

**TOWNSHIP OF LOWER
REPORT OF AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2019**

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TOWNSHIP OF LOWER
PART I
REPORT ON AUDIT OF
FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED
DECEMBER 31, 2019

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FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Township of Lower, as of December 31, 2019 and 2018, 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, 2019, 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, 2019 and 2018, 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, 2019 and 2018, 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, 2019 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Lower’s basic financial statements. The supplementary information listed in the table of contents and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. The letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2020 on our consideration of the Township of Lower's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Lower's internal control over financial reporting and compliance.

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

Leon P. Costello

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

June 23, 2020

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**EXHIBIT - A
CURRENT FUND**

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

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Regular Fund:		
Cash:		
Cash Treasurer	\$ 11,511,731.60	10,174,387.69
Cash - Change	600.00	600.00
Total Cash	<u>11,512,331.60</u>	<u>10,174,987.69</u>
Other Receivables:		
Due from State - Chapter 20 P.L. 1971	2,285.62	2,115.73
Total Other Receivables	<u>2,285.62</u>	<u>2,115.73</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	609,248.13	791,154.23
Tax Title Lien Receivable	262,748.71	262,290.23
Lower Township MUA Lien	7,848.36	7,848.36
Property Acquired for Taxes - at Assessed Valuation	1,652,200.00	1,652,200.00
Revenue Accounts Receivable	9,053.94	6,252.38
Municipal Fees Receivable	-	3.49
Lot Clearing Assessments	3,360.00	4,500.00
Total Receivables and Other Assets	<u>2,544,459.14</u>	<u>2,724,248.69</u>
Deferred Charges:		
Special Emergency Appropriation	438,600.00	584,800.00
Total Deferred Charges	<u>438,600.00</u>	<u>584,800.00</u>
Total Regular Fund	<u>14,497,676.36</u>	<u>13,486,152.11</u>
Federal and State Grant Fund:		
Federal and State Grants Receivable	966,652.32	223,255.30
Due from Current Fund	20,252.56	656,194.80
Total Federal and State Grant Fund	<u>986,904.88</u>	<u>879,450.10</u>
Total Current Fund	<u>\$ 15,484,581.24</u>	<u>14,365,602.21</u>

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

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2019</u>	<u>2018</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 1,620,414.81	1,238,261.41
Reserve for Encumbrances/Accounts Payable	479,273.94	493,553.79
Accounts Payable	18,811.93	15,256.10
Prepaid Taxes	1,152,799.80	1,148,230.68
Overpaid Taxes	26,268.17	64,013.76
County Added Tax Payable	32,535.31	19,783.49
Due to County - In Lieu Payments	2,092.72	992.48
Due to State:		
Marriage Licenses	525.00	1,400.00
Permit Surcharge Fees	19,279.00	7,230.00
Interfund Payable:		
Federal and State Grant Funds	20,252.56	656,194.80
Other		
Prepaid Fees		
Commercial Trash	22,277.00	22,445.25
Municipal Service Fees	19,080.00	-
Reserve for Elevator Inspections	7,440.00	7,440.00
Reserve for Reassessment	38,369.29	326,701.55
	3,459,419.53	4,001,503.31
Reserve for Receivables and Other Assets	2,544,459.14	2,724,248.69
Fund Balance	8,493,797.69	6,760,400.11
Total Regular Fund	14,497,676.36	13,486,152.11
Federal and State Grant Fund:		
Unappropriated Reserves	39,496.19	7,869.23
Appropriated Reserves	947,408.69	466,117.23
Encumbrances Payable	-	405,463.64
Total Federal and State Grant Fund	986,904.88	879,450.10
Total Current Fund	\$ 15,484,581.24	14,365,602.21

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

	2019	2018
Revenue and Other Income Realized		
Fund Balance	\$ 2,500,000.00	3,002,000.00
Miscellaneous Revenue Anticipated	6,348,488.09	4,541,293.58
Receipts from Delinquent Taxes	819,724.28	790,204.56
Receipts from Current Taxes	65,139,456.30	63,228,893.29
Non Budget Revenue	325,668.59	131,504.94
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	1,242,083.13	987,504.32
Prior Years' Accounts Payable Cancelled	665.55	3,389.25
Total Income	76,376,085.94	72,684,789.94
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	10,841,049.96	10,584,236.86
Other Expenses	9,108,273.42	9,468,178.97
Deferred Charges & Statutory Expenditures	2,607,021.00	2,456,972.00
Appropriations Excluded from "CAPS"		
Operations:		
Salaries and Wages	102,176.88	84,357.14
Other Expenses	1,629,114.40	379,779.72
Capital Improvements	410,000.00	425,000.00
Debt Service	2,459,238.88	2,860,166.39
Deferred Charges	652,400.00	453,200.00
Local District School Tax	17,583,360.00	17,143,257.00
Regional District School Tax	13,231,547.50	13,432,202.50
County Tax	10,989,956.22	10,443,033.88
County Share of Added Tax	32,535.31	19,783.49
Other:		
Special District Tax	2,319,333.00	2,312,231.00
Refund of Prior Year's Revenue	8,050.68	5,108.27
Cancellation of Senior and Vet Due from State	-	250.00
Due to County - In Lieu Payments	-	992.48
Refund of 2017 Taxes - State Tax Appeal	484.28	-
Cancellation of Grant Balances	5,606.40	-
Due to State - Senior Citizen & Vet Adjustment	9,750.00	-
Year End Adjustment - Reserve for Fire Safety	152,790.43	-
Total Expenditures	72,142,688.36	70,068,749.70
Excess in Revenue	4,233,397.58	2,616,040.24

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

	2019	2018
Adjustments to Income before Fund Balance:		
Emergency Appropriation	-	-
Total Adjustments	-	-
Statutory Excess to Fund Balance	4,233,397.58	2,616,040.24
Fund Balance January 1	6,760,400.11	7,146,359.87
	10,993,797.69	9,762,400.11
Decreased by:		
Utilization as Anticipated Revenue	2,500,000.00	3,002,000.00
Fund Balance December 31	\$ 8,493,797.69	6,760,400.11

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Fund Balance Anticipated	\$ 2,500,000.00		2,500,000.00	-
Total Fund Balance Anticipated	<u>2,500,000.00</u>	<u>-</u>	<u>2,500,000.00</u>	<u>-</u>
Miscellaneous Revenues:				
Section A: Local Revenues				
Licenses:				
Alcoholic Beverages	35,000.00		38,200.00	3,200.00
Other	115,000.00		183,638.40	68,638.40
Fees and Permits	72,200.00		91,095.99	18,895.99
Fines and Costs:				
Municipal Court	101,500.00		122,360.71	20,860.71
Interest and Costs on Taxes	150,000.00		215,435.30	65,435.30
Interest Earned on Investments	52,300.00		451,174.29	398,874.29
Amount Anticipated from LTMUA per N.J.S.A. 40A:5A-12.1	150,000.00		150,000.00	-
Recreation Fees	40,000.00		77,992.90	37,992.90
Payment in Lieu of Taxes - Yorkshire Place	15,000.00		32,255.40	17,255.40
Payment in Lieu of Taxes - Haven House	25,000.00		39,761.78	14,761.78
Payment in Lieu of Taxes - Conifer	30,000.00		39,672.84	9,672.84
Cable Franchise Fees	125,000.00		129,461.03	4,461.03
Bulk Trash Receipts	65,000.00		85,712.25	20,712.25
Total Section A: Local Revenues	<u>976,000.00</u>	<u>-</u>	<u>1,656,760.89</u>	<u>680,760.89</u>
Section B: State Aid Without Offsetting Appropriations				
Consolidated Municipal Property Tax Relief	14,218.00		14,218.00	-
Energy Receipts Tax	1,461,573.00		1,461,573.00	-
Garden State Preservation Trust Fund	87,437.00		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>	<u>-</u>

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Section C: Uniform Construction Code Fees				
Uniform Construction Code Fees	420,000.00		680,097.00	260,097.00
Total Section C: Uniform Construction Code Fees	420,000.00	-	680,097.00	260,097.00
Section D: Interlocal Municipal Service Agreements				
Offset with Appropriations				
Boards of Educations - Special Police	87,562.72		170,462.72	82,900.00
County Interlocal - Garage Services	49,971.20		49,971.20	-
Total Section D: Interlocal Municipal Service Agreements	137,533.92	-	220,433.92	82,900.00
Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations				
Recycling Tonnage Grant	45,397.48		45,397.48	-
Drunk Driving Enforcement Fund	7,066.23	7,547.93	14,614.16	-
Alcohol Education and Rehabilitation Fund		1,848.62	1,848.62	-
Municipal Alliance on Alcoholism and Drug Abuse	31,409.00		31,409.00	-
New Jersey Historic Trust Grant		38,850.00	38,850.00	-
Body Armor Grant	803.00	19,060.24	19,863.24	-
Atlantic County JIF Grant		6,475.00	6,475.00	-
Clean Communities		82,353.43	82,353.43	-
COPS in Shops		2,740.00	2,740.00	-
Distracted Driving Crackdown		5,500.00	5,500.00	-
Drive Sober or Get Pulled Over		11,000.00	11,000.00	-
New Jersey Department of Transportation				
Reconstruction of Roseann Avenue Phase III		160,000.00	160,000.00	-
Office of Emergency Management EMAA		10,000.00	10,000.00	-
Warming Center		20,000.00	20,000.00	-
Cape May County Open Space		749,689.43	749,689.43	-
Small Cities	538,000.00		538,000.00	-
Total Section F: Special Items - Public and Private Programs	622,675.71	1,115,064.65	1,737,740.36	-
Off-Set with Appropriations				

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Anticipated		Excess or (Deficit)
	Budget	N.J.S. 40A:4-87	
Section G: Other Special Items			
Uniform Fire Safety Act	295,812.68		92,415.24
Aid from Fire Districts #1, 2 & 3	102,000.00		-
	<u>397,812.68</u>	-	<u>92,415.24</u>
Total Section G: Other Special Items	4,117,250.31	1,115,064.65	1,116,173.13
Total Miscellaneous Revenues:	<u>790,000.00</u>		<u>29,724.28</u>
Receipts from Delinquent Taxes			
Amount to be Raised by Taxes for Support of Municipal Budget	21,252,363.05		1,459,667.07
Local Tax for Municipal Purposes			
Total Amount to be Raised by Taxes for Support of Municipal Budget	<u>21,252,363.05</u>	-	<u>1,459,667.07</u>
Budget Totals	28,659,613.36	1,115,064.65	2,605,564.48
Non- Budget Revenues:			
Other Non- Budget Revenues:			
		325,668.59	325,668.59
	<u>28,659,613.36</u>	<u>1,115,064.65</u>	<u>2,931,233.07</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, 2019**

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	\$	65,139,456.30
Less: Reserve for Tax Appeals Pending		<u>-</u>
Net Revenue from Collections		65,139,456.30
Allocated to:		
School, County and Other Taxes		<u>44,307,068.53</u>
Balance for Support of Municipal Budget Appropriations		20,832,387.77
Increased by:		
Appropriation "Reserved for Uncollected Taxes"		<u>1,879,642.35</u>
Amount for Support of Municipal Budget Appropriations		<u><u>22,712,030.12</u></u>

Receipts from Delinquent Taxes:

Delinquent Tax Collection		790,625.98
Tax Title Lien Collections		<u>29,098.30</u>
Total Receipts from Delinquent Taxes		<u><u>819,724.28</u></u>

Analysis of Non-Budget Revenue:

Miscellaneous Revenue Not Anticipated:

