

TOWNSHIP OF LOWER
REPORT OF AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2025

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TOWNSHIP OF LOWER
PART I
REPORT ON AUDIT OF
FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED
DECEMBER 31, 2025

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FORD - SCOTT

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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

Opinions

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, 2025 and 2024, 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, 2025 and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

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, 2025 and 2024, 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, 2025 and 2024, 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, 2025 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the Township of Lower and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township of Lower's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division of Local Government Services will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division of Local Government Services, we:

- exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of the internal control relevant to the audit 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 of Lower's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether in our judgement there are conditions or events considered in the aggregate, that raise substantial doubt about the Township of Lower's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charge with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control – related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Lower 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents is fairly stated, in all material respects, in relation to the regulatory basis financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2026, 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 the effectiveness 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

May 8, 2026

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EXHIBIT - A
CURRENT FUND

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

	<u>2025</u>	<u>2024</u>
<u>ASSETS</u>		
Regular Fund:		
Cash:		
Cash Treasurer	\$ 14,990,595.16	13,350,401.70
Cash - Change	600.00	600.00
Total Cash	<u>14,991,195.16</u>	<u>13,351,001.70</u>
Other Receivables:		
Due from State - Chapter 20 P.L. 1971	-	1,622.25
Total Other Receivables	<u>-</u>	<u>1,622.25</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	763,869.51	677,589.47
Tax Title Lien Receivable	69,253.46	65,491.23
Lower Township MUA Lien	7,848.36	7,848.36
Property Acquired for Taxes - at Assessed Valuation	1,334,800.00	1,334,800.00
Revenue Accounts Receivable	7,149.51	3,879.79
Lot Clearing Assessments	1,100.00	3,300.00
Municipal Service Fees	-	9,420.00
Due from:		
Animal Control Fund	1,939.57	-
Due from Federal and State Grant Fund	-	480,377.77
Total Receivables and Other Assets	<u>2,185,960.41</u>	<u>2,582,706.62</u>
Deferred Charges:		
Emergency Authorization	19,750.00	25,000.00
Special Emergency Appropriation	88,000.00	122,000.00
Overexpenditure of Appropriations	8,614.75	-
Total Deferred Charges	<u>116,364.75</u>	<u>147,000.00</u>
Total Regular Fund	<u>17,293,520.32</u>	<u>16,082,330.57</u>
Federal and State Grant Fund:		
Federal and State Grants Receivable	4,798,104.10	2,673,071.95
Due from Current Fund	294,686.64	-
Total Federal and State Grant Fund	<u>5,092,790.74</u>	<u>2,673,071.95</u>
Total Current Fund	<u>\$ 22,386,311.06</u>	<u>18,755,402.52</u>

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

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2025</u>	<u>2024</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 945,506.28	1,700,928.90
Reserve for Encumbrances	683,358.78	430,220.09
Accounts Payable	43,058.01	19,455.79
Prepaid Taxes	1,779,520.00	1,630,096.95
Overpaid Taxes	133,466.98	36,415.14
County Added Tax Payable	102,740.07	93,624.95
Regional High School Tax Payable	391,888.50	-
Due to Federal and State Grant Fund	294,686.64	-
Due to State:		
Marriage Licenses	700.00	525.00
Permit Surcharge Fees	15,235.00	9,215.00
Senior Citizens and Veterans	2,365.76	-
Other		
Prepaid Fees		
Commercial Trash	22,584.75	30,126.75
Municipal Service Fees	19,080.00	-
Reserve for Garden State Trust	-	20,236.00
Reserve for Elevator Inspections	7,440.00	7,440.00
Reserve for Tax Map	3,617.50	87,395.75
Reserve for Reassessment	-	8,062.29
	<u>4,445,248.27</u>	<u>4,073,742.61</u>
Reserve for Receivables and Other Assets	2,185,960.41	2,582,706.62
Fund Balance	<u>10,662,311.64</u>	<u>9,425,881.34</u>
Total Regular Fund	<u>17,293,520.32</u>	<u>16,082,330.57</u>
Federal and State Grant Fund:		
Encumbrances Payable	24,927.50	97,141.25
Unappropriated Reserves	70,410.69	90,596.39
Appropriated Reserves	4,997,452.55	2,004,956.54
Due to Current Fund	-	480,377.77
Total Federal and State Grant Fund	<u>5,092,790.74</u>	<u>2,673,071.95</u>
Total Current Fund	<u>\$ 22,386,311.06</u>	<u>18,755,402.52</u>

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

	<u>2025</u>	<u>2024</u>
Revenue and Other Income Realized		
Fund Balance	\$ 4,500,000.00	4,830,367.00
Miscellaneous Revenue Anticipated	11,211,667.85	8,556,707.89
Receipts from Delinquent Taxes	647,414.48	623,454.33
Receipts from Current Taxes	78,295,042.25	75,515,696.19
Non Budget Revenue	1,237,620.21	403,615.39
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	1,491,046.17	1,518,393.48
Prior Years' Accounts Payable Cancelled	-	28,523.74
Adjustment to Tax Billing/Overpayment	-	5,088.87
Interfunds Returned	494,147.77	-
Total Income	<u>97,876,938.73</u>	<u>91,481,846.89</u>
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	12,553,734.13	11,954,396.39
Other Expenses	11,757,895.66	11,290,117.71
Deferred Charges & Statutory Expenditures	3,440,774.00	3,188,449.00
Appropriations Excluded from "CAPS"		
Operations:		
Salaries and Wages	170,380.00	156,596.45
Other Expenses	4,270,543.10	2,064,058.36
Capital Improvements	250,000.00	275,000.00
Debt Service	4,748,666.39	4,581,573.01
Deferred Charges	59,000.00	49,000.00
Judgments	-	350,000.00
Local District School Tax	20,724,403.00	20,360,241.00
Regional District School Tax	15,983,987.00	14,901,333.50
County Tax	15,472,314.34	14,584,939.20
County Share of Added Tax	102,740.07	93,624.95
Other:		
Special District Tax	2,613,045.20	2,547,526.52
Refund of Prior Year's Revenue	3,323.77	12,305.41
Interfunds Created	18,066.52	480,377.77
Prior Year Successful Appeals	-	63,831.70
Year End Adjustment - Reserve for Fire Safety	-	85,594.02
Total Expenditures	<u>92,168,873.18</u>	<u>87,038,964.99</u>
Excess in Revenue	<u>5,708,065.55</u>	<u>4,442,881.90</u>

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

	<u>2025</u>	<u>2024</u>
Adjustments to Income before Fund Balance:		
Special Emergency Appropriation	-	50,000.00
Emergency Appropriation	19,750.00	25,000.00
Overexpenditure of Appropriations	8,614.75	-
Total Adjustments	<u>28,364.75</u>	<u>75,000.00</u>
Statutory Excess to Fund Balance	<u>5,736,430.30</u>	<u>4,517,881.90</u>
Fund Balance January 1	<u>9,425,881.34</u>	<u>9,738,366.44</u>
	15,162,311.64	14,256,248.34
Decreased by:		
Utilization as Anticipated Revenue	<u>4,500,000.00</u>	<u>4,830,367.00</u>
Fund Balance December 31	<u>\$ 10,662,311.64</u>	<u>9,425,881.34</u>

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Fund Balance Anticipated	\$ 4,500,000.00	-	4,500,000.00	-
Total Fund Balance Anticipated	4,500,000.00	-	4,500,000.00	-
Miscellaneous Revenues:				
Section A: Local Revenues				
Licenses:				
Alcoholic Beverages	35,000.00		39,200.00	4,200.00
Other	115,000.00		327,325.30	212,325.30
Fees and Permits	72,200.00		88,628.10	16,428.10
Fines and Costs:				
Municipal Court	59,000.00		69,566.65	10,566.65
Interest and Costs on Taxes	145,000.00		191,625.40	46,625.40
Interest Earned on Investments	717,591.00		616,840.86	(100,750.14)
Recreation Fees	25,000.00		73,784.00	48,784.00
Payment in Lieu of Taxes - Yorkshire Place	15,000.00		35,899.50	20,899.50
Payment in Lieu of Taxes - Haven House	25,000.00		56,516.63	31,516.63
Payment in Lieu of Taxes - Conifer	30,000.00		37,213.71	7,213.71
Payment in Lieu of Taxes - Cape May Tech Village	5,000.00		12,306.62	7,306.62
Cable Franchise Fees	125,000.00		139,696.62	14,696.62
Bulk Trash Receipts	65,000.00		105,530.76	40,530.76
Occupancy Tax	850,000.00		1,069,794.74	219,794.74
Total Section A: Local Revenues	2,283,791.00	-	2,863,928.89	580,137.89
Section B: State Aid Without Offsetting Appropriations				
Energy Receipts Tax	1,493,389.00		1,493,388.74	(0.26)
Garden State Preservation Trust Fund	107,673.00		107,673.00	-
Garden State Trust (Reserve)	20,236.00		20,236.00	-
Total Section B: State Aid Without Offsetting Appropriations	1,621,298.00	-	1,621,297.74	(0.26)

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Anticipated			
	Budget	N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Section C: Uniform Construction Code Fees				
Uniform Construction Code Fees	420,000.00		1,061,128.00	641,128.00
Total Section C: Uniform Construction Code Fees	420,000.00	-	1,061,128.00	641,128.00
Section D: Interlocal Municipal Service Agreements				
Offset with Appropriations				
Boards of Educations - Special Police	170,380.00		170,380.00	-
County Interlocal - Garage Services	57,104.60		57,104.60	-
Wildwood Crest - Court Interlocal Agreement	159,650.00		159,650.00	-
Total Section D: Interlocal Municipal Service Agreements	387,134.60	-	387,134.60	-
Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations				
Recycling Tonnage Grant		36,957.49	36,957.49	-
Cape May County Arts Grant	9,475.00		9,475.00	-
Alcohol Education and Rehabilitation Fund		2,063.32	2,063.32	-
Green Acres Grant Program		750,000.00	750,000.00	-
Opioid Settlement	74,896.39		74,896.39	-
Atlantic County JIF Grant		5,475.00	5,475.00	-
Clean Communities		103,145.30	103,145.30	-
COPS in Shops		2,880.00	2,880.00	-
Click It or Ticket		5,600.00	5,600.00	-
Drive Sober or Get Pulled Over		10,850.00	10,850.00	-
Distracted Driving - U Text, U Drive, U Pay		3,500.00	3,500.00	-
Office of Emergency Management EMAA		10,000.00	10,000.00	-
Cape May County Municipal Alliance Funds		26,215.00	26,215.00	-
Cape May County Open Space		2,139,567.00	2,139,567.00	-
Small Cities - Douglass Memorial Park		400,000.00	400,000.00	-
Summer Shore Safety Enforcement Mobilization		7,000.00	7,000.00	-
Local Recreation Improvement Grant		92,000.00	92,000.00	-

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
New Jersey Department of Transportation Ridgewood Avenue		200,000.00	200,000.00	-
NJ Council for the Humanities - 2025 Community History Pilot Program		5,000.00	5,000.00	-
Historical Preservation Grant		151,000.00	151,000.00	-
NJ Department of Law and Public Safety 2025 Summer Expansion Program		10,000.00	10,000.00	-
Total Section F: Special Items - Public and Private Programs Off-Set with Appropriations	84,371.39	3,961,253.11	4,045,624.50	-
Section G: Other Special Items				
Uniform Fire Safety Act	472,000.00		361,869.57	(110,130.43)
Uniform Fire Safety Act Reserve	173,149.38		173,149.38	-
Reserve for Debt Service	400,000.00		400,000.00	-
Amount Anticipated from LTMUA per N.J.S.A. 40A:5A-12.1	160,000.00		160,000.00	-
Local Cannabis Tax	40,000.00		137,535.17	97,535.17
Total Section G: Other Special Items	1,245,149.38	-	1,232,554.12	(12,595.26)
Total Miscellaneous Revenues:	6,041,744.37	3,961,253.11	11,211,667.85	1,208,670.37
Receipts from Delinquent Taxes	600,000.00		647,414.48	47,414.48

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, 2025

	Anticipated			
	Budget	N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes	23,874,081.49		25,152,969.47	1,278,887.98
Total Amount to be Raised by Taxes for Support of Municipal Budget	<u>23,874,081.49</u>	<u>-</u>	<u>25,152,969.47</u>	<u>1,278,887.98</u>
Budget Totals	<u>35,015,825.86</u>	<u>3,961,253.11</u>	<u>41,512,051.80</u>	<u>2,534,972.83</u>
Non- Budget Revenues:				
Other Non- Budget Revenues:			<u>1,237,620.21</u>	<u>1,237,620.21</u>
	<u>35,015,825.86</u>	<u>3,961,253.11</u>	<u>42,749,672.01</u>	<u>3,772,593.04</u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025**

