table:

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

Discount Rate

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

Sensitivity of the Municipality's proportionate share of the net pension liability to changes in the discount rate.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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

	1% Decrease (4.55%)	Current Discount Rate (5.55%)	1% Increase (6.55%)
District's proportionate share of the net pension liability	\$ 26,752,125.36	21,043,842.00	16,390,949.82

In addition to the PFRS liabilities listed above, a special funding situation exists for the Local employers of the Police and Fire Retirement System of New Jersey. The State of New Jersey, as a non-employer, is required to pay the additional costs incurred by Local employers under Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The June 30, 2016 State special funding situation net pension liability amount of \$1,604,141,087.00, is the accumulated differences between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The fiscal year ending June 30, 2016 State special funding situation pension expense of \$204,886,666.00 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2016. The pension expense is deemed to be a State administrative expense due to the special funding situation.

The contribution policy for PFRS is set by N.J.S.A. 43:16A and required contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2016, the State contributed an amount less than the actuarially determined amount.

Although the liabilities related to the special funding situation are the liabilities of the State of New Jersey, the proportionate share of the statewide liability allocated to the Municipality was 0.11016242880% for 2016. The net pension liability amount allocated to the Municipality was \$1,767,161.00. For the fiscal year ending June 30, 2016 State special funding situation pension expense of \$225,708.00 is allocated to the Municipality.

Pension plan fiduciary net position.

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

NOTE 14: POST-RETIREMENT BENEFITS

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

Effective March 2016, 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

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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:

2016 - \$ 1,211,702.43

NOTE 15: ACCRUED SICK AND VACATION BENEFITS

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, 2016, the Township estimates this liability to approximate \$2,202,679.73 based on 2016 pay rates and compensated absence balances. The Township has established a trust reserve for accumulated absences in the amount of \$355,526.15 to offset this liability.

NOTE 16: 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 17: 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.

Property and Liability Insurance - The Township maintains commercial insurance coverage for property, liability and surety bonds. During the year ended December 31, 2016 and 2015 the Township did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

The Township is a member of the Atlantic County Joint Insurance Fund (JIF) and the Municipal Excess Liability Fund (MEL) which also includes other municipalities throughout the region. The Township is obligated to remit insurance premiums into these funds for sufficient insurance coverage. There is an unknown contingent liability with the Atlantic County Municipal Joint Insurance Fund if there is a catastrophic insurance claim from any member of the fund. The Township has a general liability limit of \$100,000 under JIF, which increases to \$5,000,000 under MEL.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

New Jersey Unemployment Compensation Insurance

The Township has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Township is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Township is billed quarterly for the amounts due to the State. The following is a summary of Township contributions, reimbursements to the State for benefits paid and the ending balance of the Township's trust fund for the current and previous two years:

Year	Contributions	Amount Reimbursed	Ending Balance
2016	\$ 110,667.65	77,345.75	120,070.74
2015	144,753.72	91,319.51	86,748.84
2014	145,260.51	112,561.18	33,314.63

NOTE 18: DEFERRED COMPENSATION

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 19: CONTINGENT LIABILITIES

From time to time, the Township is a defendant in legal proceedings relating to its operations as a municipality. In the best judgment of the Township's management, the outcome of any present legal proceedings will not have any adverse material effect on the accompanying financial statements.

NOTE 20: INTERFUND BALANCES

During the most current calendar year ended December 31, 2016, the following interfunds were included on the balance sheets of the various funds of the Township of Lower:

	Due From	Due To
Current Fund	177,922.83	
Grant Fund		177,922.83
	\$ 177,922.83	177,922.83

The amounts due to the Grant fund from the Current fund are for amounts appropriated in the Townships budget.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 21: SUBSEQUENT EVENTS

The Township has evaluated subsequent events through June 9, 2017, the date which the financial statements were available to be issued and identified no events requiring disclosure.

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SUPPLEMENTARY INFORMATION



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Honorable Mayor and
Members of the 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 as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Township of Lower's basic financial statements, and have issued our report thereon dated June 9, 2017, 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 of Lower'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 of Lower's internal control.

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

Our consideration of 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 were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Lower'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 Township of Lower's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

June 9, 2017

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

	<u>Current Fund</u>	<u>Grant Fund</u>
Balance December 31, 2015	\$ 8,187,891.43	-
Increased by Receipts:		
Tax Collector	61,488,609.74	
Tax Title Liens	1,924.52	
Prepaid Taxes	1,117,250.37	
Tax Overpayments	11,332.63	
Prepaid Bulk Trash	9,612.00	
Revenue Accounts Receivable	3,830,463.56	
Miscellaneous Revenue	284,541.30	
Due from State of New Jersey - Senior Citizens & Veterans	375,606.23	
Due to State of New Jersey - Senior Citizens & Veterans	1,500.00	
Marriage Licenses	5,265.00	
Permit Surcharge Fees	36,274.00	
Due to Current	11,904.81	20,498.35
Matching Funds Due from Current		15,624.00
Federal and State Unappropriated		-
Federal and State Receivables		326,678.31
	<u>67,174,284.16</u>	<u>362,800.66</u>
	75,362,175.59	362,800.66
Decreased by Disbursements:		
Current Year Appropriation	23,205,410.45	
Prior Year Appropriations	828,438.66	
Accounts Payable	10,762.50	
Prepaid Bulk Trash		
County Taxes	9,712,864.63	
County Added and Omitted Taxes	18,848.61	
Local District School Taxes	16,545,016.00	
Regional School Taxes	13,374,330.50	
Fire District Taxes	2,251,624.00	
Due to State of New Jersey - Marriage Licenses	5,305.00	
Permit Surcharge Fees	38,777.00	
Due to Trust	3,675.03	
Due to Grant Fund	36,122.35	
Refund of Prior Year's Revenue	9,862.33	
Grant Balances Cancelled		11,904.81
Federal and State Disbursements		350,895.85
	<u>66,041,037.06</u>	<u>362,800.66</u>
Balance December 31, 2016	\$ <u><u>9,321,138.53</u></u>	<u><u>-</u></u>

**CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

Year	Balance Dec. 31, 2015	Current Year Levy	Collections by Cash		Transferred To Tax Title Lien	Arrears	Balance Dec. 31, 2016
			2015	2016			
Arrears	\$ 3,554.90					164.84	1,719.74
2014	11,463.01			7,558.37	2,000.00	(164.84)	3,739.80
2015	815,356.63		9,862.33	816,347.37	3,619.56		4,116.30
	830,374.54	-	9,862.33	823,905.74	5,619.56		9,575.84
2016	-	62,732,913.73	159,962.77	995,943.68	61,058,002.46	29,235.61	24,197.39
	\$ 830,374.54	62,732,913.73	169,825.10	995,943.68	61,881,908.20	34,855.17	25,333.12
					Cash Receipts		
					Senior Citizens and Veterans		
					Overpayments Applied		
					<u>61,881,908.20</u>		

Analysis of Current Year Tax Levy

Tax Yield:

General Property Tax	60,481,289.73
Special District Taxes	2,251,624.00
Added Taxes (54:4-63.1 et. Seq.)	159,962.77
	<u>62,892,876.50</u>

Tax Levy:

General County Taxes	8,235,031.05
County Library Taxes	1,099,242.48
County Open Space Taxes	378,591.10
County Added and Omitted Taxes	23,916.30
Total County Taxes	9,736,780.93

Local School District Tax	16,545,016.00
Additional Local School District Tax	14,040,457.00
Regional School District Tax	2,251,624.00
Special District Taxes	

Local Tax for Municipal Purposes	20,086,897.94
Add: Additional Tax Levied	232,100.63
	<u>20,318,998.57</u>

62,892,876.50

**CURRENT FUND
SCHEDULE OF TAX TITLE AND OTHER LIENS**

Balance December 31, 2015		\$ 220,696.26
Increased by:		
Transfers from Taxes Receivable	25,333.12	
Interest and Costs Accrued by Sale	195.10	
		25,528.22
		246,224.48
Decreased by:		
Collections	1,924.52	
Cancelled	2,839.54	
		4,764.06
Balance December 31, 2016		\$ <u>241,460.42</u>
Lower Township MUA Charges and Costs		
Township Liens		7,848.36
		<u>233,612.06</u>
		<u><u>241,460.42</u></u>

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	Balance Dec. 31, 2015	Accrued in 2016	Collected by		Balance Dec. 31, 2016
			Collector	Treasurer	
				Other	
Licenses:					
Alcoholic Beverages	-	38,900.00		38,900.00	-
Other	-	114,998.60		114,998.60	-
Fees and Permits	-	72,224.25		72,224.25	-
Fines and Costs:					
Municipal Court	7,794.41	105,788.98		107,420.25	6,163.14
Interest and Costs on Taxes	-	178,315.20		178,315.20	-
Interest Earned on Investments	-	53,288.96		53,288.96	-
Amount Anticipated from LTMUA per N.J.S.A. 40A:5A-12.1	-	205,000.00		205,000.00	-
Recreation Fees	-	72,166.60		72,166.60	-
Payment in Lieu of Taxes - Yorkshire Place	-	25,415.10		25,415.10	-
Payment in Lieu of Taxes - Haven House	-	38,239.50		38,239.50	-
Payment in Lieu of Taxes - Conifer	-	38,256.10		38,256.10	-
Cable TV Franchise Fee	-	136,706.56		136,706.56	-
Bulk Trash Receipts	-	74,612.90		74,612.90	-
Consolidated Municipal Property Tax Relief Aid	-	21,597.00		21,597.00	-
Energy Receipts Tax	-	1,454,194.00		1,454,194.00	-
Garden State Preservation Trust	-	87,437.00		87,437.00	-
Uniform Construction Code Fees	-	524,672.00		524,672.00	-
Uniform Fire Code	-	303,396.78		303,396.78	-
Aid from Fire Districts #1, 2 and 3	-	57,000.00		57,000.00	-
Boards of Education - Special Police	-	78,293.76		78,293.76	-
County Interlocal - Garage Services	-	42,205.00		42,205.00	-
Reserve for Debt Service	-	123,000.00		123,000.00	-
Miscellaneous Revenue Not Anticipated	-	284,541.30		284,541.30	-
	<u>7,794.41</u>	<u>4,130,249.59</u>	<u>-</u>	<u>4,131,880.86</u>	<u>6,163.14</u>