Assessor		1,050.00
Insurance Reimbursement		1,388.57
Municipal Land Use Fees		52,979.16
Police Reports		4,200.15
Employee Car Contribution		1,560.00
GovDeals		24,983.68
Administration Fees		9,124.83
Vital Statistics		22,426.00
JIF Dividend		148,903.00
Dog Damage Excess Reserve		6,045.78
Tax Search Fees		30.00
Lot Clearing Fees		12,260.00
Tax Premium Forfeiture		36,300.00
Miscellaneous		<u>4,417.42</u>
Total Miscellaneous Revenue Not Anticipated:	\$	<u><u>325,668.59</u></u>

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
\$						
Office of Township Council						
Salaries and Wages	90,500.00	90,500.00	90,500.00	-	-	-
Other Expenses	20,700.00	26,700.00	22,428.06	1,100.81	3,171.13	-
Office of Township Clerk						
Salaries and Wages	187,300.00	187,300.00	184,789.66	-	2,510.34	-
Other Expenses	8,350.00	8,350.00	6,475.42	924.34	950.24	-
Elections						
Other Expenses	7,000.00	7,000.00	6,061.00	-	939.00	-
Office of Township Solicitor						
Other Expenses	216,000.00	216,000.00	200,399.85	14,784.02	816.13	-
Office of Township Manager						
Salaries and Wages	190,000.00	205,000.00	197,309.77	-	7,690.23	-
Other Expenses	15,500.00	18,500.00	14,908.35	893.90	2,697.75	-
Department of Revenue and Finance						
Salaries and Wages	341,000.00	341,000.00	327,740.54	-	13,259.46	-
Other Expenses	41,150.00	41,150.00	38,598.17	167.15	2,384.68	-
Audit Services						
Other Expenses	32,800.00	32,800.00	32,800.00	-	-	-
Division of Tax Assessment						
Salaries and Wages	139,500.00	139,500.00	132,060.51	-	7,439.49	-
Other Expenses	15,900.00	15,900.00	8,736.82	6,545.03	618.15	-
Miscellaneous Other Expenses						

**OPERATIONS WITHIN "CAPS"
GENERAL GOVERNMENT:**

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, 2019**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Division of Taxation						
Salaries and Wages	175,000.00	185,000.00	179,509.38	-	5,490.62	-
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	7,060.94	1,035.58	1,628.48	-
Department of Planning and Development						
Salaries and Wages	158,000.00	158,000.00	158,000.00	-	-	-
Other Expenses	6,615.50	6,615.50	3,951.14	155.15	2,509.21	-
Engineering Services and Costs						
Other Expenses	12,000.00	12,000.00	3,956.00	7,944.00	100.00	-
Department of Parks and Recreation						
Salaries and Wages	303,500.00	303,500.00	274,588.27	-	28,911.73	-
Other Expenses	172,923.75	227,923.75	138,195.29	71,869.64	17,858.82	-
Department of Public Works						
Salaries and Wages	2,845,000.00	2,845,000.00	2,601,959.37	-	243,040.63	-
Other Expenses:						
Sanitary Landfill	780,000.00	780,000.00	638,864.43	125,365.82	15,769.75	-
Miscellaneous Other Expenses	272,273.80	287,273.80	229,967.94	55,824.43	1,481.43	-
Public Buildings and Grounds						
Salaries and Wages	151,000.00	151,000.00	143,126.49	-	7,873.51	-
Other Expenses	120,280.00	124,780.00	97,604.43	8,017.53	19,158.04	-
Department of Public Safety						
Salaries and Wages	4,872,437.28	4,872,437.28	4,747,875.96		124,561.32	-
Other Expenses	254,333.11	259,333.11	211,327.83	42,410.98	5,594.30	-

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, 2019**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Uniform Fire Safety Act (P.L. 1983, Ch. 383)						
Salaries and Wages	189,812.68	189,812.68	188,004.51	-	1,808.17	-
Other Expenses	208,000.00	208,000.00	118,103.53	3,138.92	86,757.55	-
Emergency Management Services						
Salaries and Wages	20,000.00	20,000.00	10,599.98	-	9,400.02	-
Other Expenses	10,000.00	10,000.00	5,455.00	2,174.16	2,370.84	-
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	7,410.33	-	6,589.67	-
Police 911 Dispatchers						
Other Expenses:						
County Dispatch	600,000.00	600,000.00	600,000.00	-	-	-
Lease for Public Safety Building	167,431.26	167,431.26	167,431.26	-	-	-
Planning Board						
Other Expenses	7,950.00	7,950.00	6,875.00	625.00	450.00	-
Zoning Board of Adjustments						
Other Expenses	7,950.00	7,950.00	7,500.00	-	450.00	-
Animal Regulation:						
Other Expenses:						
Contractual	169,752.00	169,752.00	168,027.87	221.00	1,503.13	-
Miscellaneous Other Expenses	17,828.00	17,828.00	17,828.00	-	-	-
Municipal Court						
Salaries and Wages	200,500.00	200,500.00	179,732.96	-	20,767.04	-
Other Expenses	15,200.00	15,200.00	9,448.89	1,174.53	4,576.58	-

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, 2019**

	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	15,000.00	15,000.00	15,000.00	-	-	-
General Liability	309,250.00	309,250.00	280,018.52	8,723.65	20,507.83	-
Workers Compensation Insurance	575,880.00	575,880.00	575,880.00	-	-	-
Employee Group Health	3,738,431.00	3,624,931.00	2,825,278.81	13,943.63	785,708.56	-
Health Benefit						
Salaries and Wages	140,000.00	140,000.00	140,000.00	-	-	-
Interlocal Agreements -						
Fire District #3	18,750.00	18,750.00	18,750.00	-	-	-
Wildwood	5,000.00	5,000.00	-	-	5,000.00	-
Construction Official						
Salaries and Wages	417,500.00	417,500.00	409,218.10	-	8,281.90	-
Other Expenses	13,710.00	13,710.00	8,168.74	350.00	5,191.26	-
Terminal Leave						
Salaries and Wages	380,000.00	380,000.00	380,000.00	-	-	-
Celebration of Public Events or Holidays	95,390.00	95,390.00	89,428.57	5,566.80	394.63	-
Electricity	200,000.00	200,000.00	158,706.93	18,180.90	23,112.17	-
Street Lighting	395,000.00	395,000.00	349,406.56	33,284.56	12,308.88	-
Telephone	95,000.00	95,000.00	80,106.39	8,345.62	6,547.99	-
Water	13,900.00	13,900.00	11,923.25	-	1,976.75	-
Natural Gas	50,000.00	50,000.00	40,647.05	6,976.50	2,376.45	-
Heating Oil	13,000.00	13,000.00	2,154.20	365.02	10,480.78	-
Gasoline	300,000.00	300,000.00	230,592.76	39,165.27	30,241.97	-
TOTAL OPERATIONS WITHIN "CAPS"	19,949,023.38	19,949,023.38	17,905,492.83	479,273.94	1,564,256.61	-

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, 2019**

	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"	19,949,323.38	19,949,323.38	17,905,492.83	479,273.94	1,564,556.61	-
Detail:						
Salaries and Wages	10,816,049.96	10,841,049.96	10,360,015.50	-	481,034.46	-
Other Expenses	9,133,273.42	9,108,273.42	7,545,477.33	479,273.94	1,083,522.15	-
DEFERRED CHARGES AND STATUTORY EXPENDITURES:						
Deferred Charges:						
None						
Statutory Expenditures:						
Contributions to:						
Public Employees' Retirement System	644,126.00	644,126.00	627,859.56	-	16,266.44	-
Social Security System (O.A.S.I.)	820,000.00	820,000.00	787,583.52	-	32,416.48	-
Unemployment	50,000.00	50,000.00	49,578.77	-	421.23	-
Police and Firemen's Retirement System	1,082,895.00	1,082,895.00	1,082,895.00	-	-	-
Defined Contribution Retirement Program	10,000.00	10,000.00	3,246.95	-	6,753.05	-
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	2,607,021.00	2,607,021.00	2,551,163.80	-	55,857.20	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	22,556,344.38	22,556,344.38	20,456,656.63	479,273.94	1,620,413.81	-

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, 2019**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
OPERATIONS - EXCLUDED FROM "CAPS"					
(A) Operations - Excluded from "CAPS"					
Interlocal Municipal Service Agreements					
School Resource Officer	87,562.72	87,562.72	87,562.72	-	-
County Interlocal - Garage Services	49,971.20	49,971.20	49,971.20	-	-
	<u>137,533.92</u>	<u>137,533.92</u>	<u>137,533.92</u>	<u>-</u>	<u>-</u>
(A) Public and Private Programs Off-Set by Revenues					
Drunk Driving Enforcement Fund					
Salaries and Wages	7,066.23	14,614.16	14,614.16	-	-
Clean Communities		82,353.43	82,353.43	-	-
Municipal Alliance on Alcoholism and Drug Abuse					
State Match	31,409.00	31,409.00	31,409.00	-	-
Local Match	7,852.00	7,852.00	7,852.00	-	-
Recycling Tonnage Grant	45,397.48	45,397.48	45,397.48	-	-
Body Armor	803.00	8,145.16	8,145.16	-	-
Bulletproof Vest		11,718.08	11,718.08	-	-
Distracted Driving		5,500.00	5,500.00	-	-
Cops in Shops		2,740.00	2,740.00	-	-
ALED		1,848.62	1,848.62	-	-
Supplemental Fire Services Program					
Fire District Direct Program	8,165.00	8,165.00	8,164.00	-	1.00
Office of Emergency Management - EMAA		10,000.00	10,000.00	-	-
Drive Sober or Get Pulled Over		11,000.00	11,000.00	-	-
JIF Safety Grant		6,475.00	6,475.00	-	-
Small Cities-Township Share	538,000.00	538,000.00	538,000.00	-	-
NJ Historic Trust		38,850.00	38,850.00	-	-
Open Space		749,689.43	749,689.43	-	-
Warming Center		20,000.00	20,000.00	-	-
	<u>638,692.71</u>	<u>1,593,757.36</u>	<u>1,593,756.36</u>	<u>-</u>	<u>1.00</u>
Total Public and Private Programs Off-Set by Revenues					

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, 2019**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
Total Operations - Excluded from "CAPS" Detail:	776,226.63	1,731,291.28	1,731,290.28	-	1.00
Salaries and Wages	94,628.95	102,176.88	102,176.88	-	-
Other Expenses	681,597.68	1,629,114.40	1,629,113.40	-	1.00
(C) Capital Improvements Capital Improvement Fund	250,000.00	250,000.00	250,000.00	-	-
NJ Department of Transportation Reconstruction of Roseann Avenue, Phase III Total Capital Improvements	250,000.00	410,000.00	410,000.00	-	-
(D) Debt Service Payment of Bond Principal	1,765,000.00	1,765,000.00	1,700,000.00	-	65,000.00
Payment of Bond Anticipation Notes and Capital Notes	650,000.00	650,000.00	634,872.50	-	15,127.50
Interest on Bonds					
Interest on Note					
Green Trust Loan Program:					
Loan Repayments for Principal and Interest	130,000.00	130,000.00	124,366.38	-	5,633.62
Total Debt Service	2,545,000.00	2,545,000.00	2,459,238.88	-	85,761.12
(E) Deferred Charges Special Emergency Authorizations - 5 year Deferred Charge Ord #18-07	146,200.00	146,200.00	146,200.00	-	-
Deferred Charge Ord #18-07	506,200.00	506,200.00	506,200.00	-	-
Total Deferred Charges	652,400.00	652,400.00	652,400.00	-	-