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	\$	78,295,042.25
Less: Reserve for Tax Appeals Pending		<u>-</u>
Net Revenue from Collections		78,295,042.25
Allocated to:		
School, County and Other Taxes		<u>54,896,489.61</u>
Balance for Support of Municipal Budget Appropriations		23,398,552.64
Increased by:		
Appropriation "Reserved for Uncollected Taxes"		<u>1,754,416.83</u>
Amount for Support of Municipal Budget Appropriations		<u><u>25,152,969.47</u></u>

Receipts from Delinquent Taxes:

Delinquent Tax Collection	640,684.64	
Tax Title Lien Collections	<u>6,729.84</u>	
Total Receipts from Delinquent Taxes		<u><u>647,414.48</u></u>

Analysis of Non-Budget Revenue:

Miscellaneous Revenue Not Anticipated:

Assessor	1,240.00	
Various Refunds	3,984.86	
Municipal Land Use Fees	86,870.00	
Police Reports	30,621.91	
Employee Car Contribution	750.00	
Sale of Municipal Assets	1,000,150.00	
GovDeals	56,891.00	
Administration Fees - Veteran's & Senior Citizens	4,592.83	
Restitution	700.00	
Vital Statistics	15,218.00	
Election Expenses	525.00	
Miscellaneous	<u>36,076.61</u>	
Total Miscellaneous Revenue Not Anticipated:	\$	<u><u>1,237,620.21</u></u>

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT:						
Office of Township Council						
Salaries and Wages	\$ 103,000.00	103,000.00	102,038.52		961.48	-
Other Expenses	28,050.00	28,050.00	21,371.25	260.00	6,418.75	-
Office of Township Clerk						
Salaries and Wages	263,500.00	290,500.00	288,492.26		2,007.74	-
Other Expenses	10,700.00	13,700.00	10,335.87	422.25	2,941.88	-
Elections						
Other Expenses	10,000.00	10,000.00	8,731.90		1,268.10	-
Office of Township Solicitor						
Other Expenses	291,000.00	291,000.00	278,961.20	11,852.28	186.52	-
Office of Township Manager						
Salaries and Wages	345,000.00	304,000.00	294,050.36	1,583.26	8,366.38	-
Other Expenses	35,800.00	35,800.00	27,064.26	2,831.00	5,904.74	-
Department of Revenue and Finance						
Salaries and Wages	457,500.00	437,500.00	436,851.16	2,180.26		(1,531.42)
Other Expenses	47,270.00	47,270.00	42,363.13	1,214.97	3,691.90	-
Audit Services						
Other Expenses	35,620.00	35,620.00	35,620.00		-	-
Division of Tax Assessment						
Salaries and Wages	236,500.00	242,500.00	242,320.88		179.12	-
Other Expenses						-
Miscellaneous Other Expenses	39,000.00	39,000.00	32,789.11	389.50	5,821.39	-

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, 2025

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Division of Taxation						
Salaries and Wages	245,000.00	237,000.00	227,044.86		9,955.14	-
Other Expenses:						
Liquidation of Tax Title Liens	5,000.00	5,000.00	820.60		4,179.40	-
Miscellaneous Other Expenses	17,100.00	17,100.00	7,373.25	1,629.39	8,097.36	-
Department of Planning and Development						
Salaries and Wages	191,500.00	191,500.00	191,142.90	299.52	57.58	-
Other Expenses	13,325.00	33,075.00	9,974.48	20,179.55	2,920.97	-
Engineering Services and Costs						
Other Expenses	12,000.00	12,000.00	4,500.00	6,500.00	1,000.00	-
Department of Parks and Recreation						
Salaries and Wages	384,000.00	412,000.00	397,941.17	4,148.39	9,910.44	-
Other Expenses	231,734.00	231,734.00	216,804.19	10,771.77	4,158.04	-
Department of Public Works						
Salaries and Wages	3,333,000.00	3,298,000.00	3,229,421.29	67,190.10	1,388.61	-
Other Expenses:						
Sanitary Landfill	825,000.00	825,000.00	640,934.63	131,598.37	52,467.00	-
Miscellaneous Other Expenses	395,245.40	430,245.40	357,723.32	70,195.72	2,326.36	-
Public Buildings and Grounds						
Salaries and Wages	194,500.00	194,500.00	192,702.35	1,796.41	1.24	-
Other Expenses	150,525.00	195,525.00	153,968.03	10,654.14	30,902.83	-
Department of Public Safety						
Salaries and Wages	5,529,620.00	5,449,620.00	5,382,518.04	(1,370.86)	68,472.82	-
Other Expenses	353,313.00	353,313.00	217,127.72	135,636.17	549.11	-

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, 2025

	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	366,149.38	366,149.38	277,695.38	322.00	88,132.00	-
Other Expenses	279,000.00	279,000.00	264,508.16	4,761.29	9,730.55	-
Emergency Management Services						
Salaries and Wages	35,000.00	35,000.00	18,015.56		16,984.44	-
Other Expenses	12,500.00	12,500.00	8,382.23	2,769.75	1,348.02	-
Contributions to First Aid Organizations	80,000.00	80,000.00	60,000.00	20,000.00	-	-
Code Enforcement/Demolition						
Other Expenses	34,700.00	34,700.00	2,000.00		32,700.00	-
Police 911 Dispatchers						
Other Expenses:						
County Dispatch	500,000.00	500,000.00	500,000.00		-	-
Lease for Public Safety Building	171,111.26	171,111.26	171,111.26		-	-
Planning Board						
Other Expenses	10,450.00	10,450.00	5,004.00	2,502.00	2,944.00	-
Zoning Board of Adjustments						
Other Expenses	10,450.00	10,450.00	10,030.50		419.50	-
Animal Regulation:						
Other Expenses:						
Contractual	217,415.00	217,415.00	208,142.09	756.55	8,516.36	-
Miscellaneous Other Expenses	21,135.00	21,135.00	21,132.25		2.75	-
Municipal Court						
Salaries and Wages	169,350.00	169,350.00	136,568.09	139.06	32,642.85	-
Other Expenses	17,750.00	17,750.00	10,026.47	774.03	6,949.50	-

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, 2025

	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	17,500.00	17,500.00	17,500.00	-	-	-
General Liability	308,927.65	308,927.65	308,927.65	-	-	-
Workers Compensation Insurance	892,294.35	892,294.35	789,082.12	1,701.28	101,510.95	-
Employee Group Health	4,990,230.00	4,990,230.00	4,731,029.12	17,134.09	242,066.79	-
Health Benefit Waiver Salaries and Wages	110,000.00	110,000.00	117,083.33			(7,083.33)
Interlocal Agreements - Fire District #3	23,750.00	23,750.00	23,750.00	-	-	-
Wildwood	5,000.00	5,000.00	5,000.00	-	-	-
Construction Official Salaries and Wages	517,000.00	487,000.00	480,486.70	6,503.04	10.26	-
Other Expenses	40,850.00	45,850.00	39,506.15	353.53	5,990.32	-
Terminal Leave Salaries and Wages	200,000.00	200,000.00	200,000.00	-	-	-
Celebration of Public Events or Holidays	144,100.00	144,100.00	140,681.90	3,210.00	208.10	-
Electricity	265,000.00	255,000.00	190,367.67	50,724.59	13,907.74	-
Street Lighting	515,000.00	565,000.00	507,767.29	6,780.34	50,452.37	-
Telephone	90,000.00	90,000.00	80,698.83	7,144.68	2,156.49	-
Water	21,000.00	21,000.00	14,288.29	2,194.15	4,517.56	-
Natural Gas	90,000.00	90,000.00	44,822.69	26,710.64	18,466.67	-
Heating Oil	8,500.00	8,500.00	5,669.24	1,863.15	967.61	-
Gasoline	400,000.00	360,000.00	265,115.39	40,709.83	54,174.78	-
TOTAL OPERATIONS WITHIN "CAPS"	24,347,965.04	24,302,715.04	22,705,379.09	677,016.19	928,934.51	(8,614.75)

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, 2025**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
Contingent	300.00	300.00	-	-	-
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	24,348,265.04	24,303,015.04	22,705,379.09	677,016.19	(8,614.75)
Detail:					
Salaries and Wages	12,698,119.38	12,545,119.38	12,231,872.85	82,791.18	239,070.10
Other Expenses	11,650,145.66	11,757,895.66	10,473,506.24	594,225.01	690,164.41
DEFERRED CHARGES AND STATUTORY EXPENDITURES:					
Deferred Charges:					
None		-		-	-
Statutory Expenditures:					
Contributions to:					
Public Employees' Retirement System	846,871.00	846,871.00	846,871.00	-	-
Social Security System (O.A.S.I.)	900,000.00	965,000.00	946,043.88	6,320.86	-
Unemployment	85,000.00	85,000.00	81,996.23	21.73	-
Police and Firemen's Retirement System	1,541,903.00	1,541,903.00	1,541,903.00	-	-
Defined Contribution Retirement Program	2,000.00	2,000.00	1,345.53	-	654.47
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	3,375,774.00	3,440,774.00	3,418,159.64	6,342.59	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	27,724,039.04	27,743,789.04	26,123,538.73	683,358.78	(8,614.75)

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, 2025

	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	170,380.00	170,380.00	170,380.00	-	-
County Interlocal - Garage Services	57,104.60	57,104.60	57,104.60	-	-
Wildwood Crest Court Interlocal					
Municipal Court Salaries and Wages	146,150.00	146,150.00	146,150.00	-	-
Public Defender Salaries and Wages	13,500.00	13,500.00	13,500.00	-	-
	<u>387,134.60</u>	<u>387,134.60</u>	<u>387,134.60</u>	<u>-</u>	<u>-</u>
(A) Public and Private Programs Off-Set by Revenues					
Clean Communities		103,145.30	103,145.30	-	-
Recycling Tonnage Grant		36,957.49	36,957.49	-	-
Cops in Shops		2,880.00	2,880.00	-	-
Alcohol Education Rehab		2,063.32	2,063.32	-	-
Municipal Alliance Against Alcoholism & Drug Abuse		26,215.00	26,215.00	-	-
Supplemental Fire Services Program					
Fire District Direct Program		8,164.00	8,164.00	-	-
Local Recreation Improvement Grant	8,164.00	92,000.00	92,000.00	-	-
Office of Emergency Management - EMAA		10,000.00	10,000.00	-	-
Drive Sober or Get Pulled Over		10,850.00	10,850.00	-	-
Click It or Ticket		5,600.00	5,600.00	-	-
Distracted Driving		3,500.00	3,500.00	-	-
JIF Safety Grant		5,475.00	5,475.00	-	-
Small Cities - Douglass Memorial Park		400,000.00	400,000.00	-	-
Cape May County Arts Grant	9,475.00	9,475.00	9,475.00	-	-
Cape May County Open Space		2,139,567.00	2,139,567.00	-	-

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

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
New Jersey Transportation Trust Fund					
Opioid Settlement		200,000.00	200,000.00	-	-
Green Acres Program	74,896.39	74,896.39	74,896.39	-	-
NJ Council for the Humanities		750,000.00	750,000.00	-	-
2025 Community History Pilot Program		5,000.00	5,000.00	-	-
Historical Preservation Grant		151,000.00	151,000.00	-	-
NJ Department of Law & Public Safety					
2025 Summer Expansion Program		10,000.00	10,000.00	-	-
Summer Shore Safety Enforcement Mobilization		7,000.00	7,000.00	-	-
Total Public and Private Programs Off-Set by Revenues	92,535.39	4,053,788.50	4,053,788.50	-	-
Total Operations - Excluded from "CAPS"					
Detail:					
Salaries and Wages	479,669.99	4,440,923.10	4,440,923.10	-	-
Other Expenses	330,030.00	170,380.00	170,380.00	-	-
	149,639.99	4,270,543.10	4,270,543.10	-	-
(C) Capital Improvements					
Capital Improvement Fund	250,000.00	250,000.00	250,000.00	-	-
Total Capital Improvements	250,000.00	250,000.00	250,000.00	-	-
(D) Debt Service					
Payment of Bond Principal	3,820,000.00	3,820,000.00	3,820,000.00	-	-
Payment of Bond Anticipation Notes and Capital Notes		-			-
Interest on Bonds	804,300.00	804,300.00	804,300.00	-	-
Interest on Note		-			-
Green Trust Loan Program:					
Loan Repayments for Principal and Interest	124,400.00	124,400.00	124,366.39	-	33.61
Total Debt Service	4,748,700.00	4,748,700.00	4,748,666.39	-	33.61
(E) Deferred Charges					
Emergency Authorizations	25,000.00	25,000.00	25,000.00	-	-
Special Emergency Authorizations - 5 year	34,000.00	34,000.00	34,000.00	-	-
Total Deferred Charges	59,000.00	59,000.00	59,000.00	-	-

