

**TOWNSHIP OF LOWER
REPORT OF AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2017**

**TOWNSHIP OF LOWER
TABLE OF CONTENTS**

<u>Exhibit</u>		<u>Page No.</u>
	<u>PART I</u>	
	Independent Auditor's Report	1 - 3
	<u>CURRENT FUND</u>	
A	Comparative Balance Sheet - Regulatory Basis	4 - 5
A - 1	Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis	6 - 7
A - 2	Statement of Revenues - Regulatory Basis	8 - 11
A - 3	Statement of Expenditures - Regulatory Basis	12 - 19
	<u>TRUST FUND</u>	
B	Comparative Balance Sheet - Regulatory Basis	20 - 21
	<u>GENERAL CAPITAL FUND</u>	
C	Comparative Balance Sheet - Regulatory Basis	22
C - 1	Statement of Fund Balance - Regulatory Basis	23
	<u>GENERAL FIXED ASSETS ACCOUNT GROUP</u>	
G	Comparative Balance Sheet - Regulatory Basis	24
	NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS	25 - 46
	<u>SUPPLEMENTARY INFORMATION</u>	
	Independent Auditors Report - Governmental Auditing Standards	47 - 48
	<u>CURRENT FUND</u>	
A - 4	Schedule of Cash - Treasurer	49
A - 5	Schedule of Cash - Collector	N/A
A - 6	Schedule of Taxes Receivable and Analysis of Property Tax Levy	50
A - 7	Schedule of Tax Title Liens	51
A - 8	Schedule of Revenue Accounts Receivable	52
A - 9	Schedule of Appropriation Reserves - Prior Year	53 - 55
A - 10a	Schedule of Local District School Tax	56
A - 10b	Schedule of Regional High School Tax	57
A - 11	Schedule of Federal and State Grants Receivable	58 - 59
A - 12	Schedule of Appropriated Reserves for Federal and State Grants	60
A - 13	Schedule of Reserves for Federal and State Grants - Unappropriated	61

**TOWNSHIP OF LOWER
TABLE OF CONTENTS**

<u>Exhibit</u>		<u>Page No.</u>
<u>TRUST FUND</u>		
B - 1	Schedule of Animal Control Cash - Treasurer	62
B - 2	Schedule of Other Trust Cash - Treasurer	63 - 64
B - 3	Schedule of Reserve for Animal Control Expenditures	65
B - 4	Schedule of Amount Due To (From) State of New Jersey	66
<u>GENERAL CAPITAL FUND</u>		
C - 2	Schedule of Cash - Treasurer	67
C - 3	Analysis of Cash	68
C - 4	Schedule of Capital Improvement Fund	69
C - 5	Schedule of Deferred Charges to Future Taxation - Funded	70
C - 6	Schedule of Deferred Charges to Future Taxation - Unfunded	71
C - 7	Schedule of Improvement Authorizations	72
C - 8	Schedule of General Serial Bonds	73 - 75
C - 9	Schedule of Bonds and Notes Authorized But Not Issued	76
<u>PART II</u>		
	General Comments	77 - 79
	Findings and Recommendations	80

TOWNSHIP OF LOWER
PART I
REPORT ON AUDIT OF
FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED
DECEMBER 31, 2017



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • OCEAN CITY, NJ • 08226

PHONE 609.399.6333 • FAX 609.399.3710

www.ford-scott.com

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, 2017 and 2016, 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, 2017, 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, 2017 and 2016, 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, 2017 and 2016, 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, 2017 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 April 30, 2018 on our consideration of the Township of Lower's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Lower's internal control over financial reporting and compliance.

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

Leon P. Costello

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

April 30, 2018

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**EXHIBIT - A
CURRENT FUND**

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

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Regular Fund:		
Cash:		
Cash Treasurer	\$ 12,051,931.00	9,321,138.53
Cash - Change	600.00	600.00
Total Cash	<u>12,052,531.00</u>	<u>9,321,738.53</u>
Other Receivables:		
Due from State - Chapter 20 P.L. 1971	2,576.71	3,683.76
Total Other Receivables	<u>2,576.71</u>	<u>3,683.76</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	783,587.92	795,073.20
Tax Title Lien Receivable	237,446.45	233,612.06
Lower Township MUA Lien	7,848.36	7,848.36
Lower Township MUA-Connection Fee	640.00	-
Property Acquired for Taxes - at Assessed Valuation	1,652,200.00	1,663,300.00
Revenue Accounts Receivable	8,516.64	6,163.14
Municipal Fees Receivable	-	3,840.00
Lot Clearing Assessments	4,730.00	4,865.00
Total Receivables and Other Assets	<u>2,694,969.37</u>	<u>2,714,701.76</u>
Deferred Charges:		
Special Emergency Appropriation	768,000.00	74,000.00
Total Deferred Charges	<u>768,000.00</u>	<u>74,000.00</u>
Total Regular Fund	<u>15,518,077.08</u>	<u>12,114,124.05</u>
Federal and State Grant Fund:		
Federal and State Grants Receivable	667,096.86	1,291,447.60
Due from Current Fund	108,296.08	177,922.83
Total Federal and State Grant Fund	<u>775,392.94</u>	<u>1,469,370.43</u>
Total Current Fund	<u>\$ 16,293,470.02</u>	<u>13,583,494.48</u>

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

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2017</u>	<u>2016</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 1,028,696.48	1,043,789.11
Reserve for Encumbrances/Accounts Payable	588,732.70	365,820.11
Accounts Payable	3,689.25	7,268.31
Prepaid Taxes	3,149,093.66	1,117,250.37
Overpaid Taxes	24,742.17	16,948.06
County Added Tax Payable	22,785.32	23,916.30
Due to State:		
Marriage Licenses	650.00	875.00
Permit Surcharge Fees	8,107.00	8,890.00
Interfund Payable:		
Federal and State Grant Funds	108,296.08	177,922.83
Other		
Prepaid Fees	19,750.50	9,612.00
Reserve for Elevator Inspections	7,440.00	7,440.00
Reserve for Prepaid Seniors & Vets	-	1,500.00
Reserve for Reassessment / Tax Maps	714,764.68	38,781.50
	<u>5,676,747.84</u>	<u>2,820,013.59</u>
Reserve for Receivables and Other Assets	2,694,969.37	2,714,701.76
Fund Balance	7,146,359.87	6,579,408.70
	<u>15,518,077.08</u>	<u>12,114,124.05</u>
Total Regular Fund		
Federal and State Grant Fund:		
Unappropriated Reserves	57,051.42	-
Appropriated Reserves	636,761.70	1,141,267.67
Encumbrances Payable	81,579.82	328,102.76
	<u>775,392.94</u>	<u>1,469,370.43</u>
Total Federal and State Grant Fund		
Total Current Fund	<u>\$ 16,293,470.02</u>	<u>13,583,494.48</u>

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

	2017	2016
Revenue and Other Income Realized		
Fund Balance	\$ 2,525,000.00	2,180,000.00
Miscellaneous Revenue Anticipated	4,276,752.50	4,720,430.55
Receipts from Delinquent Taxes	821,110.23	825,830.26
Receipts from Current Taxes	63,138,758.54	62,053,946.14
Non Budget Revenue	283,349.33	284,541.30
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	891,684.92	905,303.86
Proceeds from Sale of Foreclosed Property	10,850.00	-
Prior Years' Accounts Payable Cancelled	215.18	500.00
Cancellation of Prior Year Reserve Balances	38,305.78	-
Cancel Prior Years Outstanding Grant Balances	4,076.79	11,904.81
Total Income	71,990,103.27	70,982,456.92
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	10,090,129.08	10,388,449.02
Other Expenses	9,822,804.00	8,698,750.50
Deferred Charges & Statutory Expenditures	2,373,315.00	2,371,508.00
Appropriations Excluded from "CAPS"		
Operations:		
Salaries and Wages	87,972.05	120,839.01
Other Expenses	264,698.39	923,393.98
Capital Improvements	878,000.00	250,000.00
Debt Service	2,810,344.14	2,750,794.15
Deferred Charges	247,000.00	47,000.00
Local District School Tax	16,866,654.00	16,545,016.00
Regional District School Tax	13,911,825.50	13,374,330.50
County Tax	9,945,456.46	9,712,864.63
County Share of Added Tax	22,785.32	23,916.30
Other:		
Special District Tax	2,303,871.00	2,251,624.00
Refund of Prior Year's Revenue	1,000.00	9,862.33
Cancellation of Senior and Vet Due from State	3,297.16	-
Total Expenditures	69,629,152.10	67,468,348.42
Excess in Revenue	2,360,951.17	3,514,108.50