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	4,223,626.63	5,338,691.28	5,252,929.16	-	85,761.12
SUBTOTAL GENERAL APPROPRIATIONS	26,779,971.01	27,895,035.66	25,709,585.79	479,273.94	85,761.12
(M) Reserve for Uncollected Taxes	1,879,642.35	1,879,642.35	1,879,642.35	-	-
TOTAL GENERAL APPROPRIATIONS	\$ 28,659,613.36	29,774,678.01	27,589,228.14	479,273.94	85,761.12
Budget		28,659,613.36			85,761.12
Appropriations by 40A:4-87		1,115,064.65			-
Special Emergency Appropriation		-			-
		<u>29,774,678.01</u>			<u>85,761.12</u>
Reserve for Uncollected Taxes		1,879,642.35			
Federal and State Grants		1,753,756.36			
Deferred Charges		396,200.00			
Special Emergency		-			
Disbursements		23,559,629.43			
		<u>27,589,228.14</u>			

Cancelled
Overexpended

**EXHIBIT - B
TRUST FUND**

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

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
<u>Animal Control Fund</u>		
Cash and Investments	\$ 9,310.00	7,544.40
	<u>9,310.00</u>	<u>7,544.40</u>
<u>Other Funds</u>		
Cash and Investments	3,618,280.93	3,315,401.31
Program Loans Receivable	1,771,245.17	1,509,101.74
	<u>5,389,526.10</u>	<u>4,824,503.05</u>
	<u>\$ 5,398,836.10</u>	<u>4,832,047.45</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>2019</u>	<u>2018</u>
<u>Animal Control Fund</u>		
Reserve for Animal Control Expenditures	\$ 9,295.60	7,509.00
Due to State of New Jersey	14.40	35.40
	<u>9,310.00</u>	<u>7,544.40</u>
<u>Other Funds</u>		
Deposits for Redemption of Tax Title		
Lien Certificates	-	677.73
Premiums Received at Tax Sale	356,600.00	431,000.00
Reserves for -		
Program Loans Receivable	1,771,245.17	1,509,101.74
Unemployment Compensation	141,325.21	128,968.84
Performance and Escrow Deposits	490,795.50	429,697.90
Recreation	38,029.41	37,461.29
Bail Escrow	725.00	725.00
POAA	118.00	82.00
Small Cities Revolving Loan	580,623.64	529,664.05
Historic Commission	844.11	827.98
Police Forfeiture	14,867.17	15,971.92
Joint Housing	40,924.01	40,924.01
Public Defender	18,501.30	15,081.39
Escrow Deposits	169,285.36	152,009.90
Community Police	1,360.23	2,576.90
Fire Safety Fees	713,036.84	560,246.41
Off Duty Police	25,732.83	6,402.21
Accumulated Absences	1,001,494.84	939,066.30
Snow Removal	24,017.48	24,017.48
	<u>5,389,526.10</u>	<u>4,824,503.05</u>
	<u>\$ 5,398,836.10</u>	<u>4,832,047.45</u>

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

EXHIBIT - C
GENERAL CAPITAL FUND

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

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Cash	\$ 12,917,125.21	11,816,554.81
Deferred Charges to Future Taxation -		
Funded	26,750,459.04	21,106,227.08
Unfunded	2,638,800.00	7,035,000.00
	<u>42,306,384.25</u>	<u>39,957,781.89</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Encumbrances Payable	3,071,666.93	6,736,244.76
Serial Bonds Payable	25,900,000.00	20,150,000.00
Green Trust Loan Payable	850,459.04	956,227.08
Improvement Authorizations:		
Funded	8,033,015.48	4,144,971.93
Unfunded	2,638,800.00	6,426,803.92
Reserve for Debt Service	1,393,215.70	879,307.10
Capital Improvement Fund	295,764.00	540,764.00
Fund Balance	123,463.10	123,463.10
	<u>\$ 42,306,384.25</u>	<u>39,957,781.89</u>

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

2018	7,035,000.00
2019	2,638,800.00

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

	2019	2018
Beginning Balance January 1	\$ 123,463.10	123,463.10
No Activity		
Ending Balance December 31	\$ 123,463.10	123,463.10

EXHIBIT - G
GENERAL FIXED ASSETS ACCOUNT GROUP

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

	<u>2019</u>	<u>2018</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	14,255,465.42	13,932,983.77
	<u>19,392,983.76</u>	<u>19,070,502.11</u>
<u>Investment in General Fixed Assets</u>		
Investment in General Fixed Assets	19,392,983.76	19,070,502.11
	<u>\$ 19,392,983.76</u>	<u>19,070,502.11</u>

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

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NOTES TO FINANCIAL STATEMENTS

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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, 2019 AND 2018**

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, 2019 AND 2018**

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, 2019 AND 2018**

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 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.

In April 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 88, “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements”. This statement, which is effective for fiscal periods beginning after June 15, 2019, will not have an effect on the Township’s financial reporting.

In June 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 89, “Accounting for Interest Costs Incurred Before the End of a Construction Period”. This statement, which is effective for fiscal periods beginning after December 15, 2019, will not have any effect on the Township’s financial reporting.

In August 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 90, “Majority Equity Interest – an amendment of GASB Statements No. 14 and No. 61”. This statement, which is effective for fiscal periods beginning after December 15, 2019, will not have any effect on the Township’s financial reporting.

In May 2019, the Governmental Accounting Standards Board (GASB) issued Statement No. 91, “Conduit Debt Obligations”. This statement, which is effective for periods beginning after December 15, 2020, will not have any effect on the Township’s financial reporting.

In March 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 93, “Replacement of Interbank Offered Rates”. This statement, which is effective for periods ending December 31, 2021, will not have any effect on the Township’s financial reporting.

In March 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 94, “Public-Private and Public-Public Partnerships and Availability Payment Arrangements”. This statement, which is

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

effective for periods beginning after June 15, 2022, and all reporting periods thereafter, will not have any effect on the Township's financial reporting.

In May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 96, "Subscription-Based Information Technology Arrangements". This statement, which is effective for periods beginning after June 15, 2022, and all reporting periods thereafter, will not have any 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 2019 and 2018 statutory budgets included a reserve for uncollected taxes in the amount of \$1,879,642.35 and \$1,850,667.99. To balance the budget, the Township is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2019 and 2018 statutory budgets was \$2,500,000.00 and \$3,002,000.00.

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 2019 and 2018 calendar years:

<u>Budget Category</u>	<u>2019</u>	<u>2018</u>
<u>Current Fund:</u>		
Department of Parks and Recreation		
Other Expenses	\$ 55,000.00	-
Department of Public Works		
Other Expenses: Sanitary Landfill		140,000.00
Employee Group Health	(113,500.00)	(330,010.00)

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 2019 and 2018, the following budget insertions were approved:

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

<u>Budget Category</u>	<u>2019</u>	<u>2018</u>
Clean Communities Program	\$ 82,353.43	73,775.05
Click it or Ticket	-	5,500.00
JIF	6,475.00	6,150.00
Drive Sober or Get Pulled Over	11,000.00	-
Emergency Management	10,000.00	9,400.00
Cops in Shops	2,740.00	-
Drunk Driving Enforcement Fund	7,547.93	-
Body Armor	19,060.24	3,212.00
NJ Historic Trust	38,850.00	-
Alcohol Education Rehab	1,848.62	1,025.25
Distracted Driving Crackdown	5,500.00	6,600.00
NJ Transportation Trust Fund - Reconstruction of Roseann Avenue Phase III	160,000.00	-
Georgia Avenue, Alabama Avenue, and Main Street	-	175,000.00
Rural Business Development	-	25,000.00
USDA	-	100,000.00
County Agreement - Warming Center	20,000.00	-
Cape May County Open Space - Foster House	240,000.00	-
Beach Drive	509,689.47	-

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. During the 2019 and 2018 calendar years, no emergency or special emergency authorizations were approved by Township Council. The Township had previously approved a special emergency in 2017 for \$731,000 for tax maps. The unfunded balance of the remaining emergencies as of December 31, 2019 is as follows:

<u>Purpose</u>	<u>Date</u>	<u>Amount Authorized</u>	<u>Balance December 31, 2019</u>
Tax Maps	10/16/17	\$ 731,000.00	438,600.00
		<u>\$ 731,000.00</u>	<u>438,600.00</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.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

As of December 31, 2019 and 2018, the Township did not have any investments.

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

Credit Risk. New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The types 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, 2019 and 2018, \$0 of the Township’s bank balance of \$28,463,384.40 and \$25,633,483.22 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, 2019 and 2018:

	Balance 12/31/2018	Additions	Retirements/ Adjustments	Balance 12/31/2019
Land	\$ 2,076,786.58			2,076,786.58
Building	3,060,731.76			3,060,731.76
Machinery and Equipment	13,932,983.77	658,345.92	335,864.27	14,255,465.42
	<u>\$ 19,070,502.11</u>	<u>658,345.92</u>	<u>335,864.27</u>	<u>19,392,983.76</u>

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	Balance 12/31/2017	Additions	Retirements/ Adjustments	Balance 12/31/2018
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	619,355.46	168,626.28	13,932,983.77
	<u>\$ 18,619,772.93</u>	<u>619,355.46</u>	<u>168,626.28</u>	<u>19,070,502.11</u>

NOTE 6: LONG TERM DEBT

Long-term debt as of December 31, 2019 and 2018 consisted of the following:

	Balance 12/31/18	Issued	Retired	Balance 12/31/19	Amounts Due Within One Year
Other liabilities:					
Compensated					
Absences Payable	\$ 2,157,883.44		245,246.12	1,912,637.32	-
General Capital Fund:					
Bonds Payable	20,150,000.00	7,450,000.00	1,700,000.00	25,900,000.00	2,230,000.00
Green Trust Loans	956,227.08		105,768.04	850,459.04	107,893.98
Total long-term liabilities	<u>\$ 23,264,110.52</u>	<u>7,450,000.00</u>	<u>2,051,014.16</u>	<u>28,663,096.36</u>	<u>2,337,893.98</u>

	Balance 12/31/17	Issued	Retired	Balance 12/31/18	Amounts Due Within One Year
Other liabilities:					
Compensated					
Absences Payable	\$ 2,127,076.46	277,961.57	247,154.59	2,157,883.44	-
General Capital Fund					
Bonds Payable	13,960,000.00	8,490,000.00	2,300,000.00	20,150,000.00	1,700,000.00
Green Trust Loans	1,059,911.09		103,684.01	956,227.08	105,768.04
Total long-term liabilities	<u>\$ 17,146,987.55</u>	<u>8,767,961.57</u>	<u>2,650,838.60</u>	<u>23,264,110.52</u>	<u>1,805,768.04</u>

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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
2020	\$ 2,337,893.98	858,772.38	3,196,666.36
2021	2,450,062.65	790,903.72	3,240,966.37
2022	2,572,274.91	714,191.45	3,286,466.36
2023	2,824,531.66	617,734.73	3,442,266.39
2024	3,116,833.70	511,432.64	3,628,266.34
2025-2029	10,988,862.17	1,128,817.23	12,117,679.40
2030-2031	2,460,000.00	78,550.00	2,538,550.00
	<u>\$ 26,750,459.07</u>	<u>4,700,402.15</u>	<u>31,450,861.22</u>

<u>Summary of Municipal Debt</u>	<u>Year 2019</u>	<u>Year 2018</u>	<u>Year 2017</u>
<u>Issued:</u>			
General - Bonds and Notes	\$ 26,750,459.04	21,106,227.08	15,019,911.09
Total Issued	<u>26,750,459.04</u>	<u>21,106,227.08</u>	<u>15,019,911.09</u>
<u>Authorized but not issued:</u>			
General - Bonds and Notes	2,638,800.00	7,035,000.00	5,770,000.00
Total Authorized But Not Issued	<u>2,638,800.00</u>	<u>7,035,000.00</u>	<u>5,770,000.00</u>
Total Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 29,389,259.04</u>	<u>\$ 28,141,227.08</u>	<u>20,789,911.09</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 0.729%.