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
(F) Judgments (NUSA 40A:4-45.3cc)	-	-	-	-	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	5,537,369.99	9,498,623.10	9,498,589.49	-	33.61
SUBTOTAL GENERAL APPROPRIATIONS	33,261,409.03	37,242,412.14	35,622,128.22	683,358.78	(8,581.14)
(M) Reserve for Uncollected Taxes	1,754,416.83	1,754,416.83	1,754,416.83	-	-
TOTAL GENERAL APPROPRIATIONS	\$ 35,015,825.86	38,996,828.97	37,376,545.05	683,358.78	(8,581.14)
Budget		35,015,825.86			33.61
Appropriations by 40A:4-87		3,961,253.11			(8,614.75)
Emergency Authorizations		19,750.00			
Special Emergency Appropriation		-			
		<u>38,996,828.97</u>			<u>(8,581.14)</u>
Reserve for Uncollected Taxes			1,754,416.83		
Federal and State Grants			4,045,624.50		
Special Emergency to Reserve			59,000.00		
Deferred Charges			32,587,870.50		
Disbursements			38,446,911.83		
			(1,070,366.78)		
Less Appropriation Refunds			<u>37,376,545.05</u>		

Cancelled
Overexpended

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EXHIBIT - B
TRUST FUND

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

	<u>2025</u>	<u>2024</u>
<u>Assets</u>		
<u>Animal Control Fund</u>		
Cash and Investments	\$ 11,270.69	8,643.50
	<u>11,270.69</u>	<u>8,643.50</u>
<u>Other Funds</u>		
Cash and Investments	4,693,961.69	4,471,323.66
Program Loans Receivable	1,348,530.28	1,348,530.28
	<u>6,042,491.97</u>	<u>5,819,853.94</u>
	<u>\$ 6,053,762.66</u>	<u>5,828,497.44</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,

	2025	2024
<u>Liabilities, Reserves and Fund Balance</u>		
<u>Animal Control Fund</u>		
Reserve for Animal Control Expenditures	\$ 9,328.72	8,636.90
Due to Current Fund	1,939.57	-
Due to State of New Jersey	2.40	6.60
	<u>11,270.69</u>	<u>8,643.50</u>
<u>Other Funds</u>		
Deposits for Redemption of Tax Title		
Lien Certificates	6,987.37	26,194.50
Premiums Received at Tax Sale	369,400.00	210,600.00
Prepaid Trust Reserve - Outside Police Services	-	-
Reserves for -		
Program Loans Receivable	1,348,530.28	1,348,530.28
Unemployment Compensation	117,584.43	117,076.25
Performance and Escrow Deposits	306,104.92	320,219.67
Recreation	26,391.10	24,665.67
Recreation - Summer Camp	33,805.07	-
Donations	10,000.00	10,000.00
POAA	226.00	188.00
Small Cities Revolving Loan	867,229.51	858,259.23
Historic Commission	7,004.46	943.68
Police Forfeiture	32,384.40	29,514.28
Public Defender	21,318.67	20,378.67
Escrow Deposits	218,334.30	209,116.53
Communiity Police	10,953.27	12,008.64
Fire Safety Fees	1,135,538.31	1,150,538.31
Off Duty Police	2,391.96	41,960.37
Group Insurance	33,611.44	3,566.05
Accumulated Absences	1,470,679.00	1,412,076.33
Storm Emergency Reserve	24,017.48	24,017.48
	<u>6,042,491.97</u>	<u>5,819,853.94</u>
	<u>\$ 6,053,762.66</u>	<u>5,828,497.44</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>2025</u>	<u>2024</u>
Cash	\$ 10,714,015.77	3,324,241.93
Deferred Charges to Future Taxation -		
Funded	29,979,680.07	22,458,862.17
Unfunded	1,900,000.00	11,165,000.00
	<u>42,593,695.84</u>	<u>36,948,104.10</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Encumbrances Payable	2,232,324.21	2,822,235.98
Serial Bonds Payable	29,810,000.00	22,170,000.00
Green Trust Loan Payable	169,680.07	288,862.17
Improvement Authorizations:		
Funded	8,882,253.22	2,008,750.08
Unfunded	1,253,961.54	9,119,990.89
Reserve for Debt Service	11,715.70	411,715.70
Capital Improvement Fund	105,764.00	764.00
Fund Balance	127,997.10	125,785.28
	<u>\$ 42,593,695.84</u>	<u>36,948,104.10</u>

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

2024	11,165,000.00
2025	1,900,000.00

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

	<u>2025</u>	<u>2024</u>
Beginning Balance January 1	\$ 125,785.28	125,785.28
Increased by:		
Premium on Sale of Bonds	2,211.82	-
Ending Balance December 31	\$ <u>127,997.10</u>	<u>125,785.28</u>

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>2025</u>	<u>2024</u>
<u>General Fixed Assets</u>		
Land	\$ 2,911,409.98	2,911,409.98
Building	3,060,731.76	3,060,731.76
Machinery and Equipment	19,153,491.01	17,906,815.64
	<u>25,125,632.75</u>	<u>23,878,957.38</u>
<u>Investment in General Fixed Assets</u>		
Investment in General Fixed Assets	25,125,632.75	23,878,957.38
	<u>\$ 25,125,632.75</u>	<u>23,878,957.38</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, 2025 AND 2024

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 estimated population as of July 1, 2021, according to the US Census Bureau, Population Division, is 22,094.

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 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, 2025 AND 2024

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 Township 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, 2025 AND 2024

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 Township.

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 Township each year. The tax levy is based on the assessed valuation of taxable property within the Township. 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 Township 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 Township 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, 2025 AND 2024

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 April 2024, the Governmental Accounting Standards Board (GASB) issued Statement No. 103, “Financial Reporting Model Improvements”. This statement, which is effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter, will not have any significant effect on the Township’s financial reporting.

In September 2024, the Governmental Accounting Standards Board (GASB) issued Statement No. 104, “Disclosure of Certain Capital Assets”. This statement, which is effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter, will not have any significant 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 2025 and 2024 statutory budgets included a reserve for uncollected taxes in the amount of \$1,754,416.83 and \$1,695,770.08. To balance the budget, the Township is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2025 and 2024 statutory budgets was \$4,500,000.00 and \$4,830,367.00.

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 Council. The following significant budget transfers were approved in the 2025 and 2024 calendar years:

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

Budget Category	<u>2025</u>	<u>2024</u>
Current Fund:		
Office of Township Manager		
Salaries and Wages	\$ (41,000.00)	-
Department of Public Safety		
Salaries and Wages	(80,000.00)	112,300.00
Public Buildings and Grounds		
Other Expenses	45,000.00	-
Department of Public Works		
Salaries and Wages	(35,000.00)	-
Other Expenses	35,000.00	40,000.00
Employee Group Health Insurance	-	(63,500.00)
Construction Official		
Salaries and Wages	-	(40,000.00)
Terminal Leave	-	(133,000.00)
Gasoline	(40,000.00)	(39,800.00)
Street Lighting	50,000.00	55,000.00
Natural Gas	-	(49,000.00)
Social Security	65,000.00	-

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. During the 2025 calendar year, Township Council approved a \$19,750 emergency appropriation to facilitate the award of professional service contracts to address the Township's compliance with their Affordable Housing Obligation. During the 2024 calendar year, Township Council approved a \$25,000 emergency appropriation to fund the downpayment of capital ordinance #2024-07, Construction of Public Works Building and Related Improvements.

Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. The Township Council approved a special emergency in 2024 in the amount of \$50,000 for tax maps. The Township Council approved a special emergency in 2022 in the amount of \$120,000 for tax maps. The unfunded balance of the remaining emergencies as of December 31, 2024 is as follows:

<u>Purpose</u>	<u>Date</u>	<u>Amount</u> <u>Authorized</u>	<u>Balance</u> <u>December 31, 2025</u>
Tax Maps	9/7/2023	\$ 120,000.00	48,000.00
Tax Maps	10/7/2024	50,000.00	40,000.00
		<u>\$ 170,000.00</u>	<u>88,000.00</u>

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 2025 and 2024, the following budget insertions were approved:

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

<u>Budget Category</u>	<u>2025</u>	<u>2024</u>
Clean Communities Program	\$ 103,145.30	103,996.57
Atlantic County Joint Insurance Fund	5,475.00	2,750.00
Drive Sober or Get Pulled Over	10,850.00	12,250.00
Recycling Tonnage Grant	36,957.49	38,945.35
Cops in Shops	2,880.00	960.00
Cape May County Open Space	2,139,567.00	-
Alcohol Education Rehab	2,063.32	735.50
Cape May County Municipal Alliance Funds	26,215.00	26,215.00
NJ Transportation Trust Fund - Reconstruction of Ridgewood Avenue	200,000.00	-
Beach and Delaware Avenues	-	158,190.00
Office of Emergency Management EMAA	10,000.00	10,000.00
Small Cities	400,000.00	400,000.00
Local Recreation Improvement Grant	92,000.00	73,000.00
Click It or Ticket	5,600.00	7,000.00
Distracted Driving U Text, U Drive, U Pay	3,500.00	5,600.00
Pedestrian Awareness Campaign	-	5,250.00
Green Acres Grant Program	750,000.00	-
2025 Community History Pilot Program	5,000.00	-
Historical Preservation Grant	151,000.00	-
NJDL&PS 2025 Summer Expansion Program	10,000.00	-
Summer Shore Safety Enforcement Mobilization	7,000.00	-
	<u>\$ 3,961,253.11</u>	<u>844,892.42</u>

NOTE 3: INVESTMENTS

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

As of December 31, 2025 and 2024, 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 Township places no limit on the amount the Township can invest in any one issuer.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

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 Township'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 Township 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 Township relative to the happening of a future condition. As of December 31, 2025 and 2024, \$2,276,118.17 and \$2,183,318.10 of the Township's bank balance of \$30,435,910.74 and \$21,076,147.82, respectively, was exposed to custodial credit risk.

NOTE 5: FIXED ASSETS

The following schedules are a summarization of the changes in general fixed assets for the calendar years ended December 31, 2025 and 2024:

	Balance 12/31/2024	Additions	Retirements/ Adjustments	Balance 12/31/2025
Land	\$ 2,911,409.98			2,911,409.98
Building	3,060,731.76			3,060,731.76
Machinery and Equipment	17,906,815.64	2,161,008.79	914,333.42	19,153,491.01
	<u>\$ 23,878,957.38</u>	<u>2,161,008.79</u>	<u>914,333.42</u>	<u>25,125,632.75</u>

	Balance 12/31/2023	Additions	Retirements/ Adjustments	Balance 12/31/2024
Land	\$ 2,076,786.58	834,623.40		2,911,409.98
Building	3,060,731.76			3,060,731.76
Machinery and Equipment	17,196,575.74	729,262.57	19,022.67	17,906,815.64
	<u>\$ 22,334,094.08</u>	<u>1,563,885.97</u>	<u>19,022.67</u>	<u>23,878,957.38</u>

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 6: LONG TERM DEBT

Long-term debt as of December 31, 2025 and 2024 consisted of the following:

	Balance 12/31/24	Issued	Retired	Balance 12/31/25	Amounts Due Within One Year
Other liabilities:					
Compensated					
Absences Payable	\$ 1,673,835.01	257,559.07		1,931,394.08	108,851.79
General Capital Fund:					
Bonds Payable	22,170,000.00	12,000,000.00	4,360,000.00	29,810,000.00	3,320,000.00
Green Trust Loans	288,862.17		119,182.10	169,680.07	96,704.41
Total long-term liabilities	<u>\$ 24,132,697.18</u>	<u>12,257,559.07</u>	<u>4,479,182.10</u>	<u>31,911,074.15</u>	<u>3,525,556.20</u>

	Balance 12/31/23	Issued	Retired	Balance 12/31/24	Amounts Due Within One Year
Other liabilities:					
Compensated					
Absences Payable	\$ 1,424,314.32	249,520.69	-	1,673,835.01	66,712.16
General Capital Fund:					
Bonds Payable	25,695,000.00		3,525,000.00	22,170,000.00	3,820,000.00
Green Trust Loans	405,695.87		116,833.70	288,862.17	119,182.10
Total long-term liabilities	<u>\$ 27,525,010.19</u>	<u>249,520.69</u>	<u>3,641,833.70</u>	<u>24,132,697.18</u>	<u>4,005,894.26</u>

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

Year Ending December 31	Principal	General Capital Fund Interest	Total
2026	\$ 3,416,704.41	1,095,422.03	4,512,126.44
2027	3,660,543.68	981,143.72	4,641,687.40
2028	3,233,196.85	852,758.11	4,085,954.96
2029	3,359,235.13	740,142.35	4,099,377.48
2030	3,475,000.00	622,350.00	4,097,350.00
2031-2035	10,485,000.00	1,611,400.00	12,096,400.00
2036-2037	2,350,000.00	106,600.00	2,456,600.00
	<u>\$ 29,979,680.07</u>	<u>6,009,816.21</u>	<u>35,989,496.28</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

<u>Summary of Municipal Debt</u>	<u>Year 2025</u>	<u>Year 2024</u>	<u>Year 2023</u>
<u>Issued:</u>			
General - Bonds and Notes	\$ 29,979,680.07	22,458,862.17	26,100,695.87
Total Issued	<u>29,979,680.07</u>	<u>22,458,862.17</u>	<u>26,100,695.87</u>
<u>Authorized but not issued:</u>			
General - Bonds and Notes	1,900,000.00	11,165,000.00	1,220,000.00
Total Authorized But Not Issued	<u>1,900,000.00</u>	<u>11,165,000.00</u>	<u>1,220,000.00</u>
Total Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 31,879,680.07</u>	<u>33,623,862.17</u>	<u>27,320,695.87</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 0.438%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Municipal/County General Obligations	\$ 83,655,078.07	51,775,398.00	31,879,680.07
Local and Regional High School Debt	24,304,874.71	24,304,874.71	-
	<u>\$ 107,959,952.78</u>	<u>76,080,272.71</u>	<u>31,879,680.07</u>

Net Debt \$31,879,680.07 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended,
\$7,280,655,108.33= 0.438%.