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

	<u>2017</u>	<u>2016</u>
Adjustments to Income before Fund Balance:		
Emergency Appropriation	731,000.00	-
Total Adjustments	<u>731,000.00</u>	<u>-</u>
Statutory Excess to Fund Balance	<u>3,091,951.17</u>	<u>3,514,108.50</u>
Fund Balance January 1	<u>6,579,408.70</u>	<u>5,245,300.20</u>
	9,671,359.87	8,759,408.70
Decreased by:		
Utilization as Anticipated Revenue	<u>2,525,000.00</u>	<u>2,180,000.00</u>
Fund Balance December 31	<u>\$ 7,146,359.87</u>	<u>6,579,408.70</u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Anticipated		Excess or (Deficit)
	Budget	N.J.S. 40A:4-87	
Fund Balance Anticipated	\$ 2,525,000.00		-
Total Fund Balance Anticipated	<u>2,525,000.00</u>	<u>-</u>	<u>-</u>
Miscellaneous Revenues:			
Section A: Local Revenues			
Licenses:			
Alcoholic Beverages	35,000.00		3,600.00
Other	115,000.00		30,243.00
Fees and Permits	79,500.00		31,716.22
Fines and Costs:			
Municipal Court	101,500.00		4,287.56
Interest and Costs on Taxes	150,000.00		50,549.73
Interest Earned on Investments	35,000.00		16,224.72
Amount Anticipated from LTMUA per N.J.S.A. 40A:5A-12.1	60,000.00		-
Recreation Fees	40,000.00		30,641.67
Payment in Lieu of Taxes - Yorkshire Place	15,000.00		10,768.80
Payment in Lieu of Taxes - Haven House	25,000.00		13,052.48
Payment in Lieu of Taxes - Conifer	30,000.00		8,398.98
Cable Franchise Fees	135,000.00		10,933.97
Bulk Trash Receipts	55,000.00		40,221.25
Total Section A: Local Revenues	<u>876,000.00</u>	<u>-</u>	<u>1,126,638.38</u>
Section B: State Aid Without Offsetting Appropriations			
Consolidated Municipal Property Tax Relief	21,597.00		-
Energy Receipts Tax	1,454,194.00		-
Garden State Preservation Trust Fund	87,437.00		-
Total Section B: State Aid Without Offsetting Appropriations	<u>1,563,228.00</u>	<u>-</u>	<u>1,563,228.00</u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	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		630,548.00	380,548.00
Total Section C: Uniform Construction Code Fees	250,000.00	-	630,548.00	380,548.00
Section D: Interlocal Municipal Service Agreements				
Offset with Appropriations				
Boards of Educations - Special Police	81,268.92		81,268.92	-
County Interlocal - Garage Services	42,000.00		35,403.48	(6,596.52)
Total Section D: Interlocal Municipal Service Agreements	123,268.92	-	116,672.40	(6,596.52)
Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations				
Recycling Tonnage Grant	54,767.29		54,767.29	-
Drunk Driving Enforcement Fund		6,703.13	6,703.13	-
Alcohol Education and Rehabilitation Fund		900.76	900.76	-
Municipal Alliance on Alcoholism and Drug Abuse		31,409.00	31,409.00	-
NJ Emergency Management Grant		9,400.00	9,400.00	-
Body Armor Grant		2,007.50	2,007.50	-
Bulletproof Vest		2,565.22	2,565.22	-
Atlantic County JIF Grant		5,400.00	5,400.00	-
Clean Communities		77,031.62	77,031.62	-
Click it or Ticket		5,500.00	5,500.00	-
COPS in Shops		1,200.00	1,200.00	-
Distracted Driving Crackdown		5,500.00	5,500.00	-
Drive Sober or Get Pulled Over		11,000.00	11,000.00	-
NJ Department of Transportation		178,000.00	178,000.00	-
Total Section F: Special Items - Public and Private Programs	54,767.29	336,617.23	391,384.52	-

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Section G: Other Special Items				
Uniform Fire Safety Act	233,123.00		301,281.20	68,158.20
Reserve for Debt Service	79,000.00		79,000.00	-
Aid from Fire Districts #1, 2 & 3	102,000.00		68,000.00	(34,000.00)
Total Section G: Other Special Items	<u>414,123.00</u>	<u>-</u>	<u>448,281.20</u>	<u>34,158.20</u>
Total Miscellaneous Revenues:	<u>3,281,387.21</u>	<u>336,617.23</u>	<u>4,276,752.50</u>	<u>658,748.06</u>
Receipts from Delinquent Taxes	<u>800,000.00</u>		<u>821,110.23</u>	<u>21,110.23</u>
Amount to be Raised by Taxes for Support of Municipal Budget	<u>20,797,190.62</u>		<u>22,069,074.30</u>	<u>1,271,883.68</u>
Local Tax for Municipal Purposes				
Total Amount to be Raised by Taxes for Support of Municipal Budget	<u>20,797,190.62</u>	<u>-</u>	<u>22,069,074.30</u>	<u>1,271,883.68</u>
Budget Totals	<u>27,403,577.83</u>	<u>336,617.23</u>	<u>29,691,937.03</u>	<u>1,951,741.97</u>
Non- Budget Revenues:				
Other Non- Budget Revenues:			<u>283,349.33</u>	<u>283,349.33</u>
	<u>27,403,577.83</u>	<u>336,617.23</u>	<u>29,975,286.36</u>	<u>2,235,091.30</u>

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

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	\$	63,138,758.54
Less: Reserve for Tax Appeals Pending		<u>-</u>
Net Revenue from Collections		63,138,758.54
Allocated to:		
School, County and Other Taxes		<u>42,921,960.78</u>
Balance for Support of Municipal Budget Appropriations		20,216,797.76
Increased by:		
Appropriation "Reserved for Uncollected Taxes"		<u>1,852,276.54</u>
Amount for Support of Municipal Budget Appropriations		<u><u>22,069,074.30</u></u>

Receipts from Delinquent Taxes:

Delinquent Tax Collection		789,885.91
Tax Title Lien Collections		<u>31,224.32</u>
Total Receipts from Delinquent Taxes		<u><u>821,110.23</u></u>

Analysis of Non-Budget Revenue:

Miscellaneous Revenue Not Anticipated:

Assessor		990.00
Insurance Reimbursement		40,723.01
Municipal Land Use Fees		57,659.30
Police Reports		3,447.79
Administration Fees		8,910.72
Vital Statistics		24,982.00
JIF Dividend		125,555.50
Dog Damage		3,979.57
Tax Premium Forfeiture		4,500.00
Miscellaneous		<u>12,601.44</u>
Total Miscellaneous Revenue Not Anticipated:	\$	<u><u>283,349.33</u></u>

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	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	\$ 78,000.00	78,000.00	77,422.82		577.18	-
Other Expenses	19,700.00	19,700.00	11,738.16	7.47	7,954.37	-
Office of Township Clerk						
Salaries and Wages	221,525.00	230,525.00	226,245.48		4,279.52	-
Other Expenses	10,475.00	10,475.00	7,562.77	1,098.28	1,813.95	-
Elections						
Other Expenses	7,000.00	7,000.00	5,120.14		1,879.86	-
Office of Township Solicitor						
Other Expenses	216,000.00	216,000.00	142,312.39	69,281.20	4,406.41	-
Office of Township Manager						
Salaries and Wages	167,000.00	167,000.00	163,023.51		3,976.49	-
Other Expenses	15,500.00	50,500.00	11,903.52	38,245.33	351.15	-
Department of Revenue and Finance						
Salaries and Wages	335,000.00	335,000.00	317,301.23		17,698.77	-
Other Expenses	46,150.00	46,150.00	37,903.59	6,831.00	1,415.41	-
Audit Services						
Other Expenses	32,800.00	32,800.00	32,800.00		-	-
Division of Tax Assessment						
Salaries and Wages	131,000.00	126,000.00	119,334.70		6,665.30	-
Other Expenses	16,900.00	51,900.00	14,368.48	26,823.96	10,707.56	-
Miscellaneous Other Expenses						
Tax Maps		731,000.00	731,000.00		-	

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

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Division of Taxation						
Salaries and Wages	190,000.00	192,000.00	189,785.61		2,214.39	-
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	7,653.84	478.75	1,592.41	-
Department of Planning and Development						
Salaries and Wages	148,500.00	148,500.00	145,136.58		3,363.42	-
Other Expenses	6,795.00	6,795.00	3,432.86	70.30	3,291.84	-
Engineering Services and Costs						
Other Expenses	12,000.00	12,000.00	10,201.50	103.50	1,695.00	-
Department of Parks and Recreation						
Salaries and Wages	261,500.00	261,500.00	255,197.42		6,302.58	-
Other Expenses	176,425.00	176,425.00	140,354.73	23,203.49	12,866.78	-
Department of Public Works						
Salaries and Wages	2,735,000.00	2,735,000.00	2,657,509.91	(1,261.18)	78,751.27	-
Other Expenses:						
Sanitary Landfill	730,000.00	716,000.00	550,474.75	126,964.40	38,560.85	-
Miscellaneous Other Expenses	280,245.00	288,245.00	209,581.96	74,029.21	4,633.83	-
Public Buildings and Grounds						
Salaries and Wages	145,000.00	150,000.00	144,568.29		5,431.71	-
Other Expenses	115,280.00	115,280.00	74,743.56	12,587.99	27,948.45	-
Department of Public Safety						
Salaries and Wages	4,425,481.08	4,425,481.08	4,266,595.11	12,688.48	146,197.49	-
Other Expenses	234,500.00	261,555.00	188,922.77	71,460.59	1,171.64	-

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

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Appropriations		Budget After Modifications	Paid or Charged	Expended		Reserved	(Over expended) Unexpended Balance Cancelled
	Budget				Encumbered			
Uniform Fire Safety Act (P.L. 1983, Ch. 383)								
Salaries and Wages	162,323.00		162,323.00	158,596.11			3,726.89	-
Other Expenses	172,800.00		172,800.00	126,233.75	2,322.91		44,243.34	-
Emergency Management Services								
Salaries and Wages	17,000.00		17,000.00	17,000.00			-	-
Other Expenses	7,500.00		7,500.00	1,240.00	3,200.00		3,060.00	-
Contributions to First Aid Organizations	105,000.00		105,000.00	105,000.00			-	-
Code Enforcement/Demolition								
Other Expenses	14,000.00		14,000.00	5,301.18	400.00		8,298.82	-
Police 911 Dispatchers								
Other Expenses:								
County Dispatch	600,000.00		600,000.00	600,000.00			-	-
Lease for Public Safety Building	150,000.00		150,000.00	143,847.50			6,152.50	-
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	109,185.00		164,185.00	162,495.00			1,690.00	-
Miscellaneous Other Expenses	72,828.00		17,828.00	17,828.00			-	-
Municipal Court								
Salaries and Wages	194,000.00		194,000.00	182,749.67			11,250.33	-
Other Expenses	12,950.00		16,895.00	14,569.73	2,315.95		9.32	-