	Gross Debt	Deductions	Net Debt
Municipal/County General Obligations	\$ 47,324,782.04	17,935,523.00	29,389,259.04
Local and Regional High School Debt	9,180,011.26	9,180,011.26	-
	<u>\$ 56,504,793.30</u>	<u>27,115,534.26</u>	<u>29,389,259.04</u>

Net Debt \$29,389,259.04 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$4,034,060,904.00= 0.729%.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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

3 1/2 % of Equalized Valuation Basis (Municipal)	\$ 141,192,131.64
Net Debt	29,389,259.04
Remaining Borrowing Power	<u>\$ 111,802,872.60</u>

Description of Bonds and Loans Payable

At December 31, 2019, bonds payable in the General Capital Fund consisted of the following individual issues:

\$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, 2019 is \$6,820,000.00.

\$4,520,000.00 General Improvement Bonds dated August 5, 2016, due in annual installments beginning July 15, 2017 through July 15, 2027, bearing interest at various rates from 2.000% to 3.000% per annum. The balance remaining as of December 31, 2019 is \$3,610,000.00.

\$8,490,000.00 General Improvement Bonds dated July 15, 2018, due in annual installments beginning July 15, 2019 through July 15, 2030, bearing interest at various rates from 2.00% to 5.00% per annum. Bonds maturing on or after July 15, 2026 are redeemable at the option of the Township, in whole or in part, on any date on or after July 15, 2025. The balance remaining as of December 31, 2019 is \$8,020,000.00.

\$7,450,000 General Improvement Bonds dated August 14, 2019, due in annual installments beginning August 15, 2020 through August 15, 2031, bearing interest at various rates from 2.00% to 4.00% per annum. Bonds maturing on or after August 15, 2027 are redeemable at the option of the Township, in whole or in part, on any date on or after August 15, 2026. The balance remaining as of December 31, 2019 is \$7,450,000.00

\$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, 2019 is \$301,805.87.

\$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, 2019 is \$387,977.94.

\$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, 2019 is \$160,675.23.

NOTE 7: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2019 and 2018, which were appropriated and included as anticipated revenue in their own respective funds for the years ending December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Current Fund	\$ 4,233,800.00	2,500,000.00

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

Municipalities are permitted to appropriate the full amount of fund balance, net of any amounts due from the State of New Jersey for Senior Citizens and Veterans deductions, deferred charges, and cash deficit. The total amount of fund balance available to the Township to appropriate in the 2020 budget is \$8,93,797.69.

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, 2019, the following deferred charges are shown on the balance sheets of the current fund.

	Balance December 31, 2019	2020 Budget Appropriation	Balance to Succeeding Years
Current fund:			
Special Emergency Appropriation	\$ 438,600.00	146,200.00	292,400.00
	<u>\$ 438,600.00</u>	<u>146,200.00</u>	<u>292,400.00</u>

The appropriations in the 2020 budget are not less than that required by statute.

NOTE 9: SCHOOL TAXES

Local District School Tax in the amounts of \$17,583,360.00 and \$17,143,257.00 have been raised for the 2019 and 2018 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 \$13,381,884.00 and \$13,081,211.00 have been raised for the 2019 and 2018 calendar years and remitted to the regional high school district.

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

	<u>12/31/2019</u>	<u>12/31/2018</u>
Balance of Tax	\$ 6,690,942.00	6,540,605.50
Deferred	6,690,942.00	6,540,605.50
Tax Payable	<u>\$ -</u>	<u>\$ -</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:

	Balance 12/31/19	Balance 12/31/18
Prepaid Taxes	\$ 1,152,799.80	1,148,230.68
Cash Liability for Taxes Collected in Advance	<u>\$ 1,152,799.80</u>	<u>1,148,230.68</u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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 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 7.50% of employee's annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The current PERS rate is 14.1% of covered payroll. The Township's contributions to PERS for the years ended December 31, 2019, 2018, and 2017 were \$644,126.00, \$634,882.48, and \$609,733.78.00.

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

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2019 AND 2018

contributions to PFRS for the years ended December 31, 2019, 2018, and 2017 were \$1,082,895.00, \$977,090.00, and \$898,199.00.

The total payroll for the year ended December 31, 2019, 2018, and 2017 was \$10,639,017.71, \$10,256,299.57, and \$9,792,334.18. Payroll covered by PERS was \$4,515,811.00, \$4,519,026.00, and \$4,411,299.00. Payroll covered by PRFS was \$3,988,621.00, \$3,883,333.00, and \$3,661,058.00.

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.
- 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 $\frac{1}{60}$ th from $\frac{1}{55}$ th, 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

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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, 2019:

Public Employees' Retirement System

The Municipality has a liability of \$11,498,977 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 that was rolled forward to June 30, 2019. 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, 2019, the Municipality's proportion would be 0.06381767560%, which would be an increase of 1.36% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Municipality would have recognized pension expense of \$421,855. At December 31, 2019, the Municipality would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 206,392	\$ (50,797)
Changes of assumptions	1,148,215	(3,991,259)
Changes in proportion	210,064	(713,557)
Net difference between projected and actual earnings on pension plan investments		(181,516)
Total	<u>\$ 1,564,671</u>	<u>\$ (4,937,129)</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:

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

Year ended June 30,		
2019	\$	(390,309)
2020		(1,266,157)
2021		(1,130,604)
2022		(530,877)
2023		(54,511)
Total	<u>\$</u>	<u>(3,372,458)</u>

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate		
Price		2.75%
Wage		3.25%
Salary increases:		
Through 2026		2.00% – 6.00% (based on years of service)
Thereafter		3.00% - 7.00% (based on years of service)
Investment rate of return:		7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 200 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disable retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) 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 real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019 are summarized in the following table:

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
US equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%

Discount Rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. 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 3.50% as of June 30, 2019, 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 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for local employers. 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 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 Municipality's proportionate share of the net pension liability calculated using the discount rate of 6.28%, 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 (5.28%) or 1-percentage point higher (7.28%) than the current rate:

	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
Municipality's proportionate share of the net pension liability	\$ 13,800,679	\$ 11,498,977	\$ 9,561,721

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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 \$13,847,660 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as July 1, 2018 that was rolled forward to June 30, 2019. 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, 2019, the Municipality's proportion would be 0.11315463920%, which would be an increase of 2.49% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Municipality would have recognized pension expense of \$1,450,556. At December 31, 2019, the Municipality would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected & actual experience	\$ 116,892	\$ (87,672)
Changes of assumptions	474,496	(4,475,437)
Changes in proportion	404,277	(65,816)
Net difference between projected and actual earnings on pension plan investments		(187,631)
Total	<u>\$ 995,665</u>	<u>\$ (4,816,556)</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:

Year ended June 30,	
2018	\$ (666,897)
2019	(1,399,923)
2020	(991,439)
2021	(488,712)
2022	(273,919)
Total	<u>\$ (3,820,891)</u>

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	
Price	2.75%
Wage	3.25%
Salary increases:	
Through all future years	3.25% - 15.25% (based on years of service)
Investment rate of return:	7.00%

Pre-retirement mortality rates were based on the Pub-2010 Safety Employee mortality table with a 105.6% adjustment for males and 102.5% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For beneficiaries (contingent annuitants), the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used, unadjusted, and with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152% adjustment for males and 109/3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) 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, 2019 are summarized in the following table:

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
US equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%

Discount Rate

The discount rate used to measure the total pension liability was 6.85% as of June 30, 2019. 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 3.50% as of June 30, 2019, 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 70% of the actuarially determine contributions for the State employer and 100% of actuarially determined contributions for local employers. 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 2076. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2076, 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, 2019, 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:

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	1% Decrease (5.74%)	Current Discount Rate (6.85%)	1% Increase (7.85%)
District's proportionate share of the net pension liability	\$ 18,140,549.17	\$ 13,847,660.00	\$ 10,295,014.57

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, 2019 State special funding situation net pension liability amount of \$1,932,374,825.00 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, 2019 State special funding situation pension expense of \$224,526,138.00 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2019. 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 2019, 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 0.11315463920% for 2019. The net pension liability amount allocated to the Municipality was \$2,186,572. For the fiscal year ending June 30, 2019 State special funding situation pension expense of \$254,062.00 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: OTHER POST-RETIREMENT BENEFITS

General Information about the Plan:

The Township offers Other Post-Retirement Benefits (OPEB) to its employees through the State Health Benefit Local Government Retired Employees Plan (the Plan) a cost-sharing multiple employer defined benefit other postemployment benefit plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at:

<https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of post retirement medical coverage for employees and their dependents who:

1) retired on a disability pension;

or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer;

or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer;

or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Allocation Methodology:

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense, however under the Regulatory Basis of Accounting followed by the Township these amounts are not accrued or recorded in the financial statements and the information listed in this note is for disclosure purposes only. Statewide across all member employers, the special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. For the special funding situation and the nonspecial funding situation, the Collective Total OPEB liabilities for the year ended June 30, 2019 were \$5,637,151,775 and \$8,182,092,807, respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's non special funding situation during the measurement period July 1, 2018 through June 30, 2019. Employer and non-employer allocation percentages have been rounded for presentation purposes.

Special Funding Situation:

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The

**NOTES TO FINANCIAL STATEMENTS
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State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the collective net OPEB liability that is associated with the local participating employer.

Net OPEB Liability:

Components of Net OPEB Liability

The components of the collective net OPEB liability of the participating employers in the Plan as of June 30, 2019 is as follows:

	<u>June 30, 2019</u>	
	<u>Collective Total</u>	<u>Proportionate Share</u>
Total OPEB Liability	\$ 13,819,244,582	\$ 18,165,121
Plan Fiduciary Net Position	273,173,482	359,081
Net OPEB Liability	<u>\$ 13,546,071,100</u>	<u>\$ 17,806,040</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.98%	1.98%

At June 30, 2019 the Township's proportionate share of the Collective Net OPEB Liability was \$17,806,040. The State's proportionate share for the Special Funding Situation that is associated with the Township is \$10,194,343. The Township's proportion of the Collective Net OPEB Liability was 0.131448% which was a decrease from the prior year of 6.76%. The State's proportionate share attributable to the Township of the Collective Net OPEB Liability for the Special Funding Situation was 0.184489% which was an increase from the prior year of 2.79%.

Township's Proportionate Share of Collective Net OPEB Liability	\$ 17,806,040
State's proportionate share that is associated with the Township	10,194,343
Total	<u>\$ 28,000,383</u>

For the Year ended June 30, 2019 the Township's Total OPEB Expense was \$(781,186) and the State of New Jersey realized Total OPEB Expense in the amount of \$135,129 for its proportionate share of Total OPEB Expense that is associated with the Township.

The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The actuarial assumptions vary for each plan

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%
Salary increases*:	
PERS Initial fiscal year applied	
Rate through 2026	2.00% to 6.00%
Rate thereafter	3.00% to 7.00%
PFRS	
Rate for all future years	3.25% to 15.25%

* Salary increases are based on years of service within the respective plan.

Mortality:

PERS: Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019

PFRS: Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019

Actuarial assumptions used in the July 1, 2018 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

100% of active members are considered to participate in the Plan upon retirement.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years.