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

3 1/2 % of Equalized Valuation Basis (Municipal)	\$ 254,822,928.79
Net Debt	31,879,680.07
Remaining Borrowing Power	<u>\$ 222,943,248.72</u>

Description of Bonds and Loans Payable

At December 31, 2025, 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, 2025 is \$0.00.

\$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, 2025 is \$1,080,000.00.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

\$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, 2025 is \$4,410,000.00.

\$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, 2025 is \$4,470,000.00.

\$9,535,000 General Improvement Bonds dated November 1, 2023, due in annual installments beginning November 1, 2024 through November 1, 2035, bearing interest at various rates from 4.00% to 5.00% per annum. Bonds maturing on or after November 1, 2031 are redeemable at the option of the Township, in whole or in part, on any date on or after November 1, 2030. The balance remaining as of December 31, 2025 is \$8,390,000.00.

\$11,460,000 General Improvement Bonds dated October 9, 2025, due in annual installments beginning October 1, 2026 through October 1, 2037, bearing interest at various rates from 2.50% to 4.00% per annum. Bonds maturing on or after October 1, 2033 are redeemable at the option of the Township, in whole or in part, on any date on or after October 1, 2032. The balance remaining as of December 31, 2025 is \$11,460,000.00.

\$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, 2025 is \$24,627.04.

\$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, 2025 is \$82,295.93.

\$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, 2025 is \$62,757.10.

NOTE 7: LEASE OBLIGATIONS

Operating Lease

In April 2025, the Township entered into an agreement to lease two (2) postage machines for the Township Building and the Court/Police building. The term of the lease is 60 months and monthly payments are \$650.00. The Township has the option to purchase this equipment at the end of the lease term for fair market value.

The total operating lease payments made in 2025 and 2024 were \$7,440.00 and \$6,720.00, respectively.

The following is a schedule of the future minimum lease payments under this lease.

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

Year	Amount
2026	\$ 7,800.00
2027	7,800.00
2028	7,800.00
2029	7,800.00
2030	1,950.00
Total	\$ 33,150.00

NOTE 8: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2025 and 2024, which were appropriated and included as anticipated revenue in their own respective funds for the years ending December 31, 2026 and 2025 were as follows:

	<u>2026</u>	<u>2025</u>
Current Fund	\$ 5,404,315.64	4,500,000.00

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 2026 budget is \$10,545,946.89.

NOTE 9: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2025, the following deferred charges are shown on the balance sheets of the current fund.

	Balance December 31, 2025	2026 Budget Appropriation	Balance to Succeeding Years
Current fund:			
Emergency Appropriation	\$ 19,750.00	19,750.00	-
Special Emergency Appropriation	88,000.00	34,000.00	54,000.00
Overexpenditure of Appropriations	8,614.75	8,614.75	-
	<u>\$ 116,364.75</u>	<u>62,364.75</u>	<u>54,000.00</u>

The appropriations in the 2025 budget are not less than that required by statute.

NOTE 10: SCHOOL TAXES

Local District School Tax in the amounts of \$20,724,403.00 and \$20,360,241.00 have been raised for the 2025 and 2024 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 \$15,983,987.00.00 and \$15,200,210.00.00 have been raised for the 2025 and 2024 calendar years and remitted to the regional high school district.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	12/31/2025	12/31/2024
Balance of Tax	\$ 7,991,993.50	7,600,105.00
Deferred	7,600,105.00	7,600,105.00
Tax Payable	<u>\$ 391,888.50</u>	<u>-</u>

NOTE 11: TAXES COLLECTED IN ADVANCE

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

	Balance 12/31/2025	Balance 12/31/2024
Prepaid Taxes	<u>\$ 1,779,520.00</u>	<u>1,630,096.95</u>
Cash Liability for Taxes Collected in Advance	<u>\$ 1,779,520.00</u>	<u>1,630,096.95</u>

NOTE 12: PENSION FUNDS

Description of Plans

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

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

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 15.09% of covered payroll. The Township's contributions to PERS for the years ended December 31, 2025, 2024, and 2023 were \$846,871.00, \$851,859.00, and \$834,373.00.

The contribution policy for the PFRS is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The Township's contributions to PFRS for the years ended December 31, 2025, 2024, and 2023 were \$1,541,903.00, \$1,450,090.00, and \$1,394,047.00.

The total payroll for the year ended December 31, 2025, 2024, and 2023 was \$12,900,361.56, \$11,910,670.67, and \$11,202,636.98. Payroll covered by PERS was \$5,612,479.00, \$5,342,898.00, and \$4,959,642.00. Payroll covered by PRFS was \$4,713,999.00, \$4,345,817.00, and \$4,233,172.00.

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

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

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

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

Note 13: PENSION LIABILITIES

In 2012, the Governmental Accounting Standards Board issued GASB statement 68. This statement is effective for fiscal years beginning after June 15, 2014. This statement changes the method of reporting the Township's pension liabilities. However, due to the fact that the Township 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, 2024:

Public Employees' Retirement System

The Township has a liability of \$8,456,696 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023 that was rolled forward to June 30, 2024. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating

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employers, actuarially determined. At June 30, 2024, the Township's proportion would be 0.06223629450%, which would be a decrease of 2.35% from its proportion measured as of June 30, 2023.

For the year ended December 31, 2025, the Township would have recognized pension expense of \$143,690. At December 31, 2025, the Township 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	\$ 169,403	(22,514)
Changes of assumptions	10,506	(96,218.00)
Changes in proportion	369,332	(517,498)
Net difference between projected and actual earnings on pension plan investments	-	(392,114)
Total	<u>\$ 549,241</u>	<u>(1,028,344)</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,	
2025	\$ (1,536,507)
2026	2,036,539
2027	(586,172)
2028	(412,888)
2029	19,924
Total	<u>\$ (479,103)</u>

Actuarial Assumptions

The total pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of July 1, 2023, which was rolled forward to June 30, 2024. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	
Price	2.75%
Wage	3.25%
Salary increases:	2.75% – 6.55% (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 2010 on a generational basis. Post-retirement mortality rates were

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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-2021.

The actuarial assumptions used in the July 1, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2024) 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, 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US equity	28.00%	8.63%
Non-U.S. developed markets equity	12.75%	8.85%
International small cap equity	1.25%	8.85%
Emerging markets equity	5.50%	10.66%
Private equity	13.00%	12.40%
Real estate	8.00%	10.95%
Real assets	3.00%	8.20%
High yield	4.50%	6.74%
Private credit	8.00%	8.90%
Investment grade credit	7.00%	5.37%
Cash Equivalents	2.00%	3.57%
U.S. Treasuries	4.00%	3.57%
Risk mitigation strategies	3.00%	7.10%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2024. 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 100% 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 all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

NOTES TO FINANCIAL STATEMENTS
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Sensitivity of the Township's proportionate share of the net pension liability to changes in the discount rate.

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Township's proportionate share of the net pension liability	\$ 10,288,382	8,456,696	6,899,366

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 Township has a liability of \$11,511,106 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as July 1, 2023 that was rolled forward to June 30, 2024. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2024, the Township's proportion would be 0.10893095%, which would be an decrease of 2.28% from its proportion measured as of June 30, 2023.

For the year ended December 31, 2025, the Townshipve reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 725,191	\$ (394,076)
Changes of assumptions	18,197	(338,062.00)
Changes in proportion	450,971	(557,627)
Net difference between projected and actual earnings on pension plan investments	-	(90,095)
Total	<u>\$ 1,194,359</u>	<u>\$ (1,379,860)</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:

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NOTES TO FINANCIAL STATEMENTS
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Year ended June 30,		
2025	\$	2,875,844
2026		(3,638,185)
2027		740,368
2028		271,640
2029		(401,643)
Thereafter		(33,524)
Total	\$	<u>(185,501)</u>

Actuarial Assumptions

The total pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation of July 1, 2023, which was rolled forward to June 30, 2024. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate

Price	2.75%
Wage	3.25%

Salary increases: 3.25% - 16.25% (based on years of service)

Investment rate of return: 7.00%

Employee mortality rates were based on the Pub-2010 Safety Employee mortality table (sex specific), projected generationally from 2010 with scale MP-2021 mortality projection. For healthy annuitants, mortality rates were based on the Pub-2010 Safety Retiree Below Median amount-weighted mortality table (sex specific), projected generationally from 2010 with scale MP-2021 mortality projection. Disability rates were 144% of the Pub-2010 Safety Retiree Below Median amount-weighted mortality table for males and 100% of the Pub-2010 Safety Retiree Below Median amount-weighted mortality table for females, projected generationally from 2010 with scale MP-2021 mortality projection.

The actuarial assumptions used in the July 1, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2024) 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, 2024 are summarized in the following table:

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NOTES TO FINANCIAL STATEMENTS
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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large-Cap Equity	24.00%	6.90%
U.S. Small/Mid -Cap Equity	4.00%	7.40%
Non - U.S. Developed Large-Cap Equity	9.50%	6.70%
Non - U.S. Developed Small-Cap Equity	2.00%	7.50%
Emerging Markets Large-Cap Equity	6.00%	9.60%
Emerging Markets Small-Cap Equity	1.50%	9.60%
U.S. Treasury Bond	7.00%	4.10%
U.S. Corporate Bond	5.00%	5.90%
U.S. Mortgage-Backed Securities	5.00%	4.40%
Global Multisector Fixed Income	6.00%	6.50%
Cash	2.00%	3.40%
Real Estate Core	3.00%	5.10%
Real Estate Non-Core	4.00%	6.50%
Infrastructure	3.00%	7.00%
Private Debt/Credit	8.00%	9.10%
Private Equity	10.00%	10.10%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2024. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be made based on 100% 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 all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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

The following presents the collective net pension liability of the participating employers as of June 30, 2024, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Township's proportionate share of the net pension liability	\$ 15,670,498.72	11,511,106.00	8,046,832.76

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, 2024 State special funding situation net pension liability amount of

NOTES TO FINANCIAL STATEMENTS

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\$2,035,866,994 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, 2024 State special funding situation pension expense of \$234,210,000 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2024. 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 2024, the State contributed an amount more 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 Township was 0.10893095% for 2024. The net pension liability amount allocated to the Township was \$2,269,390. For the fiscal year ending June 30, 2024 State special funding situation pension expense of \$261075 is allocated to the Township.

Pension plan fiduciary net position.

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

NOTE 14: 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) Annual Comprehensive Financial Report (ACFR), 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 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;

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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, 2024 were \$4,833,833,875 and \$12,914,432,673, 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, 2023 through June 30, 2024. 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 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.

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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, 2024 is as follows:

	June 30, 2024	
	Collective Total	Proportionate Share
Total OPEB Liability	\$ 17,748,257,548	37,915,425
Plan Fiduciary Net Position (Deficit)	(157,187,957)	(335,799)
Net OPEB Liability	<u>\$ 17,905,445,505</u>	<u>38,251,224</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	-0.89%	-0.89%

At June 30, 2024 the Township's proportionate share of the Collective Net OPEB Liability was \$38,251,224. The State's proportionate share for the Special Funding Situation that is associated with the Township is \$949,044. The Township's proportion of the Collective Net OPEB Liability was 0.213629% which was a decrease from the prior year of 3.05%. The State's proportionate share attributable to the Township of the Collective Net OPEB Liability for the Special Funding Situation was 0.019461% which was a decrease from the prior year of 4.21%.

Township's Proportionate Share of Collective Net OPEB Liability	\$ 38,251,224
State's proportionate share that is associated with the Township	949,044
Total	<u>\$ 39,200,268</u>

For the Year ended June 30, 2024 the Township's Total OPEB Expense/(Benefit) was \$1,255,548 and the State of New Jersey realized Total OPEB Expense/(Benefit) in the amount of \$(91,946) for its proportionate share of Total OPEB Expense that is associated with the Township.