Cash Received \$ 4,115,004.86
 Prior Year Prepayments 16,876.00
\$ 4,131,880.86

**CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR**

	Balance Dec. 31, 2015	Balance After Transfers	Paid or Charges	Balance Lapsed
OPERATIONS WITHIN "CAPS"				
GENERAL GOVERNMENT:				
Office of Township Council				
Other Expenses	\$ 1,687.47	1,687.47		1,687.47
Office of Township Clerk				
Salaries and Wages	6,285.64	6,285.64		6,285.64
Other Expenses	2,961.17	2,961.17	350.50	2,610.67
Elections				
Other Expenses	2,447.91	2,447.91		2,447.91
Office of Township Solicitor				
Other Expenses	101,528.24	101,528.24	25,991.53	75,536.71
Office of Township Manager				
Salaries and Wages	8,338.69	8,338.69	1,923.08	6,415.61
Other Expenses	1,950.50	1,950.50		1,950.50
Department of Revenue and Finance				
Salaries and Wages	16,042.18	16,042.18	3,299.27	12,742.91
Other Expenses	8,702.45	8,702.45	3,292.98	5,409.47
Division of Tax Collection				
Salaries and Wages	1,502.61	2,502.61	1,727.94	774.67
Other Expenses				
Miscellaneous Other Expenses	2,625.54	2,625.54	944.48	1,681.06
Liquidation of Tax Title Liens	1,000.00	1,000.00		1,000.00
Division of Tax Assessment				
Salaries and Wages	9,356.00	9,356.00		9,356.00
Other Expenses	6,165.88	6,165.88	205.19	5,960.69
Department of Planning and Development				
Salaries and Wages	3,826.71	3,826.71	2,613.42	1,213.29
Other Expenses	3,083.88	3,083.88	138.37	2,945.51
Engineering Services and Costs				
Other Expenses	22,148.00	26,148.00	20,750.01	5,397.99

**CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR**

	Balance Dec. 31, 2015	Balance After Transfers	Paid or Charges	Balance Lapsed
Department of Parks and Recreation				
Salaries and Wages	20,651.76	20,651.76	2,227.38	18,424.38
Other Expenses	31,967.73	31,967.73	29,606.36	2,361.37
Department of Public Works				
Salaries and Wages	139,955.64	60,955.64	12,580.53	48,375.11
Other Expenses				
Sanitary Landfill				
Miscellaneous Other Expenses	63,232.85	63,232.85	61,640.52	1,592.33
Public Buildings and Grounds	33,591.06	33,591.06	13,545.66	20,045.40
Salaries and Wages	2,316.12	2,316.12	1,874.55	441.57
Other Expenses	11,011.31	11,011.31	5,108.47	5,902.84
Reserve for Feasibility Studies	10,000.00	10,000.00		10,000.00
Planning Board				
Other Expenses	500.00	500.00		500.00
Zoning Board of Adjustments				
Other Expenses	500.00	500.00		500.00
PUBLIC SAFETY				
Department of Public Safety				
Salaries and Wages	277,245.04	177,245.04	12,890.26	164,354.78
Other Expenses	46,354.16	46,354.16	43,420.26	2,933.90
Uniform Fire Safety Act (PL 1983, Ch. 383)				
Salaries and Wages	33,699.89	33,699.89		33,699.89
Other Expenses	63,835.29	63,835.29	54,029.70	9,805.59
Police 911 Dispatchers				
Salaries and Wages	33,066.28	13,066.28		13,066.28
Other Expenses	970.79	970.79		970.79
Emergency Management Services				
Salaries and Wages	0.14	0.14		0.14
Other Expenses	7,350.00	7,350.00		7,350.00

**CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR**

	Balance Dec. 31, 2015	Balance After Transfers	Paid or Charges	Balance Lapsed
OFFICE OF NON-DEPARTMENTAL BOARDS, AUTHORITIES AND AGENCIES:				
Animal Regulation				
Other Expenses				
Miscellaneous	5,143.76	5,143.76	233.00	4,910.76
Municipal Court				
Salaries and Wages	2,130.32	2,130.32	1,554.25	576.07
Other Expenses	2,129.04	2,129.04	341.73	1,787.31
INSURANCE				
General Liability	661.22	661.22		661.22
Workers Compensation Insurance	2,478.82	2,478.82	2,446.57	32.25
Employee Group Health	511,497.77	746,497.77	473,884.26	272,613.51
UNIFORM CONSTRUCTION CODE				
State Uniform Construction Code				
Construction Official				
Salaries and Wages	1,510.02	3,510.02	3,006.19	503.83
Other Expenses	7,548.55	7,548.55	2,431.84	5,116.71
Demolition	9,516.59	9,516.59		9,516.59
UNCLASSIFIED				
Celebration fo Public Events or Holidays	693.85	693.85	693.00	0.85
UTILITY EXPENSES AND BULK PURCHASES				
Electricity	9,876.30	20,476.30		4,991.40
Street Lighting	1,951.79	33,651.79	15,484.90	31,196.06
Telephone	4,863.75	5,863.75	2,455.73	1,211.84
Water & Sewer	1,827.36	1,827.36	4,651.91	1,827.36
Natural Gas	5,304.72	5,304.72	4,565.88	738.84
Heating Oil	33,572.32	13,572.32	96.32	13,476.00
Gasoline	110,640.59	44,340.59	25,700.93	18,639.66
Contingent	300.00	300.00		300.00

**CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR**

	Balance Dec. 31, 2015	Balance After Transfers	Paid or Charges	Balance Lapsed
REGULATORY EXPENDITURES				
Contributions to				
Social Security System (O.A.S.I.)	26,882.26	26,882.26		26,882.26
Unemployment	2,761.78	2,761.78		2,761.78
Public Employees' Retirement System	19,372.85	19,372.85		19,372.85
Police and Firemen's Retirement System	291.74	291.74		291.74
Defined Contribution Retirement Program	4,153.50	4,153.50		4,153.50
Supplemental Fire Services Program				
Fire District Direct Program	1.00	1.00		1.00
	<u>\$ 1,741,010.83</u>	<u>1,741,010.83</u>	<u>835,706.97</u>	<u>905,303.86</u>
		Cash Disbursements	828,438.66	
		Accounts Payable	7,268.31	
			<u>835,706.97</u>	

**CURRENT FUND
SCHEDULE OF LOCAL DISTRICT SCHOOL TAX**

Balance December 31, 2015			
School Tax Payable	\$	-	
School Tax Deferred		-	
		-	\$ -
Increased by:			
Levy - School Year July 1, 2016 to June 30, 2017			16,545,016.00
			16,545,016.00
Decreased by:			
Payments			16,545,016.00
Balance December 31, 2016			
School Tax Payable		-	
School Tax Deferred		-	
		-	-
Current Year Liability for Local School District School Tax:			
Tax Paid			16,545,016.00
Tax Payable Ending			-
			16,545,016.00
Less: Tax Payable Beginning			-
Amount charged to Current Year Operations			\$ 16,545,016.00

**CURRENT FUND
SCHEDULE OF REGIONAL HIGH SCHOOL TAX**

Balance December 31, 2015			
School Tax Payable	\$	-	
Adjustment			
School Tax Deferred		<u>6,354,102.00</u>	
			\$ 6,354,102.00
Increased by:			
Levy - Calendar Year January 1, 2016 to December 31, 2016			<u>14,040,457.00</u>
			20,394,559.00
Decreased by:			
Payments			<u>13,374,330.50</u>
Balance December 31, 2016			
School Tax Payable		-	
School Tax Deferred		<u>7,020,228.50</u>	
			<u><u>7,020,228.50</u></u>
Current Year Liability for Regional High School Tax:			
Tax Paid			13,374,330.50
Tax Payable Ending			<u>-</u>
			13,374,330.50
Less: Tax Payable Beginning			<u>-</u>
Amount charged to Current Year Operations			<u><u>\$ 13,374,330.50</u></u>

**CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE**

<u>Purpose</u>	<u>Balance Dec. 31, 2015</u>	<u>Transferred From 2016 Revenues</u>	<u>Received</u>	<u>Cancelled</u>	<u>Balance Dec. 31, 2016</u>
FEDERAL GRANTS:					
Small Cities Program (Recreation ADA)	\$ 2,500.50		2,500.50		-
Hazmat - FEMA		75,000.00			75,000.00
Small Cities - 2016 - (0156)		400,000.00			400,000.00
Small Cities - 2016 - Housing (0153)		150,000.00			150,000.00
USDA - Housing		26,021.15			26,021.15
Body Armor		7,604.64	7,604.64		-
Body Worn Cameras		23,000.00	23,000.00		-
Coastal Resiliency	209,530.00		64,180.00		145,350.00
Total Federal	212,030.50	681,625.79	97,285.14	-	796,371.15
STATE GRANTS:					
Alliance Funds (Lower Consortium)	21,535.86	29,839.00	27,904.97	4,492.76	27,962.65
Clean Communities		90,672.08	90,672.08		-
Recycling Tonnage Grant		46,517.52	46,517.52		-
Alcohol Education & Rehabilitation		1,027.39	1,027.39		0.00
Drive Sober or Get Pulled Over		5,000.00	5,000.00		-
Over the Limit - Under Arrest	10,978.26		4,950.00	(1,028.26)	5,000.00
NJ DOT Trust Fund - Reconstruction of Clubhouse	43,750.00				43,750.00
Click it or Ticket	4,000.00	5,000.00	5,000.00	1,000.00	5,000.00
Drunk Driving Enforcement Fund		7,714.01	7,714.01	(400.00)	-
Cops in Shops	400.00				-
Total State	80,664.12	185,770.00	188,785.97	4,064.50	81,712.65
OTHER GRANTS:					
Atlantic County JIF	0.05	5,400.00	4,347.20	(0.05)	1,052.80
Cape May County - Open Space	448,571.00		36,260.00		412,311.00
Total State	448,571.05	5,400.00	40,607.20	(0.05)	413,363.80
\$	741,265.67	872,795.79	326,678.31	4,064.45	1,291,447.60