Discount Rate

The discount rate for June 30, 2019 was 3.50%. This represents the municipal bond return rate as chosen by the State. The source is 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the Net OPEB liability as of June 30, 2019, calculated using the discount rate as disclosed above as well as what the Net OPEB 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:

NOTES TO FINANCIAL STATEMENTS
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	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Collective			
Net OPEB Liability	\$ 15,662,704,137	\$ 13,546,071,100	\$ 11,826,026,995
Proportionate Share			
Net OPEB Liability	\$ 20,588,312	\$ 17,806,040	\$ 15,545,076

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate

The following presents the net OPEB liability as of June 30, 2019, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Collective			
Net OPEB Liability	\$ 11,431,214,644	\$ 13,546,071,100	\$ 16,243,926,531
Proportionate Share			
Net OPEB Liability	\$ 15,026,103	\$ 17,806,040	\$ 21,352,317

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the State reported deferred outflows of resources and deferred inflows of resources related to retired employees' OPEB from the following sources:

	Collective Totals		Proportionate Share	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ (3,961,399,180)	\$	\$ (5,207,180)
Changes of assumptions		(4,800,426,301)		(6,310,064)
Net difference between projected and actual earnings on OPEB plan investments	11,158,226		14,667	
Changes in proportion and differences between contributions and proportionate share of contributions			148,140	(3,765,126)
Total	\$ 11,158,226	\$ (8,761,825,481)	\$ 162,807	\$ (15,282,370)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retired employees' OPEB will be recognized in OPEB expense as follows:

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

Year ended June 30,	Collective Totals	Proportionate Share
2020	\$ (1,425,201,517)	\$ (2,462,489)
2021	(1,425,201,517)	(2,462,489)
2022	(1,426,076,187)	(2,464,001)
2023	(1,427,489,995)	(2,466,443)
2024	(1,428,781,861)	(2,468,675)
Thereafter	(1,617,916,178)	(2,795,465)
Total	\$ <u>(8,750,667,255)</u>	\$ <u>(15,119,563)</u>

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

Collective OPEB Expenses reported by the State of New Jersey

The components of allocable OPEB Expense related to specific liabilities of individual employers for the year ending June 30, 2019 are as follows:

Service cost	\$ 666,574,660
Interest on Total OPEB Liability	636,082,461
Expected Investment Return	(11,286,267)
Administrative Expenses	9,478,435
Changes of Benefit Terms	(1,903,958)
Current Period Recognition (Amortization) of Deferred Inflow s/ Outflow s of Resources:	
Differences between Expected and Actual Experience	(619,405,071)
Changes in Assumptions	(809,376,790)
Differences between Projected and Actual Investment Earnings on OPEB Plan Investments	3,580,344
Total Collective OPEB Expense	\$ <u>(126,256,186)</u>

Schedule of Township's Share of Net OPEB Liability

	<u>2018</u>	<u>2019</u>
Township's Proportionate Share of Net OPEB Liability	0.140977%	0.131448%
Township's Share of Net OPEB Liability	\$ 22,086,328	17,806,040
Township's Covered Payroll	4,519,026	4,515,811
Township's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	488.74%	394.30%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.97%	1.98%

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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, 2019, the Township estimates this liability to approximate \$1,912,637.31 based on 2019 pay rates and compensated absence balances. The Township has established a trust reserve for accumulated absences in the amount of \$1,001,494.84 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, 2019 and 2018 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 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
2019	\$ 63,581.30	51,224.93	141,325.21
2018	93,983.16	87,438.36	128,968.84
2017	71,806.14	69,452.84	122,424.04

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

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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, 2019, the following interfunds were included on the balance sheets of the various funds of the Township of Lower:

	Due From	Due To
	<u> </u>	<u> </u>
Current Fund	\$	20,252.56
Grant Fund	20,252.56	
	<u>\$ 20,252.56</u>	<u>20,252.56</u>

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

NOTE 20: SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2019 and through June 23, 2020, the date that the financial statements were available to be issued, for possible disclosure and recognition in the financial statements, and no items have come to the attention of the Township that would require disclosure or adjustment.

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SUPPLEMENTARY INFORMATION

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FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the various funds and account group as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Township of Lower's basic financial statements, and have issued our report thereon dated June 23, 2020, which was adverse due to being presented in accordance with the New Jersey regulatory basis of accounting.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Leon P. Costello

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

June 23, 2020

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

	Current Fund	Grant Fund
Balance December 31, 2018	\$ 10,174,387.69	-
Increased by Receipts:		
Tax Collector	63,744,512.07	
Tax Title Liens	29,098.30	
Prepaid Taxes	1,152,799.80	
Prepaid Commercial Trash Fees	22,277.00	
Prepaid Municipal Service Fee	19,080.00	
Revenue Accounts Receivable	4,588,302.48	
Miscellaneous Revenue	325,668.59	
Due from State of New Jersey - Senior Citizens & Veterans	302,211.62	
Homestead Benefit Rebate	678,856.78	
Due to State of New Jersey - Marriage and Burial Licenses	3,555.00	
Permit Surcharge Fees	37,637.00	
Due from General Capital	13,808,712.32	
Due to Current		636,067.77
Due to Township MUA	41,363.27	
Federal and State Unappropriated	39,496.19	39,496.19
Federal and State Receivables	884,083.51	975,394.13
	85,677,653.93	1,650,958.09
	95,852,041.62	1,650,958.09
Decreased by Disbursements:		
Current Year Appropriation	23,559,629.43	
Prior Year Appropriations	483,951.24	
Accounts Payable	1,706.25	
County Taxes	10,989,956.22	
County Added and Omitted Taxes	19,783.49	
Local District School Taxes	17,583,360.00	
Regional School Taxes	13,231,547.50	
Fire District Taxes	2,319,333.00	
Due to State of New Jersey - Marriage and Burial Licenses	4,430.00	
Permit Surcharge Fees	25,588.00	
Due to Lower Township MUA-Tax Sale	41,363.27	
Reserve for Revaluation	288,332.26	
Due to Trust	152,790.43	
Due to General Capital	14,568,401.75	
Due to Grant Fund	30,432.66	
Refund of Tax Overpayments	14,698.27	
Federal and State Disbursements	1,025,006.25	1,650,958.09
	84,340,310.02	1,650,958.09
Balance December 31, 2019	\$ 11,511,731.60	-

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

Year	Balance Dec. 31, 2018	Current Year Levy	Collections by Cash		Transferred To Tax Title Lien	Arrears	Balance Dec. 31, 2019
			2018	2019			
Arrears	\$ 5,500.00			5,000.00			500.00
2017	1,527.00				389.18		1,527.00
2018	784,127.23	8,050.68		785,625.98	269.84		5,892.91
	791,154.23	8,050.68	-	790,625.98	269.84	-	7,919.91
2019	-	65,615,890.13	1,148,035.65	63,991,420.65	40,247.02	28,425.34	601,328.22
	\$ 791,154.23	65,615,890.13	201,617.43	64,782,046.63	40,516.86	28,814.52	609,248.13

63,744,512.07 Cash Receipts
 320,932.19 Senior Citizens and Veterans
 678,856.78 Homestead Benefit Revenue
 37,745.59 Overpayments Applied
64,782,046.63

Analysis of Current Year Tax Levy

Tax Yield:	
General Property Tax	63,296,557.13
Special District Taxes	2,319,333.00
Added Taxes (54:4-63.1 et. Seq.)	193,566.75
	<u>65,809,456.88</u>
Tax Levy:	
General County Taxes	9,243,657.31
County Library Taxes	1,340,288.08
County Open Space Taxes	406,010.83
County Added and Omitted Taxes	32,535.31
Total County Taxes	<u>11,022,491.53</u>
Local School District Tax	17,583,360.00
Regional School District Tax	13,381,884.00
Special District Taxes	2,319,333.00
Local Tax for Municipal Purposes	21,252,363.05
Add: Additional Tax Levied	<u>250,025.30</u>
	<u>21,502,388.35</u>
	<u>65,809,456.88</u>

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

Balance December 31, 2018		\$ 270,138.59
Increased by:		
Transfers from Taxes Receivable	28,814.52	
Lot Clearing Charges	650.00	
Due to MUA Water/Sewer Liens	550.40	
Interest and Costs Accrued by Sale September 10, 2019	92.26	
		30,107.18
		300,245.77
Decreased by:		
Collections	29,098.30	
Collections - MUA Water/Sewer Liens	550.40	
		29,648.70
Balance December 31, 2019		\$ <u>270,597.07</u>
Lower Township MUA Charges and Costs		7,848.36
Township Liens		<u>262,748.71</u>
		<u><u>270,597.07</u></u>

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	Balance Dec. 31, 2018	Accrued in 2019	Collected by		Balance Dec. 31, 2019
			Collector	Treasurer Other	
Licenses:					
Alcoholic Beverages		38,200.00		38,200.00	
Other		183,638.40		183,638.40	
Fees and Permits		91,095.99		91,095.99	
Fines and Costs:					
Municipal Court	6,252.38	125,162.27	215,435.30	122,360.71	9,053.94
Interest and Costs on Taxes		215,435.30			
Interest Earned on Investments		451,174.29		451,174.29	
Amount Anticipated from LTMJA per N.J.S.A. 40A:5A-12.1		150,000.00		150,000.00	
Recreation Fees		77,992.90		77,992.90	
Payment in Lieu of Taxes - Yorkshire Place		32,255.40		32,255.40	
Payment in Lieu of Taxes - Haven House		39,761.78		39,761.78	
Payment in Lieu of Taxes - Conifer		39,672.84		39,672.84	
Cable TV Franchise Fee		129,461.03		129,461.03	
Bulk Trash Receipts		85,712.25		85,712.25	
Consolidated Municipal Property Tax Relief Aid		14,218.00		14,218.00	
Energy Receipts Tax		1,461,573.00		1,461,573.00	
Garden State Preservation Trust		87,437.00		87,437.00	
Uniform Construction Code Fees		680,097.00		680,097.00	
Uniform Fire Code		388,227.92		388,227.92	
Aid from Fire Districts #1, 2 and 3		102,000.00		102,000.00	
Boards of Education - Special Police		170,462.72		170,462.72	
County Interlocal - Garage Services		49,971.20		49,971.20	
Miscellaneous Revenue Not Anticipated		325,668.59		325,668.59	
	<u>\$ 6,252.38</u>	<u>4,939,217.88</u>	<u>215,435.30</u>	<u>4,720,981.02</u>	<u>9,053.94</u>

Cash Received \$ 4,698,535.77
 Prior Year Prepayments 22,445.25
\$ 4,720,981.02

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

	Balance Dec. 31, 2018	Balance After Transfers	Paid or Charged	Accounts Payable	Balance Lapsed	Over- Expended
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT:						
Office of Township Council						
Other Expenses	\$ 1,687.89	1,687.89	910.00		777.89	-
Office of Township Clerk						
Salaries and Wages	49,761.98	49,761.98			49,761.98	-
Other Expenses	2,229.80	2,229.80	492.29	55.00	1,682.51	-
Elections						
Other Expenses	161.24	161.24	-		161.24	-
Office of Township Solicitor						
Other Expenses	53,727.85	53,727.85	23,730.50		29,997.35	-
Office of Township Manager						
Salaries and Wages	3,261.67	3,261.67	826.18		3,261.67	-
Other Expenses	2,426.48	2,426.48			1,600.30	-
Department of Revenue and Finance						
Salaries and Wages	21,132.71	21,132.71			21,132.71	-
Other Expenses	7,230.51	7,230.51	6,586.22		644.29	-
Division of Tax Collection						
Salaries and Wages	7,887.07	7,887.07			7,887.07	-
Other Expenses						
Miscellaneous Other Expenses	2,319.85	2,319.85	758.62		1,561.23	-
Liquidation of Tax Title Liens	1,000.00	1,000.00			1,000.00	-
Division of Tax Assessment						
Salaries and Wages	3,110.44	3,110.44			3,110.44	-
Other Expenses	10,630.20	10,630.20	5,533.37		5,096.83	-
Department of Planning and Development						
Salaries and Wages	3,535.13	3,535.13			3,535.13	-
Other Expenses	2,746.76	2,746.76	60.76		2,686.00	-
Engineering Services and Costs						
Other Expenses	8,708.60	8,708.60	189.99		8,518.61	-
Department of Parks and Recreation						
Salaries and Wages	7,607.08	7,607.08			7,607.08	-
Other Expenses	26,536.43	27,536.43	20,873.35	4,511.40	2,151.68	-
Department of Public Works						
Salaries and Wages	77,410.79	77,410.79			77,410.79	-
Other Expenses						
Sanitary Landfill	143,163.11	143,163.11	127,212.66		15,950.45	-
Miscellaneous Other Expenses	63,525.57	63,525.57	37,228.12		26,297.45	-