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

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	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	13,000.00	13,000.00	12,000.04		999.96	-
General Liability	342,716.00	318,033.00	297,644.77	3,620.37	16,767.86	-
Workers Compensation Insurance	641,630.00	666,313.00	666,313.00		-	-
Employee Group Health	4,140,575.00	3,665,575.00	3,391,971.05	16,167.10	257,436.85	-
Health Benefit						
Salaries and Wages	125,000.00	125,000.00	125,000.00		-	-
Interlocal Agreement - Fire District #3	11,250.00	11,250.00	11,250.00		-	-
Construction Official						
Salaries and Wages	360,800.00	349,800.00	337,272.40		12,527.60	-
Other Expenses	14,135.00	14,135.00	9,150.56	1,237.22	3,747.22	-
Terminal Leave						
Salaries and Wages	380,000.00	380,000.00	380,000.00		-	-
Celebration of Public Events or Holidays	92,540.00	92,540.00	88,297.40	3,700.00	542.60	-
Electricity	223,000.00	223,000.00	140,136.40	12,724.77	70,138.83	-
Street Lighting	382,000.00	382,000.00	325,339.09	30,495.09	26,165.82	-
Telephone	85,000.00	85,000.00	76,517.34	7,824.07	658.59	-
Water	13,900.00	13,900.00	12,553.88		1,346.12	-
Natural Gas	70,000.00	70,000.00	28,659.40	8,209.86	33,130.74	-
Heating Oil	35,000.00	35,000.00	1,232.96		33,767.04	-
Gasoline	299,000.00	229,000.00	189,122.96	32,980.51	6,896.53	-
TOTAL OPERATIONS WITHIN "CAPS"	19,631,633.08	19,912,633.08	18,384,517.87	587,810.62	940,304.59	-

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

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	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"	19,631,933.08	19,912,933.08	18,384,517.87	587,810.62	940,604.59	-
Detail:						
Salaries and Wages	10,090,129.08	10,090,129.08	9,774,738.88	11,427.30	303,962.90	-
Other Expenses	9,541,804.00	9,822,804.00	8,609,778.99	576,383.32	636,641.69	-
DEFERRED CHARGES AND STATUTORY EXPENDITURES:						
Deferred Charges:						
None						
Statutory Expenditures:						
Contributions to:						
Public Employees' Retirement System	623,315.00	623,315.00	609,733.78		13,581.22	-
Social Security System (O.A.S.I.)	785,000.00	785,000.00	724,117.23	923.16	59,959.61	-
Unemployment	50,000.00	50,000.00	49,188.69	(1.08)	812.39	-
Police and Firemen's Retirement System	905,000.00	905,000.00	898,199.00		6,801.00	-
Defined Contribution Retirement Program	10,000.00	10,000.00	3,063.33		6,936.67	-
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	2,373,315.00	2,373,315.00	2,284,302.03	922.08	88,090.89	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	22,005,248.08	22,286,248.08	20,668,819.90	588,732.70	1,028,695.48	-

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

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
OPERATIONS - EXCLUDED FROM "CAPS"						
(A) Operations - Excluded from "CAPS"						
Interlocal Municipal Service Agreements	81,268.92	81,268.92	81,268.92	-	-	-
School Resource Officer	42,000.00	42,000.00	42,000.00	-	-	-
County Interlocal - Garage Services						
	<u>123,268.92</u>	<u>123,268.92</u>	<u>123,268.92</u>	<u>-</u>	<u>-</u>	<u>-</u>
(A) Public and Private Programs Off-Set by Revenues						
Drunk Driving Enforcement Fund						
Salaries and Wages		6,703.13	6,703.13			
Clean Communities		77,031.62	77,031.62			
Municipal Alliance on Alcoholism and Drug Abuse						
State Match		31,409.00	31,409.00			
Local Match		7,852.00	7,852.00			
Recycling Tonnage Grant	7,852.00					
Body Armor	54,767.29		54,767.29			
Distracted Driving		4,572.72	4,572.72			
Cops in Shops		5,500.00	5,500.00			
Click It or Ticket		1,200.00	1,200.00			
ALED		5,500.00	5,500.00			
Supplemental Fire Services Program		900.76	900.76			
Fire District Direct Program					1.00	
Office of Emergency Management - EMAA	8,165.00	8,165.00	8,164.00			
Drive Sober or Get Pulled Over		9,400.00	9,400.00			
JIF Safety Grant		11,000.00	11,000.00			
JIF Safety Grant		5,400.00	5,400.00			
	<u>70,784.29</u>	<u>229,401.52</u>	<u>229,400.52</u>	<u>-</u>	<u>1.00</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, 2017**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
Total Operations - Excluded from "CAPS" Detail:	194,053.21	352,670.44	352,669.44	-	1.00
Salaries and Wages	81,268.92	87,972.05	87,972.05	-	-
Other Expenses	112,784.29	264,698.39	264,697.39	-	1.00
(C) Capital Improvements Capital Improvement Fund	250,000.00	700,000.00	700,000.00	-	-
NJ Department of Transportation Reconstruction of Beach and Bay Avenues Total Capital Improvements	<u>250,000.00</u>	<u>878,000.00</u>	<u>878,000.00</u>	<u>-</u>	<u>-</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	-	-	-	-	-
Interest on Bonds	510,000.00	510,000.00	505,977.78	-	4,022.22
Interest on Note	15,000.00	15,000.00	-	-	15,000.00
Green Trust Loan Program:					
Loan Repayments for Principal and Interest	130,000.00	130,000.00	124,366.36	-	5,633.64
Total Debt Service	<u>2,855,000.00</u>	<u>2,855,000.00</u>	<u>2,810,344.14</u>	<u>-</u>	<u>44,655.86</u>
(E) Deferred Charges Special Emergency Authorizations	37,000.00	37,000.00	37,000.00	-	-
Deferred Charge Ord #16-04	210,000.00	210,000.00	210,000.00	-	-
Total Deferred Charges	<u>247,000.00</u>	<u>247,000.00</u>	<u>247,000.00</u>	<u>-</u>	<u>-</u>

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled	
	Budget	Budget After Modifications	Paid or Charged	Encumbered		Reserved
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	3,546,053.21	4,332,670.44	4,288,013.58	-	1.00	44,655.86
SUBTOTAL GENERAL APPROPRIATIONS	25,551,301.29	26,618,918.52	24,956,833.48	588,732.70	1,028,696.48	44,655.86
(M) Reserve for Uncollected Taxes	1,852,276.54	1,852,276.54	1,852,276.54			-
TOTAL GENERAL APPROPRIATIONS	\$ 27,403,577.83	28,471,195.06	26,809,110.02	588,732.70	1,028,696.48	44,655.86
Budget		27,403,577.83			Cancelled	44,655.86
Appropriations by 40A:4-87		336,617.23			Overexpended	-
Special Emergency Appropriation		731,000.00				
		<u>28,471,195.06</u>				<u>44,655.86</u>
Reserve for Uncollected Taxes			1,852,276.54			
Federal and State Grants			407,400.52			
Deferred Charges			247,000.00			
Special Emergency			731,000.00			
Disbursements			23,571,432.96			
			<u>26,809,110.02</u>			

**EXHIBIT - B
TRUST FUND**

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

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
<u>Animal Control Fund</u>		
Cash and Investments	\$ 7,253.40	6,987.00
	<u>7,253.40</u>	<u>6,987.00</u>
<u>Other Funds</u>		
Cash and Investments	2,864,244.19	2,451,169.28
Program Loans Receivable	1,406,967.88	1,415,378.23
	<u>4,271,212.07</u>	<u>3,866,547.51</u>
	<u>\$ 4,278,465.47</u>	<u>3,873,534.51</u>

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

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

<u>Liabilities, Reserves and Fund Balance</u>	<u>2017</u>	<u>2016</u>
<u>Animal Control Fund</u>		
Reserve for Animal Control Expenditures	\$ 7,122.00	6,972.00
Due to State of New Jersey	131.40	15.00
	<u>7,253.40</u>	<u>6,987.00</u>
<u>Other Funds</u>		
Deposits for Redemption of Tax Title		
Lien Certificates	3,684.75	14,382.08
Premiums Received at Tax Sale	502,700.00	395,800.00
Reserve for Program Loans Receivable	1,406,967.88	1,415,378.23
Reserve for Unemployment Compensation	122,424.04	120,070.74
Reserve for AFLAC Flex Trust	-	38.65
Reserve for Performance and Escrow Deposits	481,606.48	518,463.12
Reserve for Recreation	25,727.20	25,048.81
Reserve for Bail Escrow	725.00	725.00
Reserve for POAA	68.00	56.00
Reserve for Small Cities Revolving Loan	500,188.84	462,209.16
Reserve for Historic Commission	825.50	823.03
Reserve for Police Forfeiture	14,985.73	23,393.13
Reserve for Police Investigative Trust	-	294.78
Reserve for Joint Housing	40,740.00	40,556.52
Reserve for Public Defender	10,946.39	8,770.29
Reserve for Escrow Deposits	129,719.23	124,337.61
Reserve for Communiity Police	3,040.19	3,656.66
Reserve for Fire Safety Fees	360,572.84	305,008.56
Reserve for Off Duty Police	15,379.35	8,720.63
Reserve for Accumulated Absences	625,373.17	355,526.15
Reserve for Group Insurance	-	38.04
Reserve for Snow Removal	24,017.48	43,200.32
Reserve for Donations	1,520.00	50.00
	<u>4,271,212.07</u>	<u>3,866,547.51</u>
	<u>\$ 4,278,465.47</u>	<u>3,873,534.51</u>

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

EXHIBIT - C
GENERAL CAPITAL FUND

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

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Cash	\$ 7,005,566.42	8,082,010.02
Due from State of New Jersey	178,000.00	-
Deferred Charges to Future Taxation -		
Funded	15,019,911.09	17,301,552.09
Unfunded	5,770,000.00	2,110,000.00
	<u>27,973,477.51</u>	<u>27,493,562.11</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Encumbrances Payable	867,209.90	1,382,624.93
Serial Bonds Payable	13,960,000.00	16,140,000.00
Green Trust Loan Payable	1,059,911.09	1,161,552.09
Improvement Authorizations:		
Funded	6,814,356.07	6,988,488.67
Unfunded	3,836,543.75	747,089.72
Reserve for Debt Service	696,229.60	775,229.60
Capital Improvement Fund	615,764.00	175,114.00
Fund Balance	123,463.10	123,463.10
	<u>\$ 27,973,477.51</u>	<u>27,493,562.11</u>

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

2016	2,110,000.00
2017	5,770,000.00

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

	<u>2017</u>	<u>2016</u>
Beginning Balance January 1	\$ 123,463.10	123,463.10
No Activity		
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>2017</u>	<u>2016</u>
<u>General Fixed Assets</u>		
Land	\$ 2,076,786.58	2,076,786.58
Building	3,060,731.76	3,060,731.76
Machinery and Equipment	13,482,254.59	12,149,867.12
	<u>18,619,772.93</u>	<u>17,287,385.46</u>
<u>Investment in General Fixed Assets</u>		
Investment in General Fixed Assets	18,619,772.93	17,287,385.46
	<u>\$ 18,619,772.93</u>	<u>17,287,385.46</u>

The accompanying Notes To The Financial Statements are an integral part of this statement

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NOTES TO FINANCIAL STATEMENTS

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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, 2017 AND 2016**

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, 2017 AND 2016**

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, 2017 AND 2016**

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

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. 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 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 Township’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 Township’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 Township’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 Township’s financial reporting.