**CURRENT FUND
SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS**

	Balance December 31, 2015		2016		Encumbrances	Cancelled	Balance Dec. 31, 2016
	Appropriated	Reserve for Encumbrances	Appropriations	Disbursed			
FEDERAL GRANTS:							
Small Cities Program (Recreation ADA)		6,891.40		6,891.40			-
Small Cities Program (ADA)	11.23					(11.23)	-
Small Cities - 2016 - (0156)			400,000.00				400,000.00
Hazmat - FEMA			150,000.00	25,930.00			124,070.00
USDA - Housing			75,000.00				75,000.00
Body Armor			26,021.15				26,021.15
Body Worn Cameras			7,899.84		1,680.94		6,218.90
Coastal Resiliency		175,770.00	23,000.00				-
Bullet Proof Vest Partnership	7,015.06	1,490.00	45,382.00	7,777.00	130,388.00		-
Total Federal	7,026.29	184,151.40	681,920.99	108,980.40	132,797.00	(11.23)	531,310.05
STATE GRANTS:							
NJ Emergency Management Grant	11,334.50			5,000.00			6,334.50
Alliance Funds (Lower Consortium)	34,665.55		37,299.00	33,132.25		(7,353.27)	31,499.03
Clean Communities			90,672.08				-
Alcohol Education and Rehabilitation	469.42		1,027.39				1,496.81
Drunk Driving Enforcement Fund	8,491.64		7,714.01	8,660.64	305.76		7,239.25
Tree Planting Grant	5,352.47			5,352.47			-
Click it or Ticket			5,000.00				-
Recycling Tonnage Grant	13,040.65		46,517.52	44,017.52			2,500.00
NJ Office of Information Technology - 911 Grant	400.00			5,150.00		(400.00)	7,890.65
Cops in Shops	7,494.29		5,000.00				1,300.00
Drive Sober or Pullover			8,164.00				-
Supplemental Fire Services Grant					175,000.00		-
NJ DOT Trust Fund - Reconstruction of Clubhouse Drive		175,000.00					-
Wildlife Protection	5,000.00			5,000.00			-
Total State	86,268.52	175,000.00	201,394.00	221,343.25	175,305.76	(7,753.27)	58,260.24
OTHER GRANTS:							
Beautification of Township	45.74	140.00				(45.74)	140.00
Safety JIF	0.05		5,400.00	5,897.20		(0.05)	2.80
Comcast (Twp Share)	41,639.46	5,827.50		8,267.50			39,199.46
Comcast (LCMR Share)	20,044.12	5,907.50		5,907.50			20,044.12
Cape May County - Open Space	412,311.00			1,000.00	20,000.00		391,311.00
Ducks Unlimited	1,000.00						1,000.00
SJ Gas Game On	30.07					(30.07)	-
Total Other	475,070.44	11,875.00	5,400.00	20,572.20	20,000.00	(75.86)	451,697.38
Total	568,365.25	371,026.40	888,714.99	350,895.85	328,102.76	(7,840.36)	1,141,267.67

**CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS - UNAPPROPRIATED RESERVES**

<u>Purpose</u>	Balance Dec. 31, 2015	Transferred To 2016 Appropriations	Received	Adjustments	Balance Dec. 31, 2016
FEDERAL GRANTS:					
Body Armor	\$ 295.20	295.20			-
Total Federal	<u>295.20</u>	<u>295.20</u>	<u>-</u>	<u>-</u>	<u>-</u>
STATE GRANTS:					
None	-				-
Total State	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
OTHER GRANTS:					
None	-				-
Total Other Grants	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 295.20</u>	<u>295.20</u>	<u>-</u>	<u>-</u>	<u>-</u>

**TRUST FUND
SCHEDULE OF ANIMAL CONTROL CASH - TREASURER**

Balance December 31, 2015		\$	8,211.00
Increased By Receipts:			
Dog Licenses Fees	3,879.00		
State License Fees	2,405.40		
Late Fees Collected	1,670.00		
Interest	48.77		
	<u> </u>		<u>8,003.17</u>
			16,214.17
Decreased By Disbursements:			
State of New Jersey	2,390.40		
Due to Current Fund	6,278.77		
Animal Control Expenditures	558.00		
	<u> </u>		<u>9,227.17</u>
Balance December 31, 2016		\$	<u><u>6,987.00</u></u>

**TRUST FUND
SCHEDULE OF OTHER TRUST CASH - TREASURER**

		Other
Balance December 31, 2015	\$	1,941,208.22
Increased By Receipts:		
Due from Current Fund	3,675.03	
Unemployment	110,667.65	
AFLAC Flex	0.11	
Community Police	1,445.02	
Group Insurance	0.12	
Police Forfeiture	4,157.74	
Redemption of Tax Title Liens	821,469.75	
Premiums Received at Tax Sale	511,500.00	
Historic Commission	2.87	
Dedicated Recreation Fees	42,592.83	
Fire Safety	11,653.82	
Off Duty Police	88,536.29	
Joint Housing	220.62	
Small Cities Revolving Loan	189,826.75	
Accumulated Absences	480,000.00	
Performance Deposits	121,882.72	
Developers' Escrow	101,062.79	
Public Defender	4,593.96	
Reserve for Snow Removal	34,862.24	
Donations	50.00	
POAA	14.00	
	2,528,214.31	
		4,469,422.53