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

	Balance Dec. 31, 2018	Balance After Transfers	Paid or Charged	Accounts Payable	Balance Lapsed	Over- Expended
Public Buildings and Grounds						
Salaries and Wages	4,000.04	4,000.04			4,000.04	-
Other Expenses	20,346.82	25,346.82	17,751.78		7,595.04	-
Planning Board						
Other Expenses	450.00	450.00			450.00	-
Zoning Board of Adjustments						
Other Expenses	450.00	450.00			450.00	-
PUBLIC SAFETY						
Department of Public Safety						
Salaries and Wages	29,766.43	29,766.43			29,766.43	-
Other Expenses	36,406.32	36,406.32	33,801.87	1,115.43	1,489.02	-
Uniform Fire Safety Act (PL 1983, Ch. 383)						
Salaries and Wages	4,127.58	4,127.58			4,127.58	-
Other Expenses	92,702.29	92,702.29	28,594.12		64,108.17	-
Emergency Management Services						
Salaries and Wages	9.97	9.97			9.97	-
Other Expenses	6,077.63	6,077.63	1,087.08		4,990.55	-
Code Enforcement/Demolition						
Other Expenses	11,500.00	11,500.00			11,500.00	-
OFFICE OF NON-DEPARTMENTAL BOARDS, AUTHORITIES AND AGENCIES:						
Animal Regulation						
Other Expenses						
Contractual	1,557.00	1,557.00			1,557.00	-
Municipal Court						
Salaries and Wages	6,386.32	6,386.32			6,386.32	-
Other Expenses	5,278.71	5,278.71	3,772.96		1,505.75	-
INSURANCE						
General Liability	30,381.85	30,381.85	2,297.46		28,084.39	-
Employee Group Health	534,841.08	528,841.08	36,526.55	99.00	492,215.53	-
Health Benefit						
Salaries and Wages	25,000.00	25,000.00			25,000.00	-
UNIFORM CONSTRUCTION CODE						
State Uniform Construction Code						
Construction Official						
Salaries and Wages	35,082.46	35,082.46			35,082.46	-
Other Expenses	35,493.22	35,493.22	31,573.48		3,919.74	-
UNCLASSIFIED						
Celebration of Public Events or Holidays	5,433.11	5,433.11	5,397.10		36.01	-

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

	Balance Dec. 31, 2018	Balance After Transfers	Paid or Charged	Accounts Payable	Balance Lapsed	Over- Expended
UTILITY EXPENSES AND BULK PURCHASES						
Electricity	114,525.71	114,525.71	12,350.13		102,175.58	-
Street Lighting	65,414.90	65,414.90	30,501.32		34,913.58	-
Telephone	27,364.12	27,364.12	8,545.21		18,818.91	-
Water & Sewer	2,991.93	2,991.93	320.00		2,671.93	-
Natural Gas	30,103.70	30,103.70	8,244.62		21,859.08	-
Heating Oil	10,860.79	10,860.79	170.36		10,690.43	-
Gasoline	50,099.49	50,099.49	37,317.52		12,781.97	-
Contingent	300.00	300.00			300.00	-
REGULATORY EXPENDITURES						
Contributions to						
Public Employees' Retirement System	14,575.76	14,575.76	1,150.82		13,424.94	-
Social Security System (O.A.S.I.)	22,839.34	22,839.34	146.80		22,692.54	-
Unemployment	695.09	695.09			695.09	-
Defined Contribution Retirement Program	6,951.38	6,951.38			6,951.38	-
Supplemental Fire Services Program						
Fire District Direct Program	1.00	1.00			1.00	-
	<u>\$ 1,731,815.20</u>	<u>1,731,815.20</u>	<u>483,951.24</u>	<u>5,780.83</u>	<u>1,242,083.13</u>	<u>-</u>
		Cash Disbursements	<u>483,951.24</u>			

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

Balance December 31, 2018		
School Tax Payable	\$	-
School Tax Deferred		-
	<u> </u>	\$ -
Increased by:		
Levy - Calendar Year 2019		<u>17,583,360.00</u>
		17,583,360.00
Decreased by:		
Payments		<u>17,583,360.00</u>
Balance December 31, 2019		
School Tax Payable		-
School Tax Deferred		-
	<u> </u>	<u> </u>
		-
Current Year Liability for Local School District School Tax:		
Tax Paid		17,583,360.00
Tax Payable Ending		<u> </u>
		17,583,360.00
Less: Tax Payable Beginning		<u> </u>
		-
Amount charged to Current Year Operations		<u><u>\$ 17,583,360.00</u></u>

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

Balance December 31, 2018			
School Tax Payable	\$	-	
Adjustment			
School Tax Deferred		<u>6,540,605.50</u>	
			\$ 6,540,605.50
Increased by:			
Levy - Calendar Year 2019			<u>13,381,884.00</u>
			19,922,489.50
Decreased by:			
Payments			<u>13,231,547.50</u>
Balance December 31, 2019			
School Tax Payable		-	
School Tax Deferred		<u>6,690,942.00</u>	
			<u>6,690,942.00</u>
Current Year Liability for Regional High School Tax:			
Tax Paid			13,231,547.50
Tax Payable Ending			<u>-</u>
			13,231,547.50
Less: Tax Payable Beginning			<u>-</u>
Amount charged to Current Year Operations			<u>\$ 13,231,547.50</u>

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

Purpose	Balance Dec. 31, 2018	Transferred From 2019 Revenues	Received	Adjustment/ Cancelled	Balance Dec. 31, 2019
FEDERAL GRANTS:					
Small Cities 2018	\$ 100,000.00		58,495.40		41,504.60
Small Cities 2019					
Housing Rehabilitation		138,000.00			138,000.00
ADA Mulligan Center		400,000.00			400,000.00
Body Armor	0.00	8,145.16	8,145.16		0.00
United States Department of Agriculture					
Rural Business Development Grant	25,000.00				25,000.00
National Fish and Wildlife Foundation - Hurricane Sandy					
Coastal Resiliency Competitive Grant Program (NFWF)					
Building Ecological Solutions to Coastal Community Hazards	1,416.08			(1,416.08)	0.00
NJ Department of Law and Public Safety					
Emergency Management Agency Assistance (EMMA) Grant	9,400.00		10,000.00	600.00	-
New Jersey Department of Law & Public Safety					
Drive Sober or Get Pulled Over	-	11,000.00	5,500.00		5,500.00
Distracted Driver Crackdown	3,300.00	5,500.00	5,500.00	(3,300.00)	-
Click it or Ticket	5,000.00			(5,000.00)	-
Cops in Shops	-	2,740.00	2,640.00	(100.00)	-
Total Federal	144,116.08	565,385.16	90,280.56	(9,216.08)	610,004.60
STATE GRANTS:					
Clean Communities	-	82,353.43	82,353.43		-
Recycling Tonnage Grant	-	45,397.48	45,397.48		-
Alcohol Education & Rehabilitation	0.00	1,848.62	1,848.62		0.00
Bulletproof Vest	156.22	11,718.08	5,587.50	(156.22)	6,130.58
New Jersey Historic Trust		38,850.00			38,850.00
Drunk Driving Enforcement Fund		14,614.16	14,614.16		-
New Jersey Emergency Management Grant		10,000.00	10,000.00		-
NJ Department of Transportation					
Reconstruction of Georgia, Alabama, and Main Streets	43,750.00		43,750.00		-
Reconstruction of Roseann Avenue Phase III		160,000.00	120,000.00		40,000.00
Total State	43,906.22	364,781.77	323,551.19	(156.22)	84,980.58

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

Purpose	Balance Dec. 31, 2018	Transferred From 2019 Revenues	Received	Adjustment/ Cancelled	Balance Dec. 31, 2019
OTHER GRANTS:					
Municipal Alliance (Lower Consortium)					
2017/2018	2,546.50			(2,546.50)	-
2018/2019	31,409.00		24,129.13	(7,279.87)	-
2019/2020		31,409.00	816.86		30,592.14
Atlantic County JIF	1,277.50	6,475.00	6,926.96	249.46	1,075.00
Warming Center - County Agreement		20,000.00	20,000.00		-
Cape May County - Open Space					
Foster House		240,000.00			240,000.00
Beach Drive		509,689.43	509,689.43		-
Total State	<u>35,233.00</u>	<u>807,573.43</u>	<u>561,562.38</u>	<u>(9,576.91)</u>	<u>271,667.14</u>
\$	<u>223,255.30</u>	<u>1,737,740.36</u>	<u>975,394.13</u>	<u>(18,949.21)</u>	<u>966,652.32</u>

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

	Balance December 31, 2018		2019 Appropriations	Disbursed	Encumbrances	Adjustments/ Cancelled	Balance Dec. 31, 2019
	Appropriated	Reserve for Encumbrances					
FEDERAL GRANTS:	\$						
Small Cities - 2016 - (0156)	-	400,000.00		400,000.00			-
Small Cities - 2016 - Housing (0153)	26,867.00			26,867.00			-
Small Cities - 2018	49,635.60			49,635.60			-
Small Cities - 2019							
Housing Rehabilitation			138,000.00	10,790.40			127,209.60
ADA Mulligan Center			400,000.00				400,000.00
United States Department of Agriculture	25,000.00			25,000.00			-
Rural Business Development Grant	1,314.23		8,145.16	9,459.39			(0.00)
Body Armor							
National Fish and Wildlife Foundation - Hurricane Sandy							
Coastal Resiliency Competitive Grant Program (NFWF)	1,416.08					(1,416.08)	0.00
Building Ecological Solutions to Coastal Community Hazards							
New Jersey Department of Law and Public Safety	19,830.00			9,400.00			10,430.00
Emergency Management Agency Assistance (EMAA)							
New Jersey Department of Law & Public Safety							
Drive Sober or Get Pulled Over							
Year End Holiday Crackdown			11,000.00	8,030.00			2,970.00
Distracted Driving Statewide Crackdown	3,300.00		5,500.00	5,500.00		(3,300.00)	-
Cops in Shops	958.52		2,740.00			(958.52)	2,740.00
Total Federal	128,321.43	400,000.00	565,385.16	544,682.39	-	(5,674.60)	543,349.60
STATE GRANTS:							
Clean Communities			82,353.43	82,353.43			-
Alcohol Education and Rehabilitation	2,832.82		1,848.62	2,080.00			2,601.44
Drunk Driving Enforcement Fund	3,161.16		14,614.16	3,882.85			13,892.47
Recycling Tonnage Grant			45,397.48	45,397.48			-
Bullet Proof Vest Partnership	1,178.26		11,718.08	6,839.61			6,056.73
New Jersey Historic Trust			38,850.00	18,224.00			20,626.00
New Jersey Emergency Management Grant	5,079.26		10,000.00				10,000.00
NJ Office of Information Technology - 911 Grant							
NJ Department of Transportation							
Reconstruction of Georgia, Alabama, and Main Streets	175,000.00		160,000.00	175,000.00			-
Reconstruction of Roseann Avenue Phase III				120,000.00			40,000.00
Total State	187,251.50	-	364,781.77	453,777.37	-	-	98,255.90
OTHER GRANTS:							
Municipal Alliance							
2017/2018	3,182.87					(2,546.50)	636.37
2018/2019	29,622.94					(5,071.47)	1,021.17
2019/2020			39,261.00	23,530.30			28,358.25
				10,902.75			