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84 “Fiduciary Activities” This statement, which is effective for fiscal periods beginning after December 15, 2018, will not have any effect on the Township’s financial reporting.

In March 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 85 “Omnibus 2017”. This statement, which is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the Township’s financial reporting.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

In May 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 86, "Certain Debt Extinguishment Issues". This statement, which is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the Township's financial reporting.

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87 "Leases". This statement, which is effective for fiscal periods beginning after December 15, 2019, may have an effect on the Township's financial reporting.

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 2017 and 2016 statutory budgets included a reserve for uncollected taxes in the amount of \$1,852,276.54 and \$1,814,092.18. To balance the budget, the Township is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2017 and 2016 statutory budgets was \$2,525,000.00 and \$2,180,000.00.

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 2017 and 2016 calendar years:

<u>Budget Category</u>	<u>2017</u>	<u>2016</u>
<u>Current Fund:</u>		
Office of the Township Manager		
Other Expenses	35,000.00	
Office of the Tax Assessor		
Other Expenses	35,000.00	
Office of the Township Solicitor		
Other Expenses		(25,000.00)
Department of Public Works		
Other Expenses: Sanitary Landfill		90,000.00
Department of Public Safety		
Salaries and Wages		(89,831.24)
Other Expenses	27,055.00	
Police 911 Dispatchers		
Salaries and Wages		(35,000.00)
Other Expenses		100,000.00
General Liability Insurance		(25,764.00)
Workers Compensation Insurance		40,764.00
Employee Group Health	(475,000.00)	182,752.02
Terminal Lease		100,000.00
Street Lighting		64,000.00
Gasoline	(70,000.00)	130,000.00
Capital Improvement Fund	450,000.00	

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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 2017 and 2016, the following budget insertions were approved:

<u>Budget Category</u>	<u>2017</u>	<u>2016</u>
Clean Communities Program	\$ 77,031.62	90,672.08
Click it or Ticket	5,500.00	5,000.00
JIF	5,400.00	5,400.00
Drive Sober or Get Pulled Over	11,000.00	5,000.00
Emergency Management	9,400.00	-
Cops in Shops	1,200.00	-
Drunk Driving Enforcement Fund	6,703.13	7,714.01
Body Armor	4,572.72	7,604.64
Municipal Alliance on Alcoholism and Drug Abuse	31,409.00	29,839.00
Alcohol Education Rehab	900.76	1,027.39
Distracted Driving Crackdown	5,500.00	-
NJ Transportation Trust Fund - Reconstruction of Beach and Bay Avenues	178,000.00	-
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 budget 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 in 2017 for \$731,000 for tax maps. The Township had previously approved a special emergency appropriation in 2013 for \$185,000.00, also for a reassessment program. The unfunded balance of these emergencies as of December 31, 2017 is as follows:

<u>Purpose</u>	<u>Date</u>	<u>Amount Authorized</u>	<u>Balance December 31, 2017</u>
Reassessment	6/12/13	\$ 185,000.00	37,000.00
Tax Maps	10/16/17	731,000.00	731,000.00
		<u>\$ 916,000.00</u>	<u>768,000.00</u>

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, 2017 and 2016, the Township did not have any investments.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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.

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, 2017 and 2016, \$0 of the Township's bank balance of \$21,451,187.96 and \$20,349,214.00 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, 2017 and 2016:

	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>

	Balance 12/31/2016	Additions	Retirements/ Adjustments	Balance 12/31/2017
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	1,463,192.35	130,804.88	13,482,254.59
	<u>\$ 17,287,385.46</u>	<u>1,463,192.35</u>	<u>130,804.88</u>	<u>18,619,772.93</u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 6: LONG TERM DEBT

Long-term debt as of December 31, 2017 and 2016 consisted of the following:

	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>
	Balance 12/31/16	Issued	Retired	Balance 12/31/17	Amounts Due Within One Year
Other liabilities:					
Compensated					
Absences Payable	\$ 2,202,679.03		75,602.57	2,127,076.46	-
General Capital Fund					
Bonds Payable	16,140,000.00		2,180,000.00	13,960,000.00	2,300,000.00
Green Trust Loans	1,161,552.09		101,641.00	1,059,911.09	103,684.01
Total long-term liabilities	<u>\$ 19,504,231.12</u>	<u>-</u>	<u>2,357,243.57</u>	<u>17,146,987.55</u>	<u>2,403,684.01</u>

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

Year Ending December 31	Principal	General Capital Fund Interest	Total
2018	2,403,684.01	456,482.38	2,860,166.39
2019	1,335,768.04	397,398.34	1,733,166.38
2020	1,457,893.98	358,372.38	1,816,266.36
2021	1,480,062.65	315,703.72	1,795,766.37
2022	1,532,274.91	272,391.45	1,804,666.36
2022-2026	6,782,795.55	503,334.14	7,286,129.69
2027-2029	27,431.95	550.46	27,982.41
	<u>\$ 15,019,911.09</u>	<u>2,304,232.87</u>	<u>17,324,143.96</u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

<u>Summary of Municipal Debt</u>	<u>Year 2017</u>	<u>Year 2016</u>	<u>Year 2015</u>
<u>Issued:</u>			
General - Bonds and Notes	\$ 15,019,911.09	17,301,552.09	15,061,190.37
Total Issued	<u>15,019,911.09</u>	<u>17,301,552.09</u>	<u>15,061,190.37</u>
<u>Authorized but not issued:</u>			
General - Bonds and Notes	<u>5,770,000.00</u>	<u>2,110,000.00</u>	<u>4,521,000.00</u>
Total Authorized But Not Issued	<u>5,770,000.00</u>	<u>2,110,000.00</u>	<u>4,521,000.00</u>
Total Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 20,789,911.09</u>	<u>19,411,552.09</u>	<u>19,582,190.37</u>

Summary of Statutory Debt Condition - Annual Debt Statement

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

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Municipal/County General Obligations	\$ 36,633,062.09	15,843,151.00	20,789,911.09
School Debt	10,436,977.45	10,436,977.45	-
	<u>\$ 47,070,039.54</u>	<u>26,280,128.45</u>	<u>20,789,911.09</u>

Net Debt \$20,789,911.09 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$3,806,783,462.33= 0.546%.

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

3 1/2 % of Equalized Valuation Basis (Municipal)	\$ 133,237,421.18
Net Debt	20,789,911.09
Remaining Borrowing Power	<u>\$ 112,447,510.09</u>

Description of Bonds and Loans Payable

At December 31, 2017, bonds payable in the General Capital Fund consisted of the following individual issues:

\$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, 2017, is \$1,200,000.00.

\$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, 2017, is \$8,520,000.00.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

\$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, 2017, is \$4,240,000.00.

\$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, 2017, is \$387,084.20.

\$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, 2017, is \$482,025.65.

\$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, 2017, is \$190,801.24.

NOTE 7: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2017 and 2016, which were appropriated and included as anticipated revenue in their own respective funds for the years ending December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Current Fund	\$ 3,002,000.00	2,525,000.00

NOTE 8: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2017, the following deferred charges are shown on the balance sheets of the current fund.

	Balance December 31, 2017	2017 Budget Appropriation	Balance to Succeeding
Current fund:			
Special Emergency Appropriation	\$ 768,000.00	183,200.00	584,800.00
	<u>\$ 768,000.00</u>	<u>183,200.00</u>	<u>584,800.00</u>

The appropriations in the 2018 budget are not less than that required by statute.

NOTE 9: SCHOOL TAXES

Local District School Tax in the amounts of \$16,866,654.00 and \$16,545,016.00 have been raised for the 2017 and 2016 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 \$13,783,194.00 and \$14,040,457.00 have been raised for the 2017 and 2016 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:

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>12/31/2017</u>	<u>12/31/2016</u>
Balance of Tax Deferred	\$ 7,020,228.50	6,354,102.00
Deferred	128,631.50	(666,126.50)
Balance of Tax Deferred	<u>\$ 6,891,597.00</u>	<u>7,020,228.50</u>

NOTE 10: 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:

	<u>Balance 12/31/17</u>	<u>Balance 12/31/16</u>
Prepaid Taxes	<u>\$ 3,149,093.66</u>	<u>1,117,250.37</u>
Cash Liability for Taxes Collected in Advance	<u>\$ 3,149,093.66</u>	<u>1,117,250.37</u>

NOTE 11: 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

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2017 AND 2016

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.

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 7.20% through June 30, 2017 and 7.34% 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, 2017, 2016, and 2015 were \$609,733.78.00, \$601,226.00 and \$591,046.00.

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, 2017, 2016 and 2015 were \$898,199.00, \$903,382.00 and \$870,440.00.

The total payroll for the year ended December 31, 2017, 2016 and 2015 was \$9,792,334.18, \$10,200,838.93 and \$10,016,873.07. Payroll covered by PERS was \$4,411,299.00, \$4,511,093.00 and \$4,543,278.00. Payroll covered by PRFS was \$3,661,058.00, \$3,543,706.00 and \$3,482,349.00.