The total OPEB liability as of June 30, 2024 was determined by an actuarial valuation as of June 30, 2023, which was rolled forward to June 30, 2024. The actuarial assumptions vary for each plan 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:

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NOTES TO FINANCIAL STATEMENTS
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Salary increases*:

<u>PERS</u>	
Rate for all future years	2.75% to 6.55% based on years of service
<u>PFRS</u>	
Rate for all future years	3.25% to 16.25% based on years of service

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

Pre-Retirement Healthy Mortality:

PERS: Pub-2010 "General" classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021.

PFRS: Pub-2010 "Safety" classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021

Post-Retirement Healthy Mortality

Chapter 330 Retirees: PUB-2010 "Safety" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Other Retirees: PUB-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Disable Retiree Mortality:

PERS Future Disabled Retirees: PUB-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

PFRS Future Disabled Retirees: PUB-2010 "Safety" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Chapter 330 Current Retirees: PUB-2010 "Safety" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Other Current Retirees: PUB-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Actuarial assumptions used in the July 1, 2023 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2018 to June 30, 2021.

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

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Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 7.5% and decreases to a 4.50% long-term trend rate after nine years. For post-65 medical benefits PPO, the trend is increasing to 22.62% in fiscal year 2027 and decreases to 4.50% in fiscal year 2034. For HMO, the trend is increasing to 23.58% in fiscal year 2027 and decreases to 4.50% in fiscal year 2034. For prescription drug benefits, the initial trend rate is 12.75% and decreases to a 4.50% long-term trend rate after nine years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

Discount Rate

The discount rate for June 30, 2024 was 3.93%. The discount rate will change each year 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. 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, 2024, 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:

		1% Decrease (2.93%)	Discount Rate (3.93%)	1% Increase (4.93%)
Collective				
Net OPEB Liability	\$	20,857,914,273	17,905,445,505	15,540,780,410
Proportionate Share				
Net OPEB Liability	\$	45,664,087	39,200,268	34,023,323

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

The following presents the net OPEB liability as of June 30, 2024, 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	\$	15,144,352,142	17,905,445,505	21,455,435,620
Proportionate Share				
Net OPEB Liability	\$	33,155,425	39,200,268	46,972,237

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

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

At June 30, 2024, 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	\$ 906,784,304	(3,033,798,337)	1,937,154	(6,481,073)
Changes of assumptions	2,993,451,517	(2,972,190,924)	6,394,881	(6,349,462)
Net difference between projected and actual earnings on OPEB plan investments	-	(8,105,194)	-	(17,315)
Changes in proportion and differences between contributions and proportionate share of contributions	-		10,730,378	(1,780,903)
Total	\$ 3,900,235,821	(6,014,094,455)	19,062,413	(14,628,753)

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:

Year Ended June 30,	Collective Totals	Proportionate Share
2025	\$ (1,123,975,872.00)	2,357,455.12
2026	(483,903,543.00)	1,014,951.40
2027	(83,156,324.00)	174,414.16
2028	(443,334,965.00)	929,861.85
2029	(282,447,899.00)	592,413.29
Thereafter	302,959,969.00	(635,435.82)
Total	\$ (2,113,858,634.00)	4,433,660.00

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 (Benefit) related to specific liabilities of individual employers for the year ending June 30, 2023 are as follows:

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

Service cost	\$ 545,086,159
Interest on Total OPEB Liability	554,448,470
Expected Investment Return	5,026,265
Administrative Expenses	11,119,284
Changes of Benefit Terms	107,670,542
Current Period Recognition (Amortization) of Deferred Inflows/ Outflows of Resources:	
Differences between Expected and Actual Experience	(847,755,885)
Changes in Assumptions	(583,228,782)
Differences between Projected and Actual Investment Earnings on OPEB Plan Investments	(1,033,536)
Total Collective OPEB Expense	\$ <u>(208,667,483)</u>

Schedule of Township's Share of Net OPEB Liability

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Township's Proportionate Share of Net OPEB Liability	\$ 0.2203400%	0.2203400%	0.1948200%	0.1904300%
Township's Share of Net OPEB Liability	38,251,224	33,774,288	32,487,944	34,277,703
Township's Covered Payroll	5,342,898	4,959,642	4,739,075	4,730,025
Township's Proportionate Share of the Net OPEB Liability as a percentage of its Covered-Employee Payroll	715.93%	680.98%	685.53%	724.68%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	-0.89%	-0.79%	-0.36%	0.28%
		<u>2020</u>	<u>2019</u>	<u>2018</u>
Township's Proportionate Share of Net OPEB Liability	\$	0.1449100%	0.1314500%	0.140980%
Township's Share of Net OPEB Liability		26,007,155	17,806,040	22,086,328
Township's Covered Payroll		4,543,822	4,515,811	4,519,026
Township's Proportionate Share of the Net OPEB Liability as a percentage of its Covered-Employee Payroll		572.36%	394.30%	488.74%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability		0.97%	1.97%	1.98%

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 15: ACCRUED SICK AND VACATION BENEFITS

The Township has permitted employees to accrue unused vacation, personal and sick time, which may be taken as time off or paid at a later date at an agreed upon rate. The monetary value of these earned and unused employee benefits has not been accrued by, either charges to operations, or to budgets of prior years, although in some cases they might be material, since the realization of this liability may be affected by conditions which preclude an employee from receiving full payment of the accrual. At December 31, 2025, the Township estimates this liability to approximate \$1,931,394.08 based on 2025 pay rates and compensated absence balances. The Township has established a trust reserve for accumulated absences in the amount of \$1,470,679.00 to offset this liability.

NOTE 16: ECONOMIC DEPENDENCY

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

NOTE 17: RISK MANAGEMENT

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

Property and Liability Insurance - The Township maintains commercial insurance coverage for property, liability and surety bonds. During the year ended December 31, 2025 and 2024 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
2025	\$ 135,135.40	134,627.22	117,584.43
2024	103,957.39	149,970.95	117,076.25
2023	56,506.13	121,065.58	163,089.81

NOTE 18: DEFERRED COMPENSATION

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. In 1999, the Township of Lower amended the plan by resolution to comply with a private letter ruling of the Internal Revenue Service that requires assets of deferred compensation plans be

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

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
AXA/Equitable
VOYA

NOTE 19: CONTINGENT LIABILITIES

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

NOTE 20: INTERFUND BALANCES

During the most current calendar year ended December 31, 2025, the following interfunds were included on the balance sheets of the various funds of the Township of Lower:

		Due From	Due To
Current Fund:			
Federal and State Grant Fund	\$	-	294,686.64
Animal Control Fund		1,939.57	
Federal and State Grant Fund:			
Current Fund		294,686.64	-
Trust Fund - Animal Control			
Current Fund			1,939.57
	\$	<u>296,626.21</u>	<u>296,626.21</u>

The amounts due to the Grant fund from the Current fund are for amounts appropriated in the Township's budget.

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 21: SUBSEQUENT EVENTS

Capital Ordinances

On January 21, 2026, Township Council adopted capital ordinance #2026-01 which authorizes supplemental funding for the construction of a public works building and related improvements, This bond ordinance increases the Township’s authorized debt by \$1,425,000.00.

On March 16, 2026, Township Council adopted capital ordinance #2026-03 which authorizes funding for various sewer improvements within the Township. This bond ordinance increases the Township’s authorized debt by \$2,500,000.00

Project	Appropriation And Estimated Cost	Estimated Maximum Amount of Bonds & Notes
Ordinance 2026-01: Supplemental funding for the construction of a public works building	\$ 1,500,000	1,425,000
Ordinance 2026-03: Various sewer improvements	2,500,000	2,500,000
Total	\$ 4,000,000	3,925,000

Other

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2025 and through May 8, 2026, 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.

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INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the Township Council
Township of Lower
County of Cape May, 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 financial statements – regulatory basis, as listed in the accompanying table of contents, of the Township of Lower, State of New Jersey, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated May 8, 2026, which was adverse due to being presented in accordance with the New Jersey Regulatory Basis of Accounting. Our report disclosed that, as described in Note 1 to the financial statements, the Township of Lower prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), that demonstrates compliance with a modified accrual basis of accounting and the budget laws of the State of New Jersey.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's control over financial reporting (internal control) as a basis for designing 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 Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

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

May 8, 2026

Schedule of Financial Statement Findings

NONE

***Schedule of Federal Awards and State Financial Assistance Findings
and Questioned Costs***

NONE

STATUS OF PRIOR RECOMMENDATIONS

There were no findings in 2024.

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

	<u>Current Fund</u>	<u>Grant Fund</u>
Balance December 31, 2024	\$ 13,350,401.70	-
Increased by Receipts:		
Tax Collector	77,197,988.04	
Tax Title Liens	6,729.84	
Prepaid Taxes	1,779,753.66	
Appropriation Refunds	1,070,366.78	
Revenue Accounts Receivable	6,972,657.97	
Miscellaneous Revenue	1,237,620.21	
Prepaid Commercial Trash Receipts	22,584.75	
Prepaid Municipal Service Fees	19,080.00	
Lot Clearing Fees	4,350.00	
Municipal Service Fees	9,420.00	
Uniform Fire Safety (reserve)	173,149.38	
Due from State of New Jersey - Senior Citizens & Veterans	228,641.63	
Due to State of New Jersey - Marriage and Burial Licenses	3,150.00	
Permit Surcharge Fees	65,319.00	
Due to Lower Township MUA-Tax Sale	89,495.51	
Due from Trust Funds	320,235.55	
Due from Current Fund		1,649.58
Federal and State Unappropriated	54,710.69	
Federal and State Receivables	1,845,695.96	14,982.04
	<u>91,100,948.97</u>	<u>16,631.62</u>
	104,451,350.67	16,631.62
Decreased by Disbursements:		
Current Year Appropriation	32,587,870.50	
Prior Year Appropriations	599,183.53	
Accounts Payable	17,317.07	
County Taxes	15,472,314.34	
County Added and Omitted Taxes	93,624.95	
Local District School Taxes	20,724,403.00	
Regional School Taxes	15,592,098.50	
Fire District Taxes	2,613,045.20	
Reserve for Reassessment	8,062.29	
Reserve for Tax Map	83,778.25	
Due to State of New Jersey - Marriage and Burial Licenses	2,975.00	
Permit Surcharge Fees	59,299.00	
Due to Lower Township MUA-Tax Sale	89,495.51	
Due to Trust Funds	320,235.55	
Other Miscellaneous Refunds		
Tax Refunds	39,384.95	
Federal and State Disbursements	1,157,667.87	16,631.62
	<u>89,460,755.51</u>	<u>16,631.62</u>
Balance December 31, 2025	\$ <u><u>14,990,595.16</u></u>	<u><u>-</u></u>

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

Year	Balance Dec. 31, 2024	Current Year Levy	Added Taxes	Collections by Cash		Adjustments	Transferred To Tax Title Lien	Arrears	Balance Dec. 31, 2025
				2024	2025				
Arrears	\$ -								
2024	677,589.47		3,323.77		640,684.64	37,998.20	2,230.40		(0.00)
	677,589.47	-	3,323.77	-	640,684.64	37,998.20	2,230.40	-	(0.00)
2025	-	78,689,551.58	504,655.07	1,630,330.61	76,664,711.64	129,132.02	6,162.87		763,869.51
\$	677,589.47	78,689,551.58	507,978.84	1,630,330.61	77,305,396.28	167,130.22	8,393.27	-	763,869.51

Cash Receipts
 77,197,988.04
 227,977.39 Senior Citizens and Veterans
 (120,569.15) Overpayments Applied
77,305,396.28

Analysis of Current Year Tax Levy

Tax Yield:

General Property Tax 76,076,506.38
 Special District Taxes 2,613,045.20
 Added Taxes (54:4-63.1 et. Seq.)
504,655.07
79,194,206.65

Tax Levy:

General County Taxes 12,697,563.79
 County Library Taxes 2,024,967.97
 County Open Space Taxes 749,782.58
 County Added and Omitted Taxes 102,740.07
15,575,054.41
 Total County Taxes

Local School District Tax 20,724,403.00
 Regional School District Tax 15,983,987.00
 Special District Taxes 2,613,045.20

Local Tax for Municipal Purposes 23,874,081.49
 Add: Additional Tax Levied 423,635.55
24,297,717.04

79,194,206.65

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

Balance December 31, 2024		\$	73,339.59
Increased by:			
Transfers from Taxes Receivable	8,393.27		
Interest and Costs Accrued by Sale			
September 29, 2025	2,098.80		
			<u>10,492.07</u>
			83,831.66
Decreased by:			
Collections	6,729.84		
			<u>6,729.84</u>
Balance December 31, 2025		\$	<u>77,101.82</u>
Lower Township MUA Charges and Costs			7,848.36
Township Liens			<u>69,253.46</u>
			<u>77,101.82</u>