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

	Balance December 31, 2018		2019 Appropriations	Disbursed	Encumbrances	Adjustments/ Cancelled	Balance Dec. 31, 2019
	Appropriated	Reserve for Encumbrances					
Safety JIF	50.00		6,475.00	6,474.76		(50.24)	0.00
Comcast (Twp Share)	13,652.20			4,599.00			9,053.20
Comcast (LCMR Share)	20,044.12		20,000.00	14,309.92			20,044.12
Warming Center - County Agreement							5,690.08
Cape May County - Open Space							
Bike Path	82,992.17			82,992.17			-
Foster House			240,000.00				240,000.00
Beach Drive			509,689.43	509,689.43			-
Ducks Unlimited	1,000.00						1,000.00
Total Other	<u>150,544.30</u>	<u>-</u>	<u>815,425.43</u>	<u>652,498.33</u>	<u>-</u>	<u>(7,668.21)</u>	<u>305,803.19</u>
	<u>466,117.23</u>	<u>400,000.00</u>	<u>1,745,592.36</u>	<u>1,650,958.09</u>	<u>-</u>	<u>(13,342.81)</u>	<u>947,408.69</u>

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

Purpose	Balance Dec. 31, 2018	Transferred To 2019 Appropriations	Received	Adjustments	Balance Dec. 31, 2019
FEDERAL GRANTS:					
Body Armor	803.00	803.00			-
Total Federal	<u>803.00</u>	<u>803.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
STATE GRANTS:					
Recycling Tonnage Grant	-		39,496.19		39,496.19
Drunk Driving Enforcement Fund	7,066.23	7,066.23			-
Total State	<u>7,066.23</u>	<u>7,066.23</u>	<u>39,496.19</u>	<u>-</u>	<u>39,496.19</u>
OTHER GRANTS:					
None					
Total Other Grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,869.23</u>	<u>7,869.23</u>	<u>39,496.19</u>	<u>-</u>	<u>39,496.19</u>

TRUST FUND
SCHEDULE OF ANIMAL CONTROL CASH - TREASURER

Balance December 31, 2018		\$	7,544.40
Increased By Receipts:			
Dog Licenses Fees	5,603.00		
State License Fees	2,262.00		
Late Fees Collected	1,980.00		
Interest	249.38		
			10,094.38
			17,638.78
Decreased By Disbursements:			
State of New Jersey	2,283.00		
Due to Current Fund	6,045.78		
Animal Control Expenditures	-		
			8,328.78
Balance December 31, 2019		\$	9,310.00

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

	<u>Other</u>	
Balance December 31, 2018		\$ 3,315,401.31
Increased By Receipts:		
Unemployment	63,581.30	
Community Police	342.49	
Police Forfeiture	2,225.96	
Redemption of Tax Title Liens	306,153.02	
Premiums Received at Tax Sale	292,200.00	
Historic Commission	16.13	
Dedicated Recreation Fees	27,773.00	
Fire Safety	152,790.43	
Off Duty Police	155,275.00	
Small Cities Revolving Loan	63,518.79	
Accumulated Absences	380,000.00	
Performance Deposits	65,957.47	
Developers' Escrow	108,696.78	
Public Defender	3,419.91	
POAA	<u>36.00</u>	
		<u>1,621,986.28</u>
		4,937,387.59

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

	<u>Other</u>	
Decreased By Disbursements:		
Payment of Unemployment Claims	51,224.93	
Reserve for Communiity Police	1,559.16	
Police Forfeiture	3,330.71	
Refund of Tax Sale Certificates	306,830.75	
Refund of Premiums	366,600.00	
Dedicated Recreation Fees	27,204.88	
Off Duty Police	135,944.38	
Accumulated Absences	317,571.46	
Performance Deposits	4,859.87	
Developer's Escrow	91,421.32	
Small Cities Revolving Loan	<u>12,559.20</u>	
		<u>1,319,106.66</u>
Balance December 31, 2019		\$ <u><u>3,618,280.93</u></u>

TRUST FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL EXPENDITURES

Balance December 31, 2018	\$	7,509.00
Increased By:		
Dog Licenses Fees Collected		5,603.00
Late Fees Collected		1,980.00
Interest		249.38
		7,832.38
		15,341.38
Decreased By:		
Animal Control Expenditures		-
Due to Current - Excess		6,045.78
		6,045.78
Balance December 31, 2019	\$	9,295.60

License Fees Collected	<u>Year</u>	
	2017	\$ 3,630.00
	2018	5,665.60
		9,295.60

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

Balance December 31, 2018		\$	35.40
Increased By:			
License Fees Collected	2,262.00		
			2,262.00
			2,297.40
Decreased By:			
Paid to State of New Jersey	2,283.00		
			2,283.00
Balance December 31, 2019		\$	14.40

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

Balance December 31, 2018		\$ 11,816,554.81
Increased by:		
Capital Improvement Fund	250,000.00	
Budget Appropriation - Unfunded Ordinance	506,200.00	
Bond Proceeds	7,450,000.00	
Reserve for Payment of Debt-Premium on Bonds	513,908.60	
Reallocate to Grant Fund - Cape May County Open Space, Beach Drive	<u>509,689.43</u>	
		<u>9,229,798.03</u>
		21,046,352.84
Decreased by:		
Improvement Authorizations	<u>8,129,227.63</u>	
		<u>8,129,227.63</u>
Balance December 31, 2019		<u><u>\$ 12,917,125.21</u></u>

**GENERAL CAPITAL FUND
ANALYSIS OF CASH**

	Balance Dec. 31, 2018	Receipts		Disbursements		Transfers		Balance Dec. 31, 2019
		Miscellaneous	Debt Issued	Improvement Authorizations	Miscellaneous	From	To	
Fund Balance	\$ 123,463.10							123,463.10
Capital Improvement Fund	540,764.00	250,000.00			495,000.00			295,764.00
Encumbrances Payable	6,736,244.76				6,736,244.76		3,071,666.93	3,071,666.93
Reserve for Debt Service	879,307.10	513,908.60						1,393,215.70
Grants Receivable	-							-
Improvement Authorizations:								
2005-20 Engineering Services	1,110.25			1,110.25				-
2012-10 Various Capital Improvements	45,299.85							45,299.85
2012-19 Road and Drainage Improvements	838,929.60			215,554.73	455,536.35	90,877.00		258,715.52
2013-10 Various Capital Improvements	47,070.05			8,830.05	28,835.00	109,150.00		118,555.00
2014-10 Various Capital Improvements	429,870.07			73,272.73	75,734.53	65,367.74		346,230.55
2015-03 Various Capital Improvements	132,569.08			217,506.09	16,032.47	198,502.56		97,533.08
2015-10 Roads & Drainage Roseann Ave.	563,687.85			3,874,913.69	278,461.72	3,701,935.01		112,247.45
2016-04 Various Capital Improvements	332,779.34			104,067.85	22,265.55	12,896.59		219,342.53
2017-08 Various Capital Improvements	533,654.84			216,501.72	21,424.39	12,337.30		308,066.03
2017-10 Roads & Drainage Beach Drive	132,596.57	509,689.43		(828.46)	12,652.23	22,110.50		652,572.73
2018-05 Roads & Drainage Roseann Ave.	1,087,404.43			2,436,664.74	481,099.40	2,351,902.67		521,542.96
2018-07 Various Capital Improvements	(608,196.08)	506,200.00	1,600,000.00	614,480.81	165,057.52	299,692.69		1,018,158.28
2019-05 Various Roadway and Drainage Improvements								
2019-06 Various Capital Improvements			615,000.00	17,462.50	74,537.50	35,000.00		558,000.00
2019-09 Roads and Drainage Improvements to Roseann Ave. & Bayshore Estates - Phase 3			1,515,000.00	214,142.80	328,341.47	185,000.00		1,157,515.73
2019-14 Various Safety and Identification Improvements to Schellengers Landing			3,720,000.00	135,548.13	1,240,216.10	200,000.00		2,544,235.77
2019-14 Various Safety and Identification Improvements to Schellengers Landing						50,000.00		50,000.00
						25,000.00		25,000.00
						10,431,438.99		12,917,125.21
	\$ 11,816,554.81	1,779,798.03	7,450,000.00	8,129,227.63	10,431,438.99	10,431,438.99		12,917,125.21

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

Balance December 31, 2018		\$ 540,764.00
Increased by:		
Budget Appropriation	250,000.00	
	250,000.00	790,764.00
Decreased by:		
Improvement Authorizations Funded	495,000.00	
	495,000.00	295,764.00
Balance December 31, 2019		\$ <u>295,764.00</u>

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

Balance December 31, 2018		\$ 21,106,227.08
Increased by:		
Bond Proceeds	7,450,000.00	
	7,450,000.00	7,450,000.00
Decreased by:		
Serial Bonds Paid	1,700,000.00	
Green Trust Loan Principal Paid	105,768.04	
	1,805,768.04	1,805,768.04
Balance December 31, 2019		\$ <u><u>26,750,459.04</u></u>

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

Ord #	Improvement Description	Balance Dec. 31, 2018	2019 Authorizations	Raised in 2019 Budget	Debt Issued	Cancelled	Balance Dec. 31, 2019	Analysis of Balance	
								Expenditures	Unexpended Improvement Authorizations
2017-10	Roads & Drainage Beach Drive	\$ 1,000,000.00					1,000,000.00		1,000,000.00
2018-07	Various Capital Improvements	2,135,000.00					28,800.00		28,800.00
2018-18	Roads & Drainage Improvements to Roseann Ave & Bayshore Estates - Phase 3	3,900,000.00		506,200.00	1,600,000.00				
2019-05	Various Roadway and Drainage Improvements					3,900,000.00			-
2019-06	Various Capital Improvements		615,000.00		615,000.00				-
2019-09	Roads and Drainage Improvements to Roseann Ave. & Bayshore Estates - Phase 3		1,520,000.00		1,515,000.00		5,000.00		5,000.00
2019-14	Various Safety and Identification Improvements to Schellenger's Landing		3,900,000.00		3,720,000.00		180,000.00		180,000.00
2019-14	Various Safety and Identification Improvements to Schellenger's Landing		950,000.00				950,000.00		950,000.00
2019-14	Various Safety and Identification Improvements to Schellenger's Landing		475,000.00				475,000.00		475,000.00
		<u>\$ 7,035,000.00</u>	<u>7,460,000.00</u>	<u>506,200.00</u>	<u>7,450,000.00</u>	<u>3,900,000.00</u>	<u>2,638,800.00</u>	<u>-</u>	<u>2,638,800.00</u>

**GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ord #	Improvement Description	Ord. Date	Amount	Balance December 31, 2018		Other Funding	Authorizations		Current Year Encumbrances	Reappropriate/ Reallocate	Authorizations Cancelled	Balance December 31, 2019	
				Funded	Unfunded		Deferred Charges to Future Taxation	Reverse Prior Year Encumbrances				Paid or Charged	Funded
2005-20	Engineering Services	10/3/2005	46,250	\$	1,110.25			1,110.25					
2012-10	Various Capital Improvements	5/7/2012	905,000		46,299.85							46,299.85	
2012-19	Road and Drainage Improvements	8/20/2012	1,790,000		838,929.60							258,715.52	
2013-10	Various Capital Improvements	6/3/2013	1,139,000		47,070.05							118,555.00	
2014-10	Various Capital Improvements	9/3/2014	1,312,000		429,870.07				109,150.00			346,230.55	
2015-03	Various Capital Improvements	5/18/2015	1,645,000		131,569.08							96,533.08	
2015-10	Roads & Drainage Roseann Ave.	10/19/2015	4,750,000		563,687.85							112,247.45	
2016-04	Various Capital Improvements	4/18/2016	2,225,000		332,779.34							219,342.53	
2017-08	Various Capital Improvements	6/5/2017	1,107,350		533,654.84							308,066.03	
2017-10	Roads & Drainage Beach Drive	8/7/2017	3,200,000		132,586.57							652,572.73	1,000,000.00
2018-05	Roads & Drainage Roseann Ave.	3/19/2018	4,200,000		1,087,404.43							521,542.96	
2018-07	Various Capital Improvements	5/7/2018	2,250,000		1,526,803.92							1,018,158.28	28,800.00
2018-18	Roads and Drainage Improvements to Roseann Ave. & Bayshore Estates - Phase 3	9/5/2018	3,900,000		3,900,000.00					3,900,000.00			
2019-05	Various Roadway and Drainage Improvements	4/1/2019	650,000			35,000.00		17,462.50				558,000.00	
2019-06	Various Capital Improvements	4/15/2019	1,705,000			185,000.00		214,142.80				1,157,515.73	5,000.00
2019-09	Roads and Drainage Improvements to Roseann Ave. & Bayshore Estates - Phase 3	5/20/2019	4,100,000			200,000.00		135,548.13				2,544,235.77	180,000.00
2019-14	Various Safety and Identification Improvements to Schellenger's Landing	10/21/2019	1,000,000			50,000.00						50,000.00	950,000.00
2019-16	Various Safety and Identification Improvements to Schellenger's Landing	12/2/2019	500,000			25,000.00						25,000.00	475,000.00
					\$ -4,144,971.93	\$ 6,426,803.92	\$ 495,000.00	\$ 8,129,227.63	\$ 3,071,666.93	\$ 509,689.43	\$ 3,900,000.00	\$ 8,033,015.48	\$ 2,638,800.00
										Grant Fund - County Open Space		\$ 509,689.43	

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2019			Interest Rate	Balance Dec. 31, 2018	Increased	Decreased	Balance Dec. 31, 2019
			Date	Amount						
General Improvements	7/18/2015	9,900,000	7/15/2020	1,000,000.00	3.000% \$	7,720,000.00		900,000.00	6,820,000.00	
			7/15/2021	1,000,000.00	3.000%					
			7/15/2022	1,000,000.00	4.000%					
			7/15/2023	1,140,000.00	4.000%					
			7/15/2024	1,320,000.00	4.000%					
7/15/2025	1,360,000.00	3.000%								
General Improvements	8/5/2016	4,520,000	7/15/2020	350,000.00	3.000%	3,940,000.00		330,000.00	3,610,000.00	
			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%								
General Improvements	7/19/2018	8,490,000	7/15/2020	500,000.00	2.000%	8,490,000.00		470,000.00	8,020,000.00	
			7/15/2021	540,000.00	3.000%					
			7/15/2022	580,000.00	4.000%					
			7/15/2023	620,000.00	4.000%					
			7/15/2024	660,000.00	4.000%					
			7/15/2025	710,000.00	5.000%					
			7/15/2026	800,000.00	2.500%					
			7/15/2027	850,000.00	2.500%					
			7/15/2028	900,000.00	3.000%					
			7/15/2029	920,000.00	3.000%					
7/15/2030	940,000.00	3.000%								

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2019		Interest Rate	Balance Dec. 31, 2018	Increased	Decreased	Balance Dec. 31, 2019
			Date	Amount					
General Improvements	8/15/2019	7,450,000	8/15/2020	380,000.00	4.000%				7,450,000.00
			8/15/2021	430,000.00	4.000%				
			8/15/2022	460,000.00	4.000%				
			8/15/2023	510,000.00	4.000%				
			8/15/2024	560,000.00	4.000%				
			8/15/2025	640,000.00	4.000%				
			8/15/2026	700,000.00	4.000%				
			8/15/2027	740,000.00	4.000%				
			8/15/2028	750,000.00	2.000%				
			8/15/2029	760,000.00	2.000%				
			8/15/2030	760,000.00	2.125%				
			8/15/2031	760,000.00	2.250%				
						\$ 20,150,000.00	7,450,000.00	1,700,000.00	25,900,000.00

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2018	Increased	Decreased	Balance Dec. 31, 2019
			Date	Amount					
Recreation Development Various	2006	800,000	2020	43,928.98	\$	344,869.27		43,063.40	301,805.87
			2021	44,811.96					
			2022	45,712.68					
			2023	46,631.52					
			2024	47,568.78					
			2025	48,524.94					
2026	24,627.04								
Recreation Development Various	2007	900,000	2020	48,446.34	1.000%	435,469.70		47,491.76	387,977.94
			2021	49,420.11					
			2022	50,413.45					
			2023	51,426.77					
			2024	52,460.44					
			2025	53,514.90					
			2026	54,590.55					
2027	27,705.35								
Bennett's Crossing	2009	300,000	2020	15,518.66	1.000%	\$ 175,888.11		15,212.88	160,675.23
			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								
						\$ 175,888.11	-	15,212.88	160,675.23

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2018	2019 Authorizations	Debt Issued	Budget Appropriation	Authorizations Cancelled	Balance Dec. 31, 2019
2017-10	Roads & Drainage Beach Drive	\$ 1,000,000.00					1,000,000.00
2018-07	Various Capital Improvements	2,135,000.00		1,600,000.00	506,200.00		28,800.00
2018-18	Roads & Drainage Improvements to Roseann Ave & Bayshore Estates - Phase 3	3,900,000.00				3,900,000.00	
2019-05	Road and Drainage Improvements		615,000.00	615,000.00			-
2019-06	Various Capital Improvements		1,520,000.00	1,515,000.00			5,000.00
2019-09	Improvements to Roseann Avenue		3,900,000.00	3,720,000.00			180,000.00
2019-16	Schellenger's Landing		1,425,000.00				1,425,000.00
		<u>\$ 7,035,000.00</u>	<u>7,460,000.00</u>	<u>7,450,000.00</u>	<u>506,200.00</u>	<u>3,900,000.00</u>	<u>2,638,800.00</u>

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TOWNSHIP OF LOWER
PART II
GENERAL COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED
DECEMBER 31, 2019

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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:

- Reconstruction of Miramar and Foster Avenues, Idell and Woolson Roads, and Crescent Drive
- Purchase of 3-2019 F-350 Super Duty Crew Cab 4x4 Pick Up Trucks with Western Plow
- Reconstruction of Roseann Avenue Roadway and Utility Improvements, Phase 3
- Installation of Service Body, Scissor Hi-Lift, Post Puller and Lighting on Club Cab Truck
- Recreation Center Restroom Upgrades
- Purchase of 2020 Ford Explorer 4WD XLT for Construction Office

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:

WHEREAS, the Reorganization Meeting of the Township Council of the Township of Lower, the governing body thereof, was duly held on January 2, 2019 at the Township Hall, Villas, New Jersey; and

WHEREAS, R.S. 54:4-67 as amended authorizes municipalities to fix a rate of interest to be charged for the non-payment of taxes or assessments on or before the date when they would become delinquent. Delinquency is to be calculated on the sum of all taxes from year to year and not be calculated on an individual year basis, and NJSA 40A:5-17.1 provides that a municipality may authorize the cancellation of tax delinquencies of less than Ten (\$10.00) Dollars.

NOW, THEREFORE, BE IT RESOLVED by the Township Council of the Township of Lower, County of Cape May, New Jersey that interest be charged for the non-payment of taxes or assessments on or before the date when they would become delinquent in accordance with R.S. 54:4-67 and that the rate of interest shall be eight percent (8%) based on a 365 day year on the first \$1,500.00 of delinquency and eighteen per cent (18%) based on a 365 day a year on any amount in excess of \$1,500.00 to be calculated from the date the tax was payable until the date of actual payment. Interest will stay at eighteen per cent (18%) until taxes are completely current. No interest shall be charged if payment of any installment is made within the tenth calendar day following the date upon which the same became payable.

BE IT FURTHER RESOLVED that a penalty of 6% shall be levied against a taxpayer with a delinquency in excess of \$10,000 who fails to pay the delinquency prior to the end of the calendar year.

This 6% penalty shall also apply to delinquencies in excess of \$10,000.00 to third party lien holders and that an additional penalty shall be levied against tax sale certificates as follows:

When the taxes, interest and cost shall exceed the sum of \$200.00, such additional sum shall be equal to 2% of such amount paid. When the taxes, interest and costs shall exceed the sum of \$5,000.00 such additional sum shall be equal to 4% of such amount paid; and when the sum exceeds \$10,000.00, such additional sum shall be equal to 6% of such amount paid. This section is retroactive only as to existing municipally held certificates but acts prospectively with regard to certificates held by third parties as of March 28, 1991.

BE IT FURTHER RESOLVED that the Tax Collector be and hereby is directed to collect interest on delinquents at the aforesaid rate.

BE IT FURTHER RESOLVED by the Township Council of the Township of Lower, County of Cape May, State of New Jersey that the Tax Collector is hereby authorized to process, without further action on the part of the Township Council, the cancellation of any property tax delinquency of less than Five (\$5.00) dollars.

BE IT FURTHER RESOLVED that a certified copy of the Resolution be provided by the Municipal Clerk to the Tax Collector and the Chief Financial Officer.

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 on September 10, 2019 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>
2019	31
2018	30
2017	30

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 2019 and 2020 Taxes	25
Delinquent Taxes	10
Tax Title Liens	5
Total	<u>40</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.

Year	Tax Levy	Currently	
		Cash Collections	Percentage of Collections
2019 \$	65,809,456.88	65,139,456.30	98.98%
2018	64,073,916.13	63,228,893.29	98.68%
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%

Comparative Schedule of Tax Rate Information

		<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Tax Rate	\$	1.738	1.696	1.697	1.673	1.618
Apportionment of Tax Rate:						
Municipal		0.584	0.575	0.574	0.556	0.556
County		0.303	0.289	0.276	0.270	0.263
Local School		0.483	0.472	0.466	0.458	0.446
Regional School		0.368	0.360	0.381	0.389	0.353
Assessed Valuation		3,641,491,446	3,634,439,452	3,625,260,471	3,614,591,078	3,605,399,621
R = Reassessment						

Delinquent Taxes and Tax Title Liens

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

Year	Amount of Tax Title Liens	Amount of Delinquent Taxes	Total Delinquent	Percentage Of Tax Levy
2019 \$	262,748.71	609,248.13	871,996.84	1.33%
2018	262,290.23	791,154.23	1,053,444.46	1.64%
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%

Uniform Construction Code

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

Deposit of Municipal Funds

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

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

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

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

FINDINGS AND RECOMMENDATIONS

None

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

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

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

Leon P. Costello

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

June 23, 2020