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 $\frac{1}{4}$ of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for 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.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2017 AND 2016

- 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).

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 12: 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, 2017:

Public Employees' Retirement System

The Municipality has a liability of \$15,407,178.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability 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, 2017, the Municipality's proportion would be 0.06618658250%, which would be a decrease of 2.95% from its proportion measured as of June 30, 2016.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

For the year ended December 31, 2017, the Municipality would have recognized pension expense of \$1,092,018.00. At December 31, 2017, 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	\$ 362,786.00	
Changes of assumptions	3,104,016.00	(3,092,636.00)
Changes in proportion	297,868.00	(527,549.00)
Net difference between projected and actual earnings on pension plan investments	104,912.00	
Total	<u><u>\$ 3,869,582.00</u></u>	<u><u>\$ (3,620,185.00)</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>		
2018	\$	198,413.72
2019		288,265.59
2020		171,228.60
2021		(228,922.79)
2022		(179,588.12)
Total	<u><u>\$</u></u>	<u><u>249,397.00</u></u>

Actuarial Assumptions

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

Inflation rate	2.25%
Salary increases:	
Through 2026	1.65% - 4.15% (based on age)
Thereafter	2.65% - 5.15% (based on age)
Investment rate of return:	7.00%

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 2013 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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

static projection based on mortality improvement Scale AA. In addition, the tables for service retirements 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, 2016 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 (7.00% at June 30, 2017) 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, 2017 are summarized in the following table:

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

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 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 (4.00%) or 1-percentage point higher (6.00%) than the current rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Municipality's proportionate share of the net pension liability	\$ 18,484,894	\$15,407,178	\$ 12,846,380

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 \$17,044,142.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability 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, 2017, the Municipality's proportion would be 0.11040334710%, which would be an increase of 0.22% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Municipality would have recognized pension expense of \$1,685,358.00. At December 31, 2017, the Municipality would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected & actual experience	\$ 110,572.00	(100,035.00)
Changes of assumptions	2,101,733.00	(2,791,332.00)
Changes in proportion	486,961.00	(220,831.00)
Net difference between projected and actual earnings on pension plan investments	325,242.00	
Total	<u>\$ 3,024,508.00</u>	<u>(3,112,198.00)</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>		
2018	\$	46,299.26
2019		120,010.36
2020		(3,797.25)
2021		(172,027.21)
2022		(78,175.16)
Total	<u>\$</u>	<u>(87,690.00)</u>

Actuarial Assumptions

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

Inflation rate	2.25%
Salary increases:	
Through 2026	2.10% - 8.98% (based on age)
Thereafter	3.10% - 9.98% (based on age)
Investment rate of return:	7.00%

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 three 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 three years

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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, 2016 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 (7.00% at June 30, 2017) 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 inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2017 are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 6.14% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% 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

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, 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 collective net pension liability of the participating employers as of June 30, 2017, 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 (5.14%)	Current Discount Rate (6.14%)	1% Increase (7.14%)
District's proportionate share of the net pension liability	\$ 21,991,174.79	17,044,142.00	12,980,806.02

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, 2017 State special funding situation net pension liability amount of \$1,729,193,507.00 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, 2017 State special funding situation pension expense of \$211,519,420.00 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2017. 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 2017. The net pension liability amount allocated to the Municipality was \$1,909,088.00. For the fiscal year ending June 30, 2017 State special funding situation pension expense of \$233,525.00 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 13: POST-RETIREMENT BENEFITS

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

Effective March 2017, 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

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

“Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions” (“OPEB”). The SHBP is administered by the State of New Jersey, Department of Treasury, Division of Pension and Benefits. Under the SHBP, retirees may continue the health benefits programs in which they are enrolled at the time of retirement, provided the retiree pays the costs of the benefits (at group rates) for themselves and their eligible dependents.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the SHBP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295 or by visiting their website at – <http://www.state.nj.us/treasury/pensions/shbp.htm>.

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:

2017 - \$ 1,341,160.07

NOTE 14: 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, 2017, the Township estimates this liability to approximate \$2,127,076.46 based on 2017 pay rates and compensated absence balances. The Township has established a trust reserve for accumulated absences in the amount of \$625,373.17 to offset this liability.

NOTE 15: 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 16: RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance - The Township maintains commercial insurance coverage for property, liability and surety bonds. During the year ended December 31, 2017 and 2016 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.

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

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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
2017	\$ 71,806.14	69,452.84	122,424.04
2016	110,667.65	77,345.75	120,070.74
2015	144,753.72	91,319.51	86,748.84

NOTE 17: 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 18: 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 19: INTERFUND BALANCES

During the most current calendar year ended December 31, 2017, the following interfunds were included on the balance sheets of the various funds of the Township of Lower:

	Due From	Due To
Current Fund	108,296.08	
Grant Fund		108,296.08
	<u>\$ 108,296.08</u>	<u>108,296.08</u>

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

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 20: SUBSEQUENT EVENTS

On March 19, 2018, Township Council adopted capital ordinance #2018-05 which amended and supplemented bond ordinance #2015-10 which was adopted on October 19, 2015. These bond ordinances provide funding for drainage and stormwater management improvements and associated road work to Roseann Avenue and Bayshore Estates.

	Original Ordinance 2015-10	Amending Ordinance 2018-05	Total
Debt Authorized	\$ 4,520,000.00	3,990,000.00	8,510,000.00
Downpayment through Capital Improvement Fund	230,000.00	210,000.00	440,000.00
Total	\$ <u>4,750,000.00</u>	<u>4,200,000.00</u>	<u>8,950,000.00</u>

The Township has evaluated subsequent events through April 30, 2018, the date which the financial statements were available to be issued and identified no events requiring disclosure.

SUPPLEMENTARY INFORMATION



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • OCEAN CITY, NJ • 08226

PHONE 609.399.6333 • FAX 609.399.3710

www.ford-scott.com

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, 2017, 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 April 30, 2018, 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

April 30, 2018

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

	Current Fund	Grant Fund
Balance December 31, 2016	\$ 9,321,138.53	-
Increased by Receipts:		
Tax Collector	61,724,917.67	
Tax Title Liens	32,149.48	
Prepaid Taxes	3,149,093.66	
Prepaid Bulk Trash	10,138.50	
Revenue Accounts Receivable	3,885,367.98	
Miscellaneous Revenue	283,349.33	
Sale of Foreclosed Property	10,850.00	
Due from State of New Jersey - Senior Citizens & Veterans	356,435.92	
Homestead Benefit Rebate	766,040.61	
Due to State of New Jersey - Marriage Licenses	4,100.00	
Permit Surcharge Fees	37,723.00	
Due from General Capital	2,157,130.85	
Due from Trust Other	89.27	
Federal and State Unappropriated	59,691.42	57,051.42
Federal and State Receivables	462,662.34	606,952.65
	72,939,740.03	749,647.82
	82,260,878.56	749,647.82
Decreased by Disbursements:		
Current Year Appropriation	23,571,432.96	
Prior Year Appropriations	514,915.31	
Accounts Payable	6,372.87	
County Taxes	9,945,456.46	
County Added and Omitted Taxes	23,916.30	
Local District School Taxes	16,866,654.00	
Regional School Taxes	13,911,825.50	
Fire District Taxes	2,303,871.00	
Due to State of New Jersey - Marriage Licenses	4,325.00	
Permit Surcharge Fees	38,506.00	
Due to Lower Township MUA-Tax Sale	50,789.37	
Due to County-In Lieu	2,478.49	
Reserve for Tax Map Expenditures	16,235.32	
Due to General Capital	2,157,130.85	
Refund of Tax Overpayments	30,396.12	
Refund of Prior Year's Revenue	19,070.98	
Federal and State Disbursements	745,571.03	745,571.03
	70,208,947.56	749,647.82
Balance December 31, 2017	\$ <u>12,051,931.00</u>	<u>-</u>

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

Year	Balance Dec. 31, 2016	Current Year Levy	Added Taxes	Collections by Cash		Adjustments	Transferred To Tax Title Lien	Arrears	Balance Dec. 31, 2017
				2016	2017				
Arrears	\$ 5,459.54				5,459.54				-
2015	4,116.30				4,116.30				-
2016	785,497.36		4,297.16		780,310.07	358.37	6,222.35		2,903.73
	795,073.20	-	4,297.16	-	789,885.91	358.37	6,222.35	-	2,903.73
2017	-	63,830,346.32	151,401.45	1,117,250.37	62,021,508.17	34,720.53	27,584.51		780,684.19
	\$ 795,073.20	63,830,346.32	155,698.61	1,117,250.37	62,811,394.08	35,078.90	33,806.86	-	783,587.92

61,724,917.67 Cash Receipts
 358,626.03 Senior Citizens and Veterans
 766,040.61 Homestead Benefit Revenue
 (38,190.23) Overpayments Applied
62,811,394.08

Analysis of Current Year Tax Levy

Tax Yield:
 General Property Tax 61,526,475.32
 Special District Taxes 2,303,871.00
 Added Taxes (54:4-63.1 et. Seq.) 151,401.45
63,981,747.77

Tax Levy:
 General County Taxes 8,308,864.23
 County Library Taxes 1,256,091.87
 County Open Space Taxes 380,500.36
 County Added and Omitted Taxes 22,785.32
Total County Taxes 9,968,241.78

Local School District Tax 16,866,654.00
 Regional School District Tax 13,783,194.00
 Special District Taxes 2,303,871.00

Local Tax for Municipal Purposes 20,797,190.62
 Add: Additional Tax Levied 262,596.37
21,059,786.99