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	Balance Dec. 31, 2024	Accrued in 2025	Collected by		Balance Dec. 31, 2025
			Collector	Treasurer	
Licenses:					
Alcoholic Beverages		39,200.00		39,200.00	
Other		327,325.30		327,325.30	
Fees and Permits		88,628.10		88,628.10	
Fines and Costs:					
Municipal Court	3,879.79	72,836.37		69,566.65	7,149.51
Interest and Costs on Taxes		191,625.40	191,625.40		
Interest Earned on Investments		616,840.86		616,840.86	
Amount Anticipated from LTMUA per N.J.S.A. 40A:5A-12.1					
Recreation Fees		160,000.00		160,000.00	
Payment in Lieu of Taxes - Yorkshire Place		73,784.00		73,784.00	
Payment in Lieu of Taxes - Haven House		35,899.50		35,899.50	
Payment in Lieu of Taxes - Conifer		56,516.63		56,516.63	
Payment in Lieu of Taxes - CM Tech Village		37,213.71		37,213.71	
Cable TV Franchise Fee		12,306.62		12,306.62	
Bulk Trash Receipts		139,696.62		139,696.62	
Bulk Trash Receipts		105,530.76		105,530.76	
Occupancy Tax		1,069,794.74		1,069,794.74	
Energy Receipts Tax		1,493,388.74		1,493,388.74	
Garden State Preservation Trust		107,673.00		107,673.00	
Uniform Construction Code Fees		1,061,128.00		1,061,128.00	
Uniform Fire Code		361,869.57		361,869.57	
Reserve to Pay Debt Service		400,000.00		400,000.00	
Boards of Education - Special Police		170,380.00		170,380.00	
County Interlocal - Garage Services		57,104.60		57,104.60	
Wildwood Crest - Court Interlocal		159,650.00		159,650.00	
Local Cannabis Tax		137,535.17		137,535.17	
Miscellaneous Revenue Not Anticipated		1,237,620.21		1,237,620.21	
	<u>3,879.79</u>	<u>8,213,547.90</u>	<u>191,625.40</u>	<u>8,018,652.78</u>	<u>7,149.51</u>
	\$			-	
Cash Received		\$		8,018,652.78	
Prior Year Prepayments				<u>8,018,652.78</u>	

See Accompanying Auditor's Report

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2024	Balance After Transfers	Paid or Charged	Accounts Payable	Balance Lapsed	Over- Expended
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT:						
Office of Township Council						
Other Expenses	\$ 3,950.60	3,950.60	1,637.47	75.00	2,238.13	
Office of Township Clerk						
Salaries and Wages	7,092.83	7,092.83			7,092.83	
Other Expenses	3,773.60	3,773.60	543.34		3,230.26	
Elections						
Other Expenses	1,352.46	1,352.46			1,352.46	
Office of Township Solicitor						
Other Expenses	30,448.76	30,448.76	12,545.91		17,902.85	
Office of Township Manager						
Salaries and Wages	2,170.61	2,170.61	1,441.30		729.31	
Other Expenses	2,366.39	2,366.39			2,366.39	
Office of Human Resources						
Salaries and Wages	1,096.14	1,096.14			1,096.14	
Other Expenses	3,534.16	3,534.16			3,534.16	
Department of Revenue and Finance						
Salaries and Wages	4,162.44	4,162.44	4,162.44		-	
Other Expenses	7,787.55	7,787.55	600.23		7,187.32	
Division of Tax Collection						
Salaries and Wages	12,931.89	12,931.89	8,352.00		4,579.89	
Other Expenses						
Miscellaneous Other Expenses						
Liquidation of Tax Title Liens	5,229.28	5,229.28	2,258.00		2,971.28	
Division of Tax Assessment	12,000.00	12,000.00			12,000.00	
Salaries and Wages	2,119.15	2,119.15	2,119.15		-	
Other Expenses	52,665.18	52,665.18	11,711.78	33,290.00	7,663.40	
Department of Planning and Development						
Salaries and Wages	1,332.89	1,332.89	1,332.89		-	
Other Expenses	7,825.20	7,825.20	1,102.98		6,722.22	
Engineering Services and Costs						
Other Expenses	-	-			-	
Department of Parks and Recreation						
Salaries and Wages	1,933.72	1,933.72	692.80		1,240.92	
Other Expenses	42,669.21	42,669.21	36,270.45	120.00	6,278.76	
Department of Public Works						
Salaries and Wages	44,370.10	44,370.10	16,707.20		27,662.90	
Other Expenses						
Sanitary Landfill	185,251.93	185,251.93	127,835.32		57,416.61	
Miscellaneous Other Expenses	51,406.77	57,906.77	53,400.07		4,506.70	

See Accompanying Auditor's Report

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

	Balance Dec. 31, 2024	Balance After Transfers	Paid or Charged	Accounts Payable	Balance Lapsed	Over- Expended
Public Buildings and Grounds						
Salaries and Wages	3,136.83	3,136.83			3,136.83	
Other Expenses	9,683.29	9,683.29	7,437.12		2,246.17	
PUBLIC SAFETY						
Department of Public Safety						
Salaries and Wages	255,100.75	255,100.75	53,850.14		201,250.61	
Other Expenses	52,174.03	52,174.03	40,849.57	7,434.29	3,890.17	
Uniform Fire Safety Act (PL 1983, Ch. 383)						
Salaries and Wages	18,751.78	18,751.78			18,751.78	
Other Expenses	82,548.71	82,548.71	3,112.67		79,436.04	
Emergency Management Services						
Other Expenses	8,609.68	8,609.68	1,575.24		7,034.44	
Contributions to First Aid Organizations	7,779.00	7,779.00			7,779.00	
Code Enforcement/Demolition						
Other Expenses	17,185.79	17,185.79			17,185.79	
Planning Board						
Other Expenses	450.00	450.00			450.00	
Zoning Board of Adjustments						
Other Expenses	288.00	288.00			288.00	
OFFICE OF NON-DEPARTMENTAL BOARDS, AUTHORITIES AND AGENCIES:						
Animal Regulation						
Other Expenses						
Contractual	9,034.43	9,034.43	238.36		8,796.07	
Municipal Court						
Salaries and Wages	11,835.06	11,835.06			11,835.06	
Other Expenses	5,658.89	5,658.89	1,216.33		4,442.56	
INSURANCE						
General Liability	24,764.86	24,764.86	1,400.00		23,364.86	
Employee Group Health Benefits	672,741.03	672,741.03	43,123.70		629,617.33	
Health Benefit Waiver						
Salaries and Wages	10,833.34	10,833.34			10,833.34	
INTERLOCAL AGREEMENTS						
Wildwood		-			-	

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2024	Balance After Transfers	Paid or Charged	Accounts Payable	Balance Lapsed	Over- Expended
UNIFORM CONSTRUCTION CODE						
State Uniform Construction Code						
Construction Official						
Salaries and Wages	4,980.02	4,980.02			4,980.02	
Other Expenses	7,676.18	7,676.18	2,369.65		5,306.53	
UNCLASSIFIED						
Celebration of Public Events or Holidays	16,814.18	16,814.18	16,600.17		214.01	
UTILITY EXPENSES AND BULK PURCHASES						
Electricity	28,543.26	22,043.26	21,930.21		113.05	
Street Lighting	40,845.76	40,845.76	40,845.76		-	
Telephone	12,872.97	12,872.97	4,468.74		8,404.23	
Water & Sewer	6,872.65	6,872.65	422.85		6,449.80	
Natural Gas	64,430.82	64,430.82	28,940.92		35,489.90	
Heating Oil	3,847.05	3,847.05	2,586.44		1,260.61	
Gasoline	95,214.34	95,214.34	45,502.33		49,712.01	
Contingent	300.00	300.00			300.00	
REGULATORY EXPENDITURES						
Contributions to						
Social Security System	13,490.20	13,490.20			13,490.20	
Unemployment	3,356.32	3,356.32			3,356.32	
Defined Contribution Retirement Program	762.91	762.91			762.91	
Insurance (NJSA 40A:4-45.3(OO))						
Employee Group Insurance	153,095.00	153,095.00			153,095.00	
Supplemental Fire Services Program						
Fire District Direct Program	1.00	1.00			1.00	
	<u>\$ 2,131,148.99</u>	<u>2,131,148.99</u>	<u>599,183.53</u>	<u>40,919.29</u>	<u>1,491,046.17</u>	<u>-</u>
		Cash Disbursements	<u>599,183.53</u>			

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

Balance December 31, 2024		
School Tax Payable	\$ -	
School Tax Deferred	-	
	<u> </u>	\$ -
Increased by:		
Levy - School Year 2024-2025		<u>20,724,403.00</u>
		20,724,403.00
Decreased by:		
Payments		<u>20,724,403.00</u>
Balance December 31, 2025		
School Tax Payable	-	
School Tax Deferred	-	
	<u> </u>	<u>-</u>
Current Year Liability for Local School District School Tax:		
Tax Paid		20,724,403.00
Tax Payable Ending		<u>-</u>
		20,724,403.00
Less: Tax Payable Beginning		<u>-</u>
Amount charged to Current Year Operations		<u><u>\$ 20,724,403.00</u></u>

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

Balance December 31, 2024		
School Tax Payable	\$	-
Adjustment		
School Tax Deferred		<u>7,600,105.00</u>
	\$	7,600,105.00
Increased by:		
Levy - Calendar Year 2025		<u>15,983,987.00</u>
		23,584,092.00
Decreased by:		
Payments		<u>15,592,098.50</u>
Balance December 31, 2025		
School Tax Payable		391,888.50
School Tax Deferred		<u>7,600,105.00</u>
		<u>7,991,993.50</u>
Current Year Liability for Regional High School Tax:		
Tax Paid		15,592,098.50
Tax Payable Ending		<u>391,888.50</u>
		15,983,987.00
Less: Tax Payable Beginning		<u>-</u>
Amount charged to Current Year Operations	\$	<u>15,983,987.00</u>

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

Purpose	Balance Dec. 31, 2024	Transferred From 2025 Revenues	Received	Adjustment/ Cancelled	Balance Dec. 31, 2025
FEDERAL GRANTS:					
Small Cities 2020					
ADA Compliance Rotary Park	\$ 6,094.49		6,094.49		-
Villas Drainage Projects	12,355.55				12,355.55
Stormwater Improvements (Outfall Replacement)	400,000.00				400,000.00
Public Facilities Grant (2024) - Municipal Pool	400,000.00				400,000.00
David Douglass, Sr. Memorial Park		400,000.00			400,000.00
Green Acres - Jake's Law Playground		750,000.00			750,000.00
NJ Department of Law and Public Safety					
Emergency Management Performance Grant	-	10,000.00	10,000.00		-
US Department of Transportation - Highway Planning and Construction					
Passed through State of NJ Department of Transportation					
Reconstruction of Beach Avenue & Delaware Avenue	158,190.00		118,642.50		39,547.50
Reconstruction of Wildwood Avenue	43,771.25		33,348.00		10,423.25
New Jersey Department of Law & Public Safety					
National Opioid Settlement		74,896.39	74,896.39		-
Click It or Ticket	-	5,600.00	5,565.00		35.00
Distracted Driving	35.00	3,500.00	3,360.00		175.00
Drive Sober or Get Pulled Over	9,660.00	10,850.00	11,830.00		8,680.00
Summer Expansion Program		10,000.00	10,000.00		-
Cops in Shops Summer Shore Initiative	-	2,880.00	2,880.00		-
Total Federal	1,030,106.29	1,267,726.39	276,616.38	-	2,021,216.30
STATE GRANTS:					
Clean Communities	-	103,145.30	103,145.30		-
Recycling Tonnage Grant	-	36,957.49	36,957.49		-
Stormwater Assistance Grant	10,000.00				10,000.00
Alcohol Education & Rehabilitation	-	2,063.32	2,063.32		-
Drunk Driving Enforcement Fund	265.14				265.14
Bulletproof Vest	3,904.54		1,279.00		2,625.54
New Jersey Council for the Humanities					
2025 Community Historic Pilot Project		5,000.00			5,000.00
Historical Preservation Grant		151,000.00	1,000.00		150,000.00
NJ Department of Community Affairs					
Local Recreation Grant	73,000.00	92,000.00			165,000.00

See Accompanying Auditor's Report

CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE

Purpose	Balance Dec. 31, 2024	Transferred From 2025 Revenues	Received	Adjustment/ Cancelled	Balance Dec. 31, 2025
NJ Department of Agriculture Spotted Lanternfly Control	15,000.00				15,000.00
NJ Department of Law & Public Safety Summer Shore Safety Enforcement Mobilization	5,250.00	7,000.00			7,000.00
2024 Summer Pedestrian Awareness Campaign	42,500.00		42,500.00		-
NJ Department of Transportation Reconstruction of Fire Lane	200,000.00	200,000.00	178,059.66		221,940.34
Reconstruction of Ridgewood Avenue					
Total State	349,919.68	597,166.11	365,004.77	-	582,081.02
OTHER GRANTS:					
Municipal Alliance (Lower Consortium)					
2022/2023	15,291.85		14,982.04		309.81
2024/2025	26,215.00				26,215.00
2025/2026		26,215.00			26,215.00
Atlantic County JIF	2,750.00	5,475.00	8,225.00		-
Cape May County Arts	-	9,475.00	9,475.00		-
Sustainable Jersey	2,500.00				2,500.00
Cape May County - Open Space					
ARP Infrastructure	400,000.00		400,000.00		-
Diamond Beach Playground	846,289.13		846,289.13		-
David Douglas, Sr. Playground		2,139,567.00	0.03		2,139,566.97
Total State	1,293,045.98	2,180,732.00	1,278,971.20	-	2,194,806.78
\$	2,673,071.95	4,045,624.50	1,920,592.35	-	4,798,104.10