**TRUST FUND
SCHEDULE OF OTHER TRUST CASH - TREASURER**

		Other
Decreased By Disbursements:		
Payment of Unemployment Claims	77,345.75	
Reserve for Community Police	1,775.47	
Police Forfeiture	6,339.10	
Refund of Tax Sale Certificates	829,478.84	
Refund of Premiums	483,300.00	
Dedicated Recreation Fees	39,474.51	
Off Duty Police	81,588.16	
Accumulated Absences	288,423.39	
Performance Deposits	18,297.60	
Developer's Escrow	81,466.90	
Reserve for Snow Removal	2,791.28	
Small Cities Revolving Loan	107,972.25	
		2,018,253.25
Balance December 31, 2016		\$ 2,451,169.28

TRUST FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL EXPENDITURES

Balance December 31, 2015		\$	8,211.00
Increased By:			
Dog Licenses Fees Collected	3,879.00		
Late Fees Collected	1,670.00		
Interest	48.77		
			5,597.77
			13,808.77
Decreased By:			
Animal Control Expenditures	558.00		
Due to Current - Excess	6,278.77		
			6,836.77
Balance December 31, 2016		\$	6,972.00

License Fees Collected	<u>Year</u>		
	2014	\$	3,724.80
	2015		3,247.20
			6,972.00
			6,972.00

**TRUST FUND
SCHEDULE OF AMOUNT DUE TO (FROM) STATE OF NEW JERSEY**

Balance December 31, 2015		\$	-
Increased By:			
License Fees Collected	2,405.40		
	2,405.40		2,405.40
			2,405.40
Decreased By:			
Paid to State of New Jersey	2,390.40		
	2,390.40		2,390.40
Balance December 31, 2016		\$	15.00

**GENERAL CAPITAL FUND
SCHEDULE OF CASH - TREASURER**

Balance December 31, 2015		\$ 5,328,588.46
Increased by:		
Capital Improvement Fund	250,000.00	
Bonds Issued	4,520,000.00	
Budget Appropriation - Unfunded Ordinance	1,000.00	
Reserve for Debt Service - Premium on Bond Sale	309,099.40	
	<hr/>	<u>5,080,099.40</u>
		10,408,687.86
Decreased by:		
Improvement Authorizations	976,924.43	
Prior Year Encumbrances	1,226,753.41	
Reserve for Debt Service - Antipated as Current Fund Revenue	123,000.00	
	<hr/>	<u>2,326,677.84</u>
Balance December 31, 2016		<u>\$ 8,082,010.02</u>

GENERAL CAPITAL FUND
ANALYSIS OF CASH

	Balance Dec. 31, 2015		Receipts		Debt Issued	Improvement Authorizations		Disbursements		Transfers		Balance Dec. 31, 2016	
			Miscellaneous			Miscellaneous	Improvement	Miscellaneous	From	To	From	To	
Fund Balance	\$	123,463.10											123,463.10
Capital Improvement Fund		40,114.00	250,000.00					115,000.00					175,114.00
Encumbrances Payable		1,226,753.41	309,099.40										1,382,624.93
Reserve for Debt Service		589,130.20											775,229.60
<u>Improvement Authorizations:</u>													
05-09 Recreation Development Project		56,006.38				33,492.57							22,513.81
05-20 Engineering Services		10,603.75				2,856.75		865.25					6,881.75
08-20 Various Capital Improvements		80,618.73				54,871.16							25,747.57
09-12 Various Capital Improvements		11,340.87				4,170.93							7,169.94
10-08 Various Capital Improvements		4,728.57				3,028.63							1,699.94
11-14 Various Capital Improvements		41,536.85				29,790.80		1,463.70					10,282.35
12-09 Acquisition of Various Equipment		441.79				379.58							62.21
12-10 Various Capital Improvements		79,860.94				19,314.21		6,873.27					53,673.46
12-19 Road and Drainage Improvements		1,391,211.00				(63,095.31)		88,952.02					1,365,354.29
13-10 Various Capital Improvements		331,043.43				67,695.45		64,277.53					199,070.45
14-10 Various Capital Improvements		677,477.53				51,745.40		5,315.90					620,416.23
15-03 Various Capital Improvements		434,257.91	1,000.00			(114,132.01)		359,099.23					190,290.69
15-10 Roads & Drainage Roseann Ave.		230,000.00			4,520,000.00	259,124.02		5,550.00					4,485,325.98
16-04 Various Capital Improvements						627,652.25		850,228.03			115,000.00		(1,362,910.28)
	\$	5,328,588.46	560,099.40		4,520,000.00	976,924.43	1,349,753.41	1,497,624.93			1,497,624.93		8,082,010.02

**GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND**

Balance December 31, 2015		\$	40,114.00
Increased by:			
Budget Appropriation	250,000.00		
	250,000.00		250,000.00
			290,114.00
Decreased by:			
Improvement Authorizations Funded	115,000.00		
	115,000.00		115,000.00
Balance December 31, 2016		\$	175,114.00

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

Balance December 31, 2015		\$ 15,061,190.37
Increased by:		
Bond Proceeds	4,520,000.00	
	4,520,000.00	4,520,000.00
Decreased by:		
Serial Bonds Paid	2,180,000.00	
Green Trust Loan Principal Paid	99,638.28	
NJEIT Bonds & Loans	-	
	2,279,638.28	19,581,190.37
Balance December 31, 2016		\$ <u><u>17,301,552.09</u></u>

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

Ord #	Improvement Description	Balance Dec. 31, 2015	2016 Authorizations	Raised in 2016 Budget	Debt Issued	Balance Dec. 31, 2016	Analysis of Balance	
							Expenditures	Unexpended Improvement Authorizations
15-03	Various Capital Improvements	\$ 1,000.00		1,000.00		-	-	-
15-10	Roads & Drainage Roseann Ave.	4,520,000.00			4,520,000.00	-	-	-
16-04	Various Capital Improvements		2,110,000.00			2,110,000.00	1,362,910.28	747,089.72
		<u>\$ 4,521,000.00</u>	<u>2,110,000.00</u>	<u>1,000.00</u>	<u>4,520,000.00</u>	<u>2,110,000.00</u>	<u>1,362,910.28</u>	<u>747,089.72</u>

**GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ord #	Improvement Description	Ord. Date	Amount	Balance December 31, 2015		Authorizations		Paid or Charged	Balance December 31, 2016	
				Funded	Unfunded	Other Funding	Deferred Charges to Future Taxation		Funded	Unfunded
05-09	Recreation Development Project	5/2/2005	555,000	\$	56,006.38			33,492.57	22,513.81	
05-20	Engineering Services	10/3/2005	46,250		10,603.75			3,722.00	6,881.75	
08-20	Various Capital Improvements	10/6/2008	795,000		80,618.73			54,871.16	25,747.57	
09-12	Various Capital Improvements	8/17/2009	436,000		11,340.87			4,170.93	7,169.94	
10-08	Various Capital Improvements	9/8/2011	970,000		4,728.57			3,028.63	1,699.94	
11-14	Various Capital Improvements	8/1/2012	440,000		41,536.85			31,254.50	10,282.35	
12-09	Acquisition of Various Equipment	5/7/2012	45,000		441.79			379.58	62.21	
12-10	Various Capital Improvements	5/7/2012	905,000		80,860.94			26,187.48	54,673.46	
12-19	Road and Drainage Improvements	8/20/2012	1,790,000		1,391,211.00			25,856.71	1,365,354.29	
13-10	Various Capital Improvements	6/3/2013	1,139,000		331,043.43			131,972.98	199,070.45	
14-10	Various Capital Improvements	9/3/2014	1,312,000		677,477.53			57,061.30	620,416.23	
15-03	Various Capital Improvements	5/18/2015	4,750,000		493,257.91		1,000.00	244,967.22	189,290.69	
15-10	Roads & Drainage Roseant Ave.	10/5/2015	1,645,000		230,000.00		4,520,000.00	264,874.02	4,485,325.98	
16-04	Various Capital Improvements	4/18/2016	2,225,000			115,000.00		1,477,910.28	747,089.72	
					\$ 3,349,127.75	4,521,000.00	115,000.00	2,359,549.98	6,988,488.67	747,089.72

**GENERAL CAPITAL FUND
SCHEDULE OF GENERAL SERIAL BONDS**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2015	Increased	Decreased	Balance Dec. 31, 2016
			Date	Amount					
General Improvements	12/15/2004	4,700,000	4/1/2017	1,200,000.00	\$	500,000.00	500,000.00	-	
General Improvements	4/1/2009	8,800,000	4/1/2018	1,200,000.00	3.500%	3,400,000.00	1,000,000.00	2,400,000.00	
General Improvements	7/18/2015	9,900,000	7/15/2017	700,000.00	3.000%	9,900,000.00	680,000.00	9,220,000.00	
			7/15/2018	800,000.00	3.000%				
			7/15/2019	900,000.00	3.000%				
			7/15/2020	1,000,000.00	3.000%				
			7/15/2021	1,000,000.00	3.000%				
			7/15/2022	1,000,000.00	4.000%				
			7/15/2023	1,140,000.00	4.000%				
7/15/2024	1,320,000.00	4.000%							
7/15/2025	1,360,000.00	3.000%							
General Improvements	8/5/2016	4,520,000	7/15/2017	280,000.00	3.000%	4,520,000.00	4,520,000.00	4,520,000.00	
			7/15/2018	300,000.00	3.000%				
			7/15/2019	330,000.00	3.000%				
			7/15/2020	350,000.00	3.000%				
			7/15/2021	370,000.00	3.000%				
			7/15/2022	420,000.00	3.000%				
			7/15/2023	440,000.00	3.000%				
7/15/2024	460,000.00	3.000%							
7/15/2025	490,000.00	3.000%							
7/15/2026	520,000.00	3.000%							
7/15/2027	560,000.00	2.000%							
\$						13,800,000.00	4,520,000.00	2,180,000.00	16,140,000.00