63,981,747.77

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

Balance December 31, 2016		\$ 241,460.42
Increased by:		
Transfers from Taxes Receivable	33,806.86	
Due to MUA Water/Sewer Liens	925.16	
Interest and Costs Accrued by Sale September 11, 2017	1,251.85	
		35,983.87
		277,444.29
Decreased by:		
Collections	31,224.32	
Collections - MUA Water/Sewer Liens	925.16	
		32,149.48
Balance December 31, 2017		\$ <u>245,294.81</u>
Lower Township MUA Charges and Costs		
Township Liens		7,848.36
		237,446.45
		245,294.81

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	Balance Dec. 31, 2016	Accrued in 2017	Collected by			Balance Dec. 31, 2017
			Collector	Treasurer	Other	
Licenses:						
Alcoholic Beverages		38,600.00		38,600.00		
Other		145,243.00		145,243.00		
Fees and Permits		111,216.22		111,216.22		
Fines and Costs:						
Municipal Court	6,163.14	108,141.06		105,787.56		8,516.64
Interest and Costs on Taxes		200,549.73	200,549.73			
Interest Earned on Investments		51,224.72		51,224.72		
Amount Anticipated from LTMJA per N.J.S.A. 40A:5A-12.1						
Recreation Fees		60,000.00		60,000.00		
Payment in Lieu of Taxes - Yorkshire Place		70,641.67		70,641.67		
Payment in Lieu of Taxes - Haven House		25,768.80		25,768.80		
Payment in Lieu of Taxes - Conifer		38,052.48		38,052.48		
Cable TV Franchise Fee		38,398.98		38,398.98		
Bulk Trash Receipts		145,933.97		145,933.97		
Consolidated Municipal Property Tax Relief Aid		95,221.25		95,221.25		
Energy Receipts Tax		21,597.00		21,597.00		
Garden State Preservation Trust		1,454,194.00		1,454,194.00		
Uniform Construction Code Fees		87,437.00		87,437.00		
Uniform Fire Code		630,548.00		630,548.00		
Aid from Fire Districts #1, 2 and 3		301,281.20		301,281.20		
Boards of Education - Special Police		68,000.00		68,000.00		
County Interlocal - Garage Services		81,268.92		81,268.92		
Reserve for Debt Service		35,403.48		35,403.48		
		79,000.00		79,000.00		
Miscellaneous Revenue Not Anticipated		283,349.33		283,349.33		
	<u>\$ 6,163.14</u>	<u>4,171,070.81</u>	<u>200,549.73</u>	<u>3,968,167.58</u>	<u>-</u>	<u>8,516.64</u>

Cash Received \$ 3,968,167.58
 Prior Year Prepayments \$ 3,968,167.58

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

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charges	Accounts Payable	Balance Lapsed	Over- Expended
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT:						
Office of Township Council						
Other Expenses	6,287.73	6,287.73	4,824.91		1,462.82	-
Office of Township Clerk						
Salaries and Wages	4,781.86	4,781.86	4,379.48		402.38	-
Other Expenses	2,880.12	2,880.12	2,226.39		653.73	-
Elections						
Other Expenses	3,206.69	3,206.69			3,206.69	-
Office of Township Solicitor						
Other Expenses	55,705.43	50,705.43	5,805.10		44,900.33	-
Office of Township Manager						
Salaries and Wages	4,052.60	4,052.60	3,928.24		124.36	-
Other Expenses	3,984.02	3,984.02	3,202.38		781.64	-
Department of Revenue and Finance						
Salaries and Wages	6,115.73	6,115.73	5,324.82		790.91	-
Other Expenses	6,670.29	6,670.29	5,553.84		1,116.45	-
Division of Tax Collection						
Salaries and Wages	6,624.83	6,624.83	3,778.26		2,846.57	-
Other Expenses						
Miscellaneous Other Expenses	1,000.00	1,000.00	786.12		213.88	-
Liquidation of Tax Title Liens	3,696.57	3,696.57			3,696.57	-
Division of Tax Assessment						
Salaries and Wages	8,456.19	8,456.19	192.31		8,263.88	-
Other Expenses	1,818.02	1,818.02	1,802.03		15.99	-
Department of Planning and Development						
Salaries and Wages	8,721.99	8,721.99	3,646.99		5,075.00	-
Other Expenses	2,230.87	2,230.87	1,051.48		1,179.39	-
Engineering Services and Costs						
Other Expenses	4,934.28	4,934.28	439.50	1,994.78	2,500.00	-
Department of Parks and Recreation						
Salaries and Wages	6,150.89	6,150.89	2,618.68		3,532.21	-
Other Expenses	27,312.61	27,312.61	23,278.33	171.00	3,863.28	-
Department of Public Works						
Salaries and Wages	46,434.26	46,434.26	14,230.29		32,203.97	-
Other Expenses						
Sanitary Landfill	131,048.60	131,048.60	117,614.15		13,434.45	-
Miscellaneous Other Expenses	26,499.03	56,499.03	41,809.72		14,689.31	-

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

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charges	Accounts Payable	Balance Lapsed	Over- Expended
Public Buildings and Grounds						
Salaries and Wages	2,538.71	2,538.71	2,018.33		520.38	-
Other Expenses	19,444.71	24,444.71	23,210.96		1,233.75	-
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	212,616.14	212,616.14	18,747.13		193,869.01	-
Other Expenses	33,450.39	33,450.39	32,356.63	843.21	250.55	-
Uniform Fire Safety Act (PL 1983, Ch. 383)						
Salaries and Wages	303.91	303.91			303.91	-
Other Expenses	52,004.83	52,004.83	4,479.89		47,524.94	-
Police 911 Dispatchers						
Salaries and Wages	17,152.67	17,152.67	4,846.11		12,306.56	-
Other Expenses	1,003.94	1,003.94	366.00		637.94	-
Emergency Management Services						
Other Expenses	7,365.00	7,365.00			7,365.00	-
OFFICE OF NON-DEPARTMENTAL BOARDS, AUTHORITIES AND AGENCIES:						
Animal Regulation						
Other Expenses						
Contractual	2,031.00	2,031.00			2,031.00	-
Miscellaneous Other Expenses	379.00	379.00			379.00	-
Municipal Court						
Salaries and Wages	22,296.70	20,796.70	500.00		20,296.70	-
Other Expenses	1,919.64	3,419.64	3,104.93		314.71	-
INSURANCE						
General Liability	8,596.88	8,596.88	1,321.80		7,275.08	-
Workers Compensation Insurance						
Employee Group Health						
State Uniform Construction Code	446,351.58	416,351.58	61,822.87		354,528.71	-
Construction Official						
Salaries and Wages	4,822.69	4,822.69	3,342.34		1,480.35	-
Other Expenses	2,917.50	2,917.50	1,070.52		1,846.98	-
Demolition	6,117.02	6,117.02	559.00		5,558.02	-
UNCLASSIFIED						
Celebration of Public Events or Holidays	4,303.08	4,303.08	3,994.00		309.08	-

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

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charges	Accounts Payable	Balance Lapsed	Over- Expended
UTILITY EXPENSES AND BULK PURCHASES						
Electricity	30,228.48	30,228.48	15,035.13		15,193.35	-
Street Lighting	33,777.43	37,777.43	37,146.66		630.77	-
Telephone	9,698.38	9,698.38	6,972.57		2,725.81	-
Water & Sewer	1,419.76	1,419.76			1,419.76	-
Natural Gas	32,314.30	28,314.30	11,628.02		16,686.28	-
Heating Oil	13,818.40	13,818.40	173.34		13,645.06	-
Gasoline	42,791.85	42,791.85	32,993.70		9,798.15	-
Contingent	300.00	300.00			300.00	-
REGULATORY EXPENDITURES						
Contributions to						
Social Security System (O.A.S.I.)	25,956.46	25,956.46	2,696.65		23,259.81	-
Unemployment	633.49	633.49	35.71		597.78	-
Public Employees' Retirement System	1,844.33	1,844.33			1,844.33	-
Police and Firemen's Retirement System	180.60	180.60			180.60	-
Defined Contribution Retirement Program	1,024.74	1,024.74			1,024.74	-
Municipal Alliance on Alcoholism and Drug Abuse						
State Match	392.00	392.00			392.00	-
Supplemental Fire Services Program						
Fire District Direct Program	1.00	1.00			1.00	-
	<u>\$ 1,409,609.22</u>	<u>1,409,609.22</u>	<u>514,915.31</u>	<u>3,008.99</u>	<u>891,684.92</u>	<u>-</u>
		Cash Disbursements	<u>514,915.31</u>			

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

Balance December 31, 2016		
School Tax Payable	\$	-
School Tax Deferred		-
	<u> </u>	\$ -
Increased by:		
Levy - Calendar Year 2017		<u>16,866,654.00</u>
		16,866,654.00
Decreased by:		
Payments		<u>16,866,654.00</u>
Balance December 31, 2017		
School Tax Payable		-
School Tax Deferred		-
	<u> </u>	<u> </u>
		-
Current Year Liability for Local School District School Tax:		
Tax Paid		16,866,654.00
Tax Payable Ending		<u>-</u>
		16,866,654.00
Less: Tax Payable Beginning		<u>-</u>
Amount charged to Current Year Operations		<u><u>\$ 16,866,654.00</u></u>

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

Balance December 31, 2016			
School Tax Payable	\$	-	
Adjustment			
School Tax Deferred		<u>7,020,228.50</u>	
			\$ 7,020,228.50
Increased by:			
Levy - Calendar Year 2017			<u>13,783,194.00</u>
			20,803,422.50
Decreased by:			
Payments			<u>13,911,825.50</u>
Balance December 31, 2017			
School Tax Payable		-	
School Tax Deferred		<u>6,891,597.00</u>	
			<u>6,891,597.00</u>
Current Year Liability for Regional High School Tax:			
Tax Paid			13,911,825.50
Tax Payable Ending			<u>-</u>
			13,911,825.50
Less: Tax Payable Beginning			<u>-</u>
Amount charged to Current Year Operations			<u>\$ 13,911,825.50</u>