CURRENT FUND
SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS

	Balance December 31, 2024		2025	Encumbrances	Disbursed	Encumbrances	Adjustments/ Cancelled	Balance Dec. 31, 2025
	Appropriated	Reserve for Encumbrances	Appropriations					
FEDERAL GRANTS:								
Small Cities - 2019								
Housing Rehabilitation	\$ 90.00							90.00
Small Cities - 2020								
Villas Drainage Projects	20,450.24							20,450.24
Stormwater Improvements (Outfall Replacements)	400,000.00							400,000.00
Public Facilities Grant - Municipal Pool	400,000.00							400,000.00
David Douglas, Sr. Memorial Park			400,000.00					400,000.00
Green Acres - Jake's Law Playground			750,000.00					750,000.00
New Jersey Department of Law and Public Safety	6,294.42						3,705.63	10,000.05
Emergency Management Agency Assistance (EMAA)	10,000.00		10,000.00					20,000.00
Emergency Management Performance Grant								
US Department of Transportation - Highway Planning and Construction								
Passed through State of NJ Department of Transportation								
Reconstruction of Beach Avenue & Delaware Avenue	158,190.00				67,470.44			90,719.56
New Jersey Department of Law & Public Safety								
National Opioid Settlement Funds	38,543.26		74,896.39		75,962.88			37,476.77
Click It or Ticket	-		5,600.00		5,565.00			35.00
Districted Driving (U Text, U Drive, U Pay)	35.00		3,500.00		3,360.00			175.00
Drive Sober or Get Pulled Over								
Labor Day Crackdown	3,990.00		5,250.00		3,990.00			5,250.00
Year End Holiday Crackdown	8,400.00		5,600.00		8,260.00			5,740.00
Cops in Shops Summer Shore Initiative	-		2,880.00		2,880.00			-
2025 Summer Shore Expansion Program			10,000.00		9,515.00			485.00
American Rescue Plan Act of 2021 - Drainage Projects	104,645.13	32,000.00			122,067.62	14,577.50	-	0.01
Total Federal	1,150,638.05	32,000.00	1,267,726.39		299,070.94	14,577.50	3,705.63	2,140,421.63
STATE GRANTS:								
Department of Environmental Protection								
Clean Communities	-	1,000.00	103,145.30		102,435.00			1,710.30
Recycling Tonnage Grant	-		36,957.49		36,957.49			-
Stormwater Assistance Grant	-	19,110.00			16,585.00	2,525.00		-
Alcohol Education and Rehabilitation			2,063.32					25,165.05
Drunk Driving Enforcement Fund	23,101.73				19,305.00			-
Bulletproof Vest Partnership Grant	-	19,305.00						-
New Jersey Historic Preservation Grant	-							-
Department of Community Affairs			151,000.00		20,084.30			130,915.70
Housing Services - Lead Assistance Grant								
Local Recreation Improvement Grant	16,124.51				15,820.00			304.51
New Jersey Council for the Humanities	73,000.00		92,000.00					165,000.00
2025 Community Historic Pilot Project			5,000.00					5,000.00
Department of Agriculture								
Spotted Lanternfly Control	15,000.00							15,000.00

CURRENT FUND
SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS

	Balance December 31, 2024		2025 Appropriations	Disbursed	Encumbrances	Adjustments/ Cancelled	Balance Dec. 31, 2025
	Appropriated	Reserve for Encumbrances					
NJ Dept of Law & Public Safety	140.00						140.00
2023 Summer Pedestrian Awareness Campaign	-		7,000.00	7,000.00			-
Summer Shore Safety Enforcement Mobilization							
NJ Department of Transportation	148,985.00	25,726.25	200,000.00	166,886.25	7,825.00		200,000.00
Reconstruction of Ridgewood Avenue							
Total State	276,351.24	65,141.25	597,166.11	385,073.04	10,350.00	-	543,235.56
OTHER GRANTS:							
Municipal Alliance	5,042.45						5,042.45
2021/2022 Youth Leadership	16,631.62			16,631.62			-
2024/2025			26,215.00	7,409.15			18,805.85
2025/2026	5.00		5,475.00	2,000.00			3,480.00
Safety JIF	17,769.12			17,769.12			-
Comcast (LCMR Share)	5,000.00						5,000.00
Sustainable Jersey Grant	-						-
Cape May County Arts	6,773.73		9,475.00	9,475.00			-
Cape May County Open Space	1,000.00			20,239.00		28,620.00	15,154.73
Warming Center - County Agreement							1,000.00
Ducks Unlimited							-
Cape May County Open Space	400,000.00			400,000.00			-
ARP Infrastructure	125,745.33						-
Diamond Beach Playground			2,139,567.00				125,745.33
David Douglas, Sr. Playground							2,139,567.00
Total Other	577,967.25	-	2,180,732.00	473,523.89	-	28,620.00	2,313,795.36
	2,004,956.54	97,141.25	4,045,624.50	1,157,667.87	24,927.50	32,325.63	4,997,452.55

CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS - UNAPPROPRIATED RESERVES

Purpose	Balance Dec. 31, 2024	Transferred To 2025 Appropriations	Received	Adjustments	Balance Dec. 31, 2025
FEDERAL GRANTS:					
New Jersey Department of Law & Public Safety					
National Opioid Settlement Funds	\$ 74,896.39	74,896.39	30,710.69		30,710.69
Total Federal	<u>74,896.39</u>	<u>74,896.39</u>	<u>30,710.69</u>	<u>-</u>	<u>30,710.69</u>
STATE GRANTS:					
Lead Based Paint Inspections	15,700.00		24,000.00		39,700.00
Total State	<u>15,700.00</u>	<u>-</u>	<u>24,000.00</u>	<u>-</u>	<u>39,700.00</u>
OTHER GRANTS:					
None	-				-
Total Other Grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 90,596.39</u>	<u>74,896.39</u>	<u>54,710.69</u>	<u>-</u>	<u>70,410.69</u>
		Current Fund	30,710.69		
		Trust Funds	24,000.00		
			<u>54,710.69</u>		

TRUST FUND
SCHEDULE OF ANIMAL CONTROL CASH - TREASURER

Balance December 31, 2024		\$	8,643.50
Increased By Receipts:			
Dog Licenses Fees	3,339.40		
State License Fees	1,350.60		
Late Fees Collected	725.00		
Interest	330.37		
			<u>5,745.37</u>
			14,388.87
Decreased By Disbursements:			
State of New Jersey	1,354.80		
Animal Control Expenditures	1,763.38		
			<u>3,118.18</u>
Balance December 31, 2025		\$	<u><u>11,270.69</u></u>

TRUST FUND
SCHEDULE OF OTHER TRUST CASH - TREASURER

	Other	
Balance December 31, 2024	\$	4,471,323.66
Increased By Receipts:		
Unemployment	135,135.40	
Community Police	5,718.05	
Police Forfeiture	2,870.12	
Redemption of Tax Title Liens	247,317.75	
Premiums Received at Tax Sale	277,000.00	
Historic Commission	6,060.78	
Dedicated Recreation Fees	87,823.24	
Recreation Summer Camp	164,348.26	
Off Duty Police	163,807.22	
Small Cities Revolving Loan	244,210.44	
Accumulated Absences	200,000.00	
Performance Deposits	69,004.26	
Developers' Escrow	240,530.45	
Public Defender	1,140.00	
Group Insurance	263,507.93	
Donations	30,000.00	
POAA	40.00	
		2,138,513.90
		6,609,837.56
Decreased By Disbursements:		
Payment of Unemployment Claims	134,627.22	
Reserve for Community Police	6,773.42	
Fire Safety	15,000.00	
Historic Commission	-	
Refund of Tax Sale Certificates	266,524.88	
Refund of Premiums	118,200.00	
Dedicated Recreation Fees	86,097.81	
Recreation - Summer Camp	130,543.19	
Off Duty Police	203,375.63	
Accumulated Absences	141,397.33	
Performance Deposits	83,119.01	
Developer's Escrow	231,312.68	
Public Defender	200.00	
POAA	2.00	
Group Insurance	233,462.54	
Donations	30,000.00	
Small Cities Revolving Loan	235,240.16	
		1,915,875.87
Balance December 31, 2025	\$	4,693,961.69

See Accompanying Auditor's Report

TRUST FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL EXPENDITURES

Balance December 31, 2024		\$ 8,636.90
Increased By:		
Dog Licenses Fees Collected	3,339.40	
Late Fees Collected	725.00	
Interest	330.37	
	<u> </u>	<u>4,394.77</u>
		13,031.67
Decreased By:		
Animal Control Expenditures	1,763.38	
Due to Current - Excess	1,939.57	
	<u> </u>	<u>3,702.95</u>
Balance December 31, 2025		\$ <u><u>9,328.72</u></u>

License Fees Collected

Year

2024	\$ 5,221.12
2023	4,107.60
	<u>9,328.72</u>

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

Balance December 31, 2024		\$	6.60
Increased By:			
License Fees Collected	1,350.60		
			1,350.60
			1,357.20
Decreased By:			
Paid to State of New Jersey	1,354.80		
			1,354.80
Balance December 31, 2025		\$	2.40

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

Balance December 31, 2024		\$	3,324,241.93
Increased by:			
Capital Improvement Fund	250,000.00		
Cancellation of Prior Encumbrances	42,977.47		
Premium on Sale of Bonds	2,211.82		
Proceeds from Serial Bonds Issued	<u>12,000,000.00</u>		
			<u>12,295,189.29</u>
			15,619,431.22
Decreased by:			
Improvement Authorizations	4,505,415.45		
Reserve for Debt Service - Anticipated as			
Current Fund Revenue	<u>400,000.00</u>		
			<u>4,905,415.45</u>
Balance December 31, 2025		\$	<u><u>10,714,015.77</u></u>

**GENERAL CAPITAL FUND
ANALYSIS OF CASH**

	Receipts		Disbursements		Transfers		Balance Dec. 31, 2025
	Serial Bonds		Improvement Authorizations	Miscellaneous	From	To	
	Miscellaneous	Issued					
Fund Balance							
Capital Improvement Fund	\$ 125,785.28	2,211.82			145,000.00		127,997.10
Encumbrances Payable	764.00	250,000.00					105,764.00
Reserve for Debt Service	2,822,235.98			400,000.00	2,822,235.98	2,232,324.21	2,232,324.21
	411,715.70						11,715.70
Improvement Authorizations:							
2012-10 Various Capital Improvements	5,827.76		6,827.76		-	1,000.00	-
2013-10 Various Capital Improvements	45,000.00		45,000.00		-	-	-
2014-10 Various Capital Improvements	9,892.62		14,844.16		1,500.00	6,451.54	-
2015-03 Various Capital Improvements	10,813.94		9,813.94		1,000.00	-	-
2016-04 Various Capital Improvements	25,000.00		25,000.00		-	-	-
2017-08 Various Capital Improvements	25,000.00		25,000.00		-	-	-
2017-10 Roads & Drainage Beach Drive	424,842.31		72,689.90		-	74,382.60	426,535.01
2018-07 Various Capital Improvements	264,991.79	42,977.47	-		14,025.00	16,725.00	310,669.26
2019-06 Various Capital Improvements	18,298.39		15,281.25		-	8,167.00	11,184.14
2019-16 Various Safety and Identification Improvements to Schellenger's Landing	-		-		-	2,399.78	2,399.78
2020-12 Various Capital Improvements	458,766.43		8,441.26		-	-	450,325.17
2020-13 Roads and Drainage Improvements	-		4,546.09		-	4,546.09	-
2020-14 Improvements to Clem Mulligan Sports Complex	1,015.15		-		-	-	1,015.15
2021-16 Various Capital Improvements	19,793.35		29,127.86		-	28,466.91	19,132.40
2021-17 Various Roadway and Drainage Improvements	15,635.76		15,635.76		-	-	-
2022-05 Various Capital Improvements	25,438.63		25,652.09		13,950.00	14,830.00	666.54
2022-06 Various Capital Improvements	145,305.84		108,381.56		37,256.84	61,980.00	61,647.44
2022-14 Various Capital Improvements	5,645.31		16,625.07		-	10,979.76	-
2023-03 Road & Drainage Improvements	114,201.36		601,378.04		28,814.36	597,126.66	81,135.62
2023-08 Various Capital Improvements	(354,933.54)		228,838.34		345,405.25	381,132.96	671,955.83
2024-03 Various Roadway and Drainage Improvements	(394,488.90)		191,784.91		1,182,256.28	207,253.75	1,858,723.66
2024-04 Various Capital Improvements	(1,205,136.67)		1,395,932.00		287,636.96	1,205,478.09	2,941,772.46
2024-07 Construction of Public Works	(90,450.00)		168,927.06		12,601.25	174,075.00	1,802,096.69
2024-08 Various General Improvements	393,281.44		172,528.21		6,000.00	28,240.84	242,994.07
2025-12 Various General Improvements			1,323,160.19		302,878.27	145,000.00	(646,038.46)
\$	3,324,241.93	295,189.29	12,000,000.00	4,505,415.45	5,200,560.19	5,200,560.19	10,714,015.77