**GENERAL CAPITAL FUND
SCHEDULE OF GREEN TRUST LOANS PAYABLE**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding				Interest Rate	Balance Dec. 31, 2015	Increased	Decreased	Balance Dec. 31, 2016
			Date	December 31, 2016	Amount						
Recreation Development Various	2006	800,000	2017	41,383.08		2.000%	469,034.96		40,567.68	428,467.28	
			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	2017	45,638.64		1.000%	572,403.67		44,739.38	527,664.29	
			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								

**GENERAL CAPITAL FUND
SCHEDULE OF GREEN TRUST LOANS PAYABLE**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2015	Increased	Decreased	Balance Dec. 31, 2016
			Date	Amount					
Bennett's Crossing	2009	300,000	2017	14,619.28	1.000%	219,751.74		14,331.22	205,420.52
			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						
						\$ 1,261,190.37		99,638.28	1,161,552.09

**GENERAL CAPITAL FUND
SCHEDULE OF BOND AND NOTES AUTHORIZED BUT NOT ISSUED**

Ordinance Number	Improvement Description	Balance Dec. 31, 2015	2016 Authorizations	Debt Issued	Budget Appropriation	Balance Dec. 31, 2016
12-10	Various Capital Improvements	\$ 1,000.00			1,000.00	-
15-10	Roads & Drainage Roseann Ave.	4,520,000.00		4,520,000.00		-
16-04	Various Capital Improvements		2,110,000.00			2,110,000.00
		<u>\$ 4,521,000.00</u>	<u>2,110,000.00</u>	<u>4,520,000.00</u>	<u>1,000.00</u>	<u>2,110,000.00</u>

TOWNSHIP OF LOWER

PART II

GENERAL COMMENTS AND RECOMMENDATIONS

FOR THE YEAR ENDED

DECEMBER 31, 2016

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 therefore, except as is provided otherwise in this act or specifically by any other law. Due to the Township having a Qualified Purchasing Agent, pursuant to N.J.S.A. 40A:11-3(a), the maximum bid threshold is \$40,000.

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:

- Landscaping Services for Various Township Locations
- Heating and Air Conditioning Services
- Swimming Pool Concession Stand for 2016 & 2017 Seasons
- Tennis & Basketball Court Renovations at Freeman Douglass Park
- Electrical Services
- Mobile Office Container
- Giant VAC TM 6600 JD 30 Yard Vacuum Unit
- Two 2016 or Newer Rear Loading Refuse Trucks
- Seven Perkins Folding Grabber Arm Lifter Units
- Fireworks for 2017 with an option for 2018 and 2019

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.

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 2016.

This Resolution shall take effect January 4, 2016.

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>
2016	32
2015	32
2014	35

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 2016 and 2017 Taxes	25
Delinquent Taxes	10
Total	<u>35</u>

As of the date of this audit report, all verifications have not been returned. However, no problems were noted with those that have been returned.

Comparison of Tax Levies and Collections Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Currently Cash Collections</u>	<u>Percentage of Collections</u>
2016 \$	62,902,876.50	62,053,946.14	98.65%
2015	60,687,846.78	59,811,382.80	98.56%
2014	58,504,841.62	57,522,655.46	98.32%
2013	57,677,480.93	56,642,986.19	98.21%
2012	55,662,327.90	54,111,897.69	97.21%

Comparative Schedule of Tax Rate Information

		<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Tax Rate	\$	1.673	1.618	1.563	1.362	1.307
Apportionment of Tax Rate:						
Municipal		0.556	0.556	0.536	0.473	0.443
County		0.270	0.263	0.26	0.227	0.229
Local School		0.458	0.446	0.432	0.371	0.362
Regional School		0.389	0.353	0.335	0.291	0.273
Assessed Valuation		3,614,591,078	3,605,399,621	3,598,751,806	4,071,925,334	4,095,467,792
R = Reassessment				R		

Delinquent Taxes and Tax Title Liens

This tabulation includes a comparison, expressed in percentage, of the total delinquent taxes and tax title liens, in relation to the tax levies of the last five years.

Year	Amount of Tax Title Liens	Amount of Delinquent Taxes	Total Delinquent	Percentage Of Tax Levy
2016 \$	233,612.06	795,073.20	1,028,685.26	1.64%
2015	212,847.90	830,374.54	1,043,222.44	1.72%
2014	190,793.79	930,260.70	1,121,054.49	1.92%
2013	165,194.03	810,149.50	975,343.53	1.69%
2012	148,877.92	1,173,015.37	1,321,893.29	2.37%

Uniform Construction Code

The Township of Lower's construction code official is in compliance with uniform construction code rules NJAC 5:23.17(b) 2 and NJAC 5:23.4.17(b) 3.

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.

FINDINGS AND RECOMMENDATIONS

None

In accordance with the Division of Local Government Services Regulations, a corrective action plan must be prepared and filed by the Township Committee in response to comments, if any.

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

June 9, 2017