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

Purpose	Balance Dec. 31, 2016	Transferred From 2017 Revenues	Received	Cancelled	Balance Dec. 31, 2017
FEDERAL GRANTS:					
Federal Emergency Management Agency (FEMA)					
NJ Office of the Attorney General DL&PS					
Fleet Maintenance Garage & Recreation Ctr Generators	\$ 75,000.00				75,000.00
Small Cities - 2016 - (0156)	400,000.00				400,000.00
Small Cities - 2016 - Housing (0153)	150,000.00		116,783.00		33,217.00
USDA - Housing	26,021.15				26,021.15
Body Armor	-	2,007.50	2,007.50		-
National Fish and Wildlife Foundation - Hurricane Sandy					
Coastal Resiliency Competitive Grant Program (NFWF)					
Building Ecological Solutions to Coastal Community Hazards	145,350.00		62,591.18		82,758.82
New Jersey Department of Law & Public Safety					
Drive Sober or Get Pulled Over					
Statewide Labor Day Crackdown		5,500.00	5,225.00	(275.00)	-
Year End Holiday Crackdown	5,000.00		5,000.00		5,500.00
Over the Limit - Under Arrest					
Distracted Driver Crackdown	5,000.00		5,500.00		-
Click it or Ticket	5,000.00		5,500.00		5,000.00
Cops in Shops	-	1,200.00	1,200.00		-
Total Federal	806,371.15	25,207.50	203,806.68	(275.00)	627,496.97
STATE GRANTS:					
Alliance Funds (Lower Consortium)	27,962.65	31,409.00	27,507.31	(2,746.74)	29,117.60
Clean Communities	-	77,031.62	77,031.62		-
Recycling Tonnage Grant	-	54,767.29	54,767.29		-
Alcohol Education & Rehabilitation	0.00	900.76	900.76		0.00
Bulletproof Vest		2,565.22	2,409.00		156.22
NJ Department of Transportation					
Reconstruction of Clubhouse Drive	43,750.00		43,750.00		-
Reconstruction of Beach and Bay Avenues		178,000.00		(178,000.00)	-
NJ Emergency Management Grant		9,400.00			9,400.00
Drunk Driving Enforcement Fund	-	6,703.13	6,703.13		-
Total State	71,712.65	360,777.02	213,069.11	(180,746.74)	38,673.82

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

Purpose	Balance Dec. 31, 2016	Transferred From 2017 Revenues	Received	Cancelled	Balance Dec. 31, 2017
OTHER GRANTS:					
Atlantic County JIF	1,052.80	5,400.00	5,522.41	(4.32)	926.07
Cape May County - Open Space	412,311.00		184,554.45	(227,756.55)	-
	<u>413,363.80</u>	<u>5,400.00</u>	<u>190,076.86</u>	<u>(227,760.87)</u>	<u>926.07</u>
Total State	<u>\$ 1,291,447.60</u>	<u>391,384.52</u>	<u>606,952.65</u>	<u>(408,782.61)</u>	<u>667,096.86</u>

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

	Balance December 31, 2016		2017 Appropriations	Disbursed	Encumbrances	Cancelled	Balance Dec. 31, 2017
	Appropriated	Reserve for Encumbrances					
FEDERAL GRANTS:							
Small Cities - 2016 - (0156)	\$ 400,000.00			97,203.00			400,000.00
Small Cities - 2016 - Housing (0153)	124,070.00						26,867.00
Federal Emergency Management Agency (FEMA)							
NJ Office of the Attorney General DL&PS			2,007.50				
Fleet Maintenance Garage & Recreation Ctr Generators		1,680.94					
USDA - Housing							
Body Armor							
National Fish and Wildlife Foundation - Hurricane Sandy		130,388.00		54,891.68	75,496.32		
Coastal Resiliency Competitive Grant Program (NFWF)							
Building Ecological Solutions to Coastal Community Hazards							
New Jersey Department of Law & Public Safety							
Drive Sober or Get Pulled Over							
2016 grant	1,300.00			1,300.00			
Statewide Labor Day Crackdown			5,500.00	5,225.00		(275.00)	
Year End Holiday Crackdown			5,500.00	4,400.00			
Distracted Driving Statewide Crackdown			5,500.00	5,500.00			1,100.00
Click it or Ticket				5,500.00			
Cops in Shops			1,200.00	1,200.00			
Total Federal	628,420.91	132,068.94	25,207.50	279,513.62	75,496.32	(275.00)	430,412.41
STATE GRANTS:							
NJ Emergency Management Grant	6,334.50		9,400.00				10,430.00
Alliance Funds (Lower Consortium)	31,499.03		39,261.00	34,768.01	5,304.50	(6,683.53)	29,308.49
Clean Communities			77,031.62	77,031.62			
Alcohol Education and Rehabilitation	1,496.81		900.76	590.00			1,807.57
Drunk Driving Enforcement Fund	7,239.25	305.76	6,703.13	1,225.67	179.00		12,843.47
Recycling Tonnage Grant	2,500.00		54,767.29	54,767.29			2,500.00
Bullet Proof Vest Partnership	4,189.14	728.06	2,565.22	6,349.06			1,133.36
NJ Office of Information Technology - 911 Grant	7,890.65		8,165.00	8,165.00			7,890.65
Supplemental Fire Services Grant							
NJ Department of Transportation		175,000.00	178,000.00	175,000.00		(178,000.00)	
Reconstruction of Clubhouse Drive							
Reconstruction of Beach and Bay Avenues							
Total State	61,149.38	176,033.82	376,794.02	357,896.65	5,483.50	(184,683.53)	65,913.54
OTHER GRANTS:							
Beautification of Township	140.00						
Safety JIF	2.80		5,400.00	5,398.48		(140.00)	
Comcast (Twp Share)	39,199.46			2,200.00	600.00	(4.32)	36,399.46
Comcast (LCMR Share)	20,044.12						20,044.12
Cape May County - Open Space	391,311.00	20,000.00		100,562.28		(227,756.55)	82,992.17
Ducks Unlimited	1,000.00						1,000.00
Total Other	451,697.38	20,000.00	5,400.00	108,160.76	600.00	(227,900.87)	140,435.75
Total	1,141,267.67	328,102.76	407,401.52	745,571.03	81,579.82	(412,859.40)	636,761.70

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

Purpose	Balance Dec. 31, 2016	Transferred To 2017 Appropriations	Received	Adjustments	Balance Dec. 31, 2017
FEDERAL GRANTS:					
Body Armor	-		4,195.87		4,195.87
Total Federal	-	-	4,195.87	-	4,195.87
STATE GRANTS:					
Recycling Tonnage Grant	-		52,855.55		52,855.55
Total State	-	-	52,855.55	-	52,855.55
OTHER GRANTS:					
None					
Total Other Grants	-	-	-	-	-
	-	-	57,051.42	-	57,051.42

TRUST FUND
SCHEDULE OF ANIMAL CONTROL CASH - TREASURER

Balance December 31, 2016		\$	6,987.00
Increased By Receipts:			
Dog Licenses Fees	3,630.00		
State License Fees	2,357.40		
Late Fees Collected	1,170.00		
Interest	29.57		
			7,186.97
			14,173.97
Decreased By Disbursements:			
State of New Jersey	2,241.00		
Due to Current Fund	3,979.57		
Animal Control Expenditures	700.00		
			6,920.57
Balance December 31, 2017		\$	7,253.40

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

	<u>Other</u>	
Balance December 31, 2016		\$ 2,451,169.28
Increased By Receipts:		
Unemployment	71,806.14	
Community Police	1,483.01	
Police Forfeiture	7,092.60	
Redemption of Tax Title Liens	361,087.25	
Premiums Received at Tax Sale	310,800.00	
Historic Commission	2.47	
Dedicated Recreation Fees	98,181.28	
Fire Safety	65,564.28	
Off Duty Police	39,216.27	
Joint Housing	183.48	
Small Cities Revolving Loan	141,211.83	
Accumulated Absences	380,000.00	
Performance Deposits	351,235.54	
Developers' Escrow	158,830.46	
Public Defender	3,427.33	
Donations	1,470.00	
POAA	<u>16.00</u>	
		<u>1,991,607.94</u>
		4,442,777.22

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

	<u>Other</u>	
Decreased By Disbursements:		
Payment of Unemployment Claims	69,452.84	
Reserve for Communiity Police	2,099.48	
Police Forfeiture	15,500.00	
Police Investigations	294.78	
Fire Safety	10,000.00	
Refund of Tax Sale Certificates	371,784.58	
Refund of Premiums	203,900.00	
Dedicated Recreation Fees	97,502.89	
Off Duty Police	32,557.55	
Accumulated Absences	110,152.98	
Performance Deposits	388,092.18	
Developer's Escrow	153,448.84	
Reserve for Snow Removal	19,182.84	
Public Defender	1,251.23	
POAA	4.00	
Payroll Flex	38.65	
Group Insurance	38.04	
Small Cities Revolving Loan	<u>103,232.15</u>	
		<u>1,578,533.03</u>
Balance December 31, 2017		<u>\$ <u>2,864,244.19</u></u>

**TRUST FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL EXPENDITURES**

Balance December 31, 2016		\$	6,972.00
Increased By:			
Dog Licenses Fees Collected			3,630.00
Late Fees Collected			1,170.00
Interest			29.57
			4,829.57
			11,801.57
Decreased By:			
Animal Control Expenditures			700.00
Due to Current - Excess			3,979.57
			4,679.57
Balance December 31, 2017		\$	7,122.00

License Fees Collected	<u>Year</u>		
	2015	\$	3,243.00
	2016		3,879.00
			7,122.00
			7,122.00

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

Balance December 31, 2016		\$	15.00
Increased By:			
License Fees Collected	2,357.40		
			2,357.40
			2,372.40
Decreased By:			
Paid to State of New Jersey	2,241.00		
			2,241.00
Balance December 31, 2017		\$	131.40

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

Balance December 31, 2016		\$ 8,082,010.02
Increased by:		
Capital Improvement Fund	700,000.00	
Budget Appropriation - Unfunded Ordinance	210,000.00	
		910,000.00
		8,992,010.02
Decreased by:		
Improvement Authorizations	1,907,443.60	
Reserve for Debt Service - Anticipated as Current Fund Revenue	79,000.00	
		1,986,443.60
Balance December 31, 2017		\$ <u><u>7,005,566.42</u></u>