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

Balance December 31, 2024		\$	764.00
Increased by:			
Budget Appropriation	250,000.00		
			250,000.00
			250,764.00
Decreased by:			
Improvement Authorizations Funded	145,000.00		
			145,000.00
Balance December 31, 2025		\$	<u>105,764.00</u>

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

Balance December 31, 2024		\$	22,458,862.17
Decreased by:			
Serial Bonds Paid	4,360,000.00		
Green Trust Loan Principal Paid	119,182.10		
			<u>4,479,182.10</u>
Balance December 31, 2025		\$	<u><u>29,979,680.07</u></u>

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

Ord #	Improvement Description	Balance Dec. 31, 2024	2025 Authorizations	Raised in 2025 Budget	Debt Issued	Cancelled	Balance Dec. 31, 2025	Analysis of Balance	
								Expenditures	Unexpended Improvement Authorizations
2023-08	Various Capital Improvements	1,220,000.00			1,220,000.00		-	-	-
2024-03	Various Roadway and Drainage Improvements	3,420,000.00			3,420,000.00		-	-	-
2024-04	Various Capital Improvements	4,625,000.00			4,625,000.00		-	-	-
2024-07	Construction of Public Works	1,900,000.00			1,900,000.00		-	-	-
2025-12	Various Capital Improvements		2,735,000.00		835,000.00		1,900,000.00	646,038.46	1,253,961.54
		<u>\$ 11,165,000.00</u>	<u>2,735,000.00</u>	<u>-</u>	<u>12,000,000.00</u>	<u>-</u>	<u>1,900,000.00</u>	<u>646,038.46</u>	<u>1,253,961.54</u>
Improvement Authorizations Unfunded: Less: Unexpended Proceeds of Serial Bonds Issued:									1,253,961.54
								Ord. Number	
								None	-
									<u>\$ 1,253,961.54</u>

GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord #	Improvement Description	Ord. Date	Amount	Authorizations			Reverse Prior Year Encumbrances	Paid or Charged	Current Year Encumbrances	Adjustments	Balance December 31, 2025	
				Balance December 31, 2024	Other Funding	Deferred Charges to Future Taxation					Funded	Unfunded
2012-10	Various Capital Improvements	5/7/2012	905,000.00	\$ 6,827.76				6,827.76			0.00	
2013-10	Various Capital Improvements	6/3/2013	1,139,000.00	45,000.00				45,000.00			0.00	
2014-10	Various Capital Improvements	9/3/2014	1,312,000.00	9,892.62			6,451.54	14,844.16	1,500.00		0.00	
2015-03	Various Capital Improvements	5/18/2015	1,645,000.00	9,813.94				9,813.94			(0.00)	
2016-04	Various Capital Improvements	4/18/2016	2,225,000.00	25,000.00				25,000.00			(0.00)	
2017-08	Various Capital Improvements	6/5/2017	1,107,350.00	25,000.00				25,000.00			(0.00)	
2017-10	Roads & Drainage Beach Drive	8/7/2017	3,200,000.00	424,842.31			74,382.60	72,689.90			426,535.01	
2018-07	Various Capital Improvements	5/7/2018	2,250,000.00	264,991.79			16,725.00		14,025.00	42,977.47	310,669.26	
2019-06	Various Capital Improvements	4/15/2019	1,705,000.00	18,298.39			8,167.00	15,281.25			11,184.14	
2019-14	Various Safety and Identification											
2020-12	Improvements to Schellenger's Landing	10/21/2019	950,000.00	(0.00)			2,399.78				2,399.78	
2020-13	Various Capital Improvements	6/15/2020	2,055,000.00	458,766.43			4,546.09	8,441.26			450,325.17	
2020-14	Roads and Drainage Improvements	6/15/2020	3,185,000.00	-				4,546.09			-	
2020-14	Improvements to Clem Mulligan Sports Complex											
2021-16	Various Capital Improvements	6/15/2020	1,990,000.00	1,015.15			-				1,015.15	
2021-17	Roads and Drainage Improvements	8/2/2021	730,000.00	19,793.35			28,466.91	29,127.86			19,132.40	
2022-05	Various Capital Improvements	8/2/2021	3,360,000.00	15,635.76			-	15,635.76			(0.00)	
2022-06	Various Capital Improvements	6/6/2022	235,630.00	25,438.63			14,830.00	25,652.09	13,950.00		666.54	
2022-14	Various Capital Improvements	6/6/2022	1,980,000.00	145,305.84			61,980.00	108,381.56	37,256.84		61,647.44	
2023-03	Various Capital Improvements	12/5/2022	497,414.23	5,645.31			10,979.76	16,625.07			0.00	
2023-08	Road and Drainage Improvements	2/22/2023	2,700,000.00	114,201.36			597,126.66	601,378.04	28,814.36		81,135.62	
2024-03	Various Capital Improvements	5/15/2023	3,000,000.00	0.00			381,132.96	228,836.34	345,405.25		671,955.63	
2024-03	Various Roadway and Drainage Improvements	5/20/2024	3,600,000.00	-			207,253.75	191,784.91	1,182,256.28		1,868,723.66	
2024-04	Various Capital Improvements	5/20/2024	4,870,000.00	3,419,863.33			1,205,478.09	1,395,932.00	287,636.96		2,941,772.46	
2024-07	Construction of Public Works	7/1/2024	2,000,000.00	-			174,075.00	168,927.06	12,601.25		1,802,096.69	
2024-08	Various General Improvements	7/1/2024	526,296.37	1,809,550.00			28,240.84	172,528.21	6,000.00		242,994.07	
2025-12	Various General Improvements	4/21/2025	2,880,000.00	393,281.44				1,323,160.19	302,878.27		-	1,253,961.54
				\$ 2,008,750.08	145,000.00	2,735,000.00	2,822,235.98	4,506,415.45	2,232,324.21	42,977.47	8,862,253.22	1,253,961.54
				9,119,990.89	145,000.00	2,735,000.00						
				Capital Improvement Fund	145,000.00							
					145,000.00							

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds			Interest Rate	Balance Dec. 31, 2024	Increased	Decreased	Balance Dec. 31, 2025
			Date	Outstanding December 31, 2025	Amount					
General Improvements	7/18/2015	9,900,000	-	-	-	\$ -	1,360,000.00		1,360,000.00	-
General Improvements	8/5/2016	4,520,000	7/15/2026 7/15/2027	520,000.00 560,000.00		3.000% 2.000%	1,570,000.00		490,000.00	1,080,000.00
General Improvements	7/19/2018	8,490,000	7/15/2026 7/15/2027 7/15/2028 7/15/2029 7/15/2030	800,000.00 850,000.00 900,000.00 920,000.00 940,000.00		2.500% 2.500% 3.000% 3.000% 3.000%	5,120,000.00		710,000.00	4,410,000.00
General Improvements	8/15/2019	7,450,000	8/15/2026 8/15/2027 8/15/2028 8/15/2029 8/15/2030 8/15/2031	700,000.00 740,000.00 750,000.00 760,000.00 760,000.00 760,000.00		4.000% 4.000% 2.000% 2.000% 2.125% 2.250%	5,110,000.00		640,000.00	4,470,000.00
General Improvements	11/1/2023	9,535,000	11/1/2026 11/1/2027 11/1/2028 11/1/2029 11/1/2030 11/1/2031 11/1/2032 11/1/2033 11/1/2034 11/1/2035	670,000.00 715,000.00 765,000.00 810,000.00 860,000.00 860,000.00 860,000.00 900,000.00 900,000.00 1,050,000.00		5.000% 5.000% 5.000% 5.000% 5.000% 5.000% 5.000% 4.000% 4.000% 4.000%	9,010,000.00		620,000.00	8,390,000.00
General Improvements	10/9/2025	11,460,000	10/1/2026 10/1/2027 10/1/2028 10/1/2029 10/1/2030 10/1/2031 10/1/2032 10/1/2033 10/1/2034 10/1/2035 10/1/2036 10/1/2037	630,000.00 750,000.00 800,000.00 860,000.00 915,000.00 975,000.00 1,030,000.00 1,030,000.00 1,030,000.00 1,090,000.00 1,090,000.00 1,260,000.00		4.000% 4.000% 4.000% 4.000% 4.000% 4.000% 4.000% 4.000% 4.000% 4.000% 4.000% 2.500%	12,000,000.00		540,000.00	11,460,000.00
							\$ 22,170,000.00	12,000,000.00	4,360,000.00	29,810,000.00

See Accompanying Auditor's Report

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, 2024	Increased	Decreased	Balance Dec. 31, 2025
			Date	Amount					
Recreation Development Various	2006	800,000	2026	24,627.04	2.000% \$	73,151.98		48,524.94	24,627.04
Recreation Development Various	2007	900,000	2026 2027	54,590.55 27,705.35	1.000%	135,810.83		53,514.90	82,295.93
Bennett's Crossing	2009	300,000	2026 2027 2028 2029	17,486.82 17,838.30 18,196.85 9,235.13	1.000%	79,899.36		17,142.26	62,757.10
						<u>\$ 288,862.17</u>	<u>-</u>	<u>119,182.10</u>	<u>169,680.07</u>

See Accompanying Auditor's Report

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2024	2025 Authorizations	Debt Issued	Budget Appropriation	Authorizations Cancelled	Balance Dec. 31, 2025
2023-08	Various Capital Improvements	1,220,000.00		1,220,000.00			-
2024-03	Various Roadway and Drainage Improvements	3,420,000.00		3,420,000.00			-
2024-04	Various Capital Improvements	4,625,000.00		4,625,000.00			-
2024-07	Construction of Public Works	1,900,000.00		1,900,000.00			-
2025-12	Various Capital Improvements		2,735,000.00	835,000.00			1,900,000.00
		\$ 11,165,000.00	2,735,000.00	12,000,000.00	-	-	1,900,000.00

TOWNSHIP OF LOWER

PART II

GENERAL COMMENTS AND RECOMMENDATIONS

FOR THE YEAR ENDED

DECEMBER 31, 2025

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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 \$53,000.

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 Counsel'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 Beach and Delaware Avenues – NJDOT Funding
- Bayshore Road Pickleball Courts
- Delaware Bay Beach Stormwater Outfall Extension Project
- Resurfacing of Ridgewood Avenue – Bayshore Road to Delaware Avenue – NJDOT Funding
- Clem Mulligan Sports Complex Storm Sewer Pump Station
- NJDCA Small Cities Program – Delaware Bay Beach Stormwater Outfall Extension Phase 1

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, 2025 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 Ten (\$10.00) 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 29, 2025 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>
2025	15
2024	16
2023	26

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 2025 and 2026 Taxes	25
Delinquent Taxes	10
Tax Title Liens	-
Total	<u><u>35</u></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	Percentage of Collections
		Cash Collections	
2025 \$	79,194,206.65	78,295,042.25	98.86%
2024	76,295,275.32	75,515,696.19	98.98%
2023	74,686,498.38	73,983,160.40	99.06%
2022	72,093,890.98	71,551,162.94	99.25%
2021	69,336,603.90	68,908,581.61	99.38%

Comparative Schedule of Tax Rate Information

		<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Tax Rate	\$	2.018	1.961	1.931	1.871	1.812
Apportionment of Tax Rate:						
Municipal		0.633	0.618	0.618	0.596	0.595
County		0.411	0.391	0.39	0.362	0.331
Local School		0.550	0.545	0.531	0.513	0.501
Regional School		0.424	0.407	0.392	0.400	0.385
Assessed Valuation		3,769,121,090	3,735,899,522	3,726,232,663	3,700,598,909	3,674,308,701

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
2025 \$	69,253.46	763,869.51	833,122.97	1.05%
2024	65,491.23	677,589.47	743,080.70	0.97%
2023	130,042.13	618,116.13	748,158.26	1.00%
2022	158,629.77	475,406.28	634,036.05	0.88%
2021	297,526.00	384,346.91	681,872.91	0.98%

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.

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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 Council 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

May 8, 2026