**GENERAL CAPITAL FUND
ANALYSIS OF CASH**

	Balance Dec. 31, 2016	Receipts		Disbursements		Transfers		Balance Dec. 31, 2017
		Miscellaneous	Debt Issued	Improvement Authorizations	Miscellaneous	From	To	
\$	123,463.10							123,463.10
Fund Balance	175,114.00	700,000.00						615,764.00
Capital Improvement Fund	1,382,624.93				259,350.00		867,209.90	867,209.90
Encumbrances Payable	775,229.60			79,000.00	1,382,624.93			696,229.60
Reserve for Debt Service								
Improvement Authorizations:								
05-09 Recreation Development Project	22,513.81			7,093.42				15,420.39
05-20 Engineering Services	6,881.75			887.50			865.25	1,931.75
08-20 Various Capital Improvements	25,747.57			13,421.46				10,991.21
09-12 Various Capital Improvements	7,169.94			-				7,169.94
10-08 Various Capital Improvements	1,699.94			1,699.94				-
11-14 Various Capital Improvements	10,282.35			11,746.05			1,463.70	-
12-09 Acquisition of Various Equipment	62.21			62.21				-
12-10 Various Capital Improvements	53,673.46			13,430.04				45,554.56
12-19 Road and Drainage Improvements	1,365,354.29			95,156.08		1,562.13	6,873.27	1,221,620.81
13-10 Various Capital Improvements	199,070.45			164,605.86		137,529.42	88,952.02	59,722.17
14-10 Various Capital Improvements	620,416.23			51,700.98		39,019.95	64,277.53	519,031.15
15-03 Various Capital Improvements	190,290.69			70,071.27		55,000.00	5,315.90	169,668.65
15-10 Roads & Drainage Roseann Ave.	4,485,325.98			41,976.04		309,650.00	359,099.23	4,434,949.94
16-04 Various Capital Improvements	(1,362,910.28)	210,000.00		1,001,952.02		13,950.00	850,228.03	(1,566,240.01)
17-08 Various Capital Improvements				431,936.23		251,605.74	107,350.00	(377,216.24)
17-10 Roads & Drainage Beach Drive				1,704.50		52,630.01	152,000.00	150,295.50
\$	8,082,010.02	910,000.00	-	1,907,443.60	79,000.00	2,509,184.83	2,509,184.83	7,005,566.42

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

Balance December 31, 2016		\$ 175,114.00
Increased by:		
Budget Appropriation	700,000.00	
	700,000.00	700,000.00
		875,114.00
Decreased by:		
Improvement Authorizations Funded	259,350.00	
	259,350.00	259,350.00
Balance December 31, 2017		\$ <u>615,764.00</u>

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

Balance December 31, 2016		\$ 17,301,552.09
Decreased by:		
Serial Bonds Paid	2,180,000.00	
Green Trust Loan Principal Paid	101,641.00	
	<hr/>	<hr/>
		2,281,641.00
Balance December 31, 2017		\$ <u><u>15,019,911.09</u></u>

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

Ord #	Improvement Description	Balance Dec. 31, 2016	2017 Authorizations	Raised in 2017 Budget	Debt Issued	Balance Dec. 31, 2017	Analysis of Balance	
							Expenditures	Unexpended Improvement Authorizations
16-04	Various Capital Improvements	\$ 2,110,000.00		210,000.00		1,900,000.00	1,556,240.01	343,759.99
17-08	Various Capital Improvements		1,000,000.00			1,000,000.00	377,216.24	622,783.76
17-10	Roads & Drainage Beach Drive		2,870,000.00			2,870,000.00	-	2,870,000.00
		\$ 2,110,000.00	3,870,000.00	210,000.00	-	5,770,000.00	1,933,456.25	3,836,543.75

**GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ord #	Improvement Description	Ord. Date	Amount	Balance December 31, 2016		Authorizations		Reverse Prior Year Encumbrances	Paid or Charged	Current Year Encumbrances	Balance December 31, 2017	
				Funded	Unfunded	Other Funding	Deferred Charges to Future Taxation				Funded	Unfunded
05-09	Recreation Development Project	5/2/2005	555,000	22,513.81					7,093.42		15,420.39	
05-20	Engineering Services	10/3/2005	46,250	6,881.75					887.50		1,931.75	
08-20	Various Capital Improvements	10/6/2008	795,000	25,747.57				865.25	13,421.46	4,927.75	10,991.21	
09-12	Various Capital Improvements	8/17/2009	436,000	7,169.94						1,334.90	7,169.94	
10-08	Various Capital Improvements	9/8/2010	970,000	1,699.94					1,699.94			
11-14	Various Capital Improvements	8/1/2011	440,000	10,282.35					11,746.05			
12-09	Acquisition of Various Equipments	5/7/2012	45,000	62.21					62.21			
12-10	Various Capital Improvements	5/7/2012	905,000	54,673.46					13,430.04	1,562.13	46,554.56	
12-19	Road and Drainage Improvements	8/20/2012	1,790,000	1,365,354.29					95,156.08	137,529.42	1,221,620.81	
13-10	Various Capital Improvements	6/3/2013	1,139,000	199,070.45					164,605.86	39,019.95	59,722.17	
14-10	Various Capital Improvements	9/3/2014	1,312,000	620,416.23					51,700.98	55,000.00	519,031.15	
15-03	Various Capital Improvements	5/18/2015	1,645,000	189,290.69					70,071.27	309,650.00	188,668.65	
15-10	Roads & Drainage Roseann Ave.	10/19/2015	4,750,000	4,485,325.98					41,976.04	13,950.00	4,434,949.94	
16-04	Various Capital Improvements	4/18/2016	2,225,000		747,089.72				1,001,952.02	251,605.74	343,759.99	
17-08	Various Capital Improvements	6/5/2017	1,107,350						431,936.23	52,630.01	622,783.76	
17-10	Roads & Drainage Beach Drive	8/7/2017	3,200,000						1,704.50		328,295.50	
				\$ 6,988,488.67	747,089.72	437,350.00	3,870,000.00	1,382,624.93	1,907,443.60	867,209.90	6,814,356.07	3,836,543.75

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2017		Interest Rate	Balance Dec. 31, 2016	Increased	Decreased	Balance Dec. 31, 2017
			Date	Amount					
General Improvements	4/1/2009	8,800,000	4/1/2018	1,200,000.00	4.000%	2,400,000.00		1,200,000.00	1,200,000.00
General Improvements	7/18/2015	9,900,000	7/15/2018	800,000.00	3.000%	9,220,000.00		700,000.00	8,520,000.00
			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%				
General Improvements	8/5/2016	4,520,000	7/15/2024	1,320,000.00	4.000%	4,520,000.00		280,000.00	4,240,000.00
			7/15/2025	1,360,000.00	3.000%				
			7/15/2018	300,000.00	3.000%				
General Improvements			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%							
						\$ 16,140,000.00		2,180,000.00	13,960,000.00

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2017		Interest Rate	Balance Dec. 31, 2016	Increased	Decreased	Balance Dec. 31, 2017
			Date	Amount					
Recreation Development Various	2006	800,000	2018	42,214.90	2.000% \$	428,467.28		41,383.08	387,084.20
			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					
					46,555.98	1.000%	527,664.29		45,638.64
Recreation Development Various	2007	900,000	2018	47,491.76					
			2019	48,446.34					
			2020	49,420.11					
			2021	50,413.45					
			2022	51,426.77					
			2023	52,460.44					
			2024	53,514.90					
			2025	54,590.55					
			2026						
					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, 2016	Increased	Decreased	Balance Dec. 31, 2017
			Date	Amount					
Bennett's Crossing	2009	300,000	2018	14,913.13	1.000%	205,420.52		14,619.28	190,801.24
			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						
						\$ 1,161,552.09	-	101,641.00	1,059,911.09

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2016	2017 Authorizations	Debt Issued	Budget Appropriation	Balance Dec. 31, 2017
16-04	Various Capital Improvements	\$ 2,110,000.00			210,000.00	1,900,000.00
17-08	Various Capital Improvements	-	1,000,000.00			1,000,000.00
17-10	Roads & Drainage Beach Drive	-	2,870,000.00			2,870,000.00
		<u>\$ 2,110,000.00</u>	<u>3,870,000.00</u>	<u>-</u>	<u>210,000.00</u>	<u>5,770,000.00</u>

TOWNSHIP OF LOWER
PART II
GENERAL COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED
DECEMBER 31, 2017

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:

- 2 Standby Generator Replacements for Public Works and Recreation
- Feasibility Study for an Aquatic Center for the Township
- 2 Ford Explorers
- Open Top Roll-Off Containers for Public Works Department
- Stainless Steel Dump Body, Spreader and Snow Plow (installed on new existing 2017 Ford F-450 DRW Chassis)
- Reconstruction of Old Route 109

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 2017.

This Resolution shall take effect January 4, 2017.

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>
2017	30
2016	32
2015	32

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 2017 and 2018 Taxes	25
Delinquent Taxes	10
Tax Title Liens	10
Total	<u>45</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>
2017 \$	63,981,747.77	63,138,758.54	98.68%
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%

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Comparative Schedule of Tax Rate Information

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Tax Rate	\$ 1.697	1.673	1.618	1.563	1.362
Apportionment of Tax Rate:					
Municipal	0.574	0.556	0.556	0.536	0.473
County	0.276	0.270	0.263	0.26	0.227
Local School	0.466	0.458	0.446	0.432	0.371
Regional School	0.381	0.389	0.353	0.335	0.291
Assessed Valuation	3,802,011,213	3,614,591,078	3,605,399,621	3,598,751,806	4,071,925,334
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.

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage Of Tax Levy</u>
2017 \$	237,446.45	783,587.92	1,021,034.37	1.60%
2016	233,612.06	795,073.20	1,028,685.26	1.70%
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%

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

April 30, 2018