

**TOWNSHIP OF LOWER ALLOWAYS CREEK
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2017**

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PART I

INDEPENDENT AUDITOR'S REPORT

PETRONI & ASSOCIATES LLC

Certified Public Accountants • Registered Municipal Accountants
102 West High Street, Suite 100 • P.O. Box 279 • Glassboro, NJ 08028
(856) 881-1600 • Fax (856) 881-6860

MEMBER: AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Nick L. Petroni, CPA, RMA

Mary A. Carey, RMA
Wendy G. Fama, CPA
Denise R. Nevico, CPA
Deanna L. Roller, CPA, RMA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Township Committee
Township of Lower Alloways Creek
501 Locust Road
Hancocks Bridge, New Jersey 08038

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Township of Lower Alloways Creek, as of December 31, 2017 and 2016, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Township of Lower Alloways Creek's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

Other Matters

Other Information

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

The supplemental information listed in the table of contents are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2018, on our consideration of the Township of Lower Alloways Creek's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Lower Alloways Creek's internal control over financial reporting and compliance.

PETRONI & ASSOCIATES LLC



Nick L. Petroni
Certified Public Accountant
Registered Municipal Accountant #252

May 25, 2018

CURRENT FUND

COMPARATIVE BALANCE SHEET - CURRENT FUND - REGULATORY BASIS

	Ref.	Balance Dec. 31, 2017	Balance Dec. 31, 2016
ASSETS			
Regular Fund			
Cash - Treasurer	A-4	\$ 581,201.16	\$ 618,533.91
Cash - Change Fund	A-6	350.00	350.00
Investments - Treasurer	A-7	3,000,000.00	3,000,000.00
		<u>3,581,551.16</u>	<u>3,618,883.91</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-8	32,911.81	31,030.95
Tax Title Liens Receivable	A-9	18,217.64	9,665.83
Property Acquired in Lieu of Taxes	A-10	103,430.00	103,430.00
Sewer Rents and Connection Fees Receivable	A-11	47,684.17	59,621.12
Sewer Liens Receivable	A-12	7,551.73	843.43
Due from Animal Control Trust Fund	B	542.23	588.23
Due from Trust Other	B	55.87	
Revenue Accounts Receivable	A-13	877.76	1,335.46
		<u>211,271.21</u>	<u>206,515.02</u>
		<u>3,792,822.37</u>	<u>3,825,398.93</u>
Federal and State Grant Fund			
Due from Current Fund	A	692,363.81	623,713.72
Federal and State Grants Receivable	A-16	30,794.37	30,794.37
		<u>723,158.18</u>	<u>654,508.09</u>
		<u>\$ 4,515,980.55</u>	<u>\$ 4,479,907.02</u>

The accompanying notes to the financial statements are an integral part of this statement.

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

	Ref.	Year 2017	Year 2016
Revenue and Other Income Realized			
Fund Balance Utilized	A-2	\$ 764,446.00	\$ 661,084.00
Miscellaneous Revenue Anticipated	A-2	8,544,484.95	8,495,532.48
Receipts from Delinquent Taxes	A-2	29,436.61	31,076.34
Receipts from Current Taxes	A-2	3,378,618.65	3,262,578.02
Non-Budget Revenue	A-2	257,418.05	138,161.94
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-15	187,187.06	599,904.77
Encumbrances Payable - Canceled	A-19	20,521.58	39,237.03
Interfund Loan Returned			43,580.13
Total Income		13,182,112.90	13,271,154.71
Expenditures			
Budget Appropriations Within "CAPS":			
Operations:			
Salaries and Wages	A-3	2,297,349.00	2,339,565.00
Other Expenses	A-3	3,034,863.00	2,731,645.00
Deferred Charges and Statutory Expenditures	A-3	509,578.00	536,287.00
Budget Appropriations Excluded from "CAPS":			
Operations:			
Other Expenses	A-3	128,364.71	225,223.52
Transfer to Board of Education	A-3	3,292,016.00	3,292,016.00
County Taxes	A-8	3,413,706.30	3,293,404.02
Due County for Added Taxes	A-8	5,047.53	3,865.54
Prior Year Deductions Disallowed	A-14	250.00	
Interfund Loan Advanced			76,366.86
Total Expenditures		12,681,174.54	12,498,372.94
Excess in Revenue		500,938.36	772,781.77
Fund Balance			
Balance January 1	A	798,434.53	686,736.76
		1,299,372.89	1,459,518.53
Decreased by:			
Utilization as Anticipated Revenue	A-1	764,446.00	661,084.00
Balance December 31	A	\$ 534,926.89	\$ 798,434.53

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES - REGULATORY BASIS

Analysis of Realized Revenue

	Ref.	
Allocation of Current Tax Collections:		
Revenue from Collections	A-8	3,378,618.65
Allocated to:		
County Taxes	A-8	3,418,753.83
Deficiency Supported by Municipal Revenue		(40,135.18)
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	36,163.00
Amount Added to Non-Budget Revenue	A-2	<u>\$ (3,972.18)</u>
Receipts from Delinquent Taxes:		
Delinquent Tax Collection	A-8:A-2	<u>\$ 29,436.61</u>

Analysis of Non-Budget Revenue

Miscellaneous Revenue Not Anticipated:		
Revenue Accounts Receivable:		
Refunds	A-13	\$ 192,705.82
Interest and Costs on Taxes	A-13	7,373.51
Bulk Stickers	A-13	2,487.00
Clerk Licenses	A-13	1,313.19
Police Department Fees	A-13	446.95
Planning & Zoning Fees	A-13	150.00
Recycling	A-13	2,321.51
Historical Books	A-13	180.00
Mobile Home Fees	A-13	2,400.00
Court Agreement	A-13	2,710.00
Senior Citizen Administrative Fee	A-13	536.67
Zoning Housing Fee	A-13	1,690.00
Cable Franchise Fee	A-13	4,922.39
Interest on Sewer Accounts	A-13	6,973.66
Boat Passes	A-13	3,539.00
Miscellaneous	A-13	27,668.35
	A-2	<u>\$ 257,418.05</u>

The accompanying notes to the financial statements are an integral part of this statement.

EXHIBIT A-3
(Continued)

STATEMENT OF EXPENDITURES - REGULATORY BASIS

	Appropriations		Expended	
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved
MUNICIPAL COURT FUNCTIONS				
Municipal Court				
Salaries & Wages	27,500.00	27,500.00	24,381.38	3,118.62
Other Expenses	3,500.00	3,500.00	1,879.75	1,560.25
Public Defender				
Other Expenses	1,000.00	1,000.00		1,000.00
LAND USE ADMINISTRATION				
Municipal Land Use Law (NJSA 40:55D-1)				
Planning Board				
Salaries & Wages	5,525.00	5,525.00	5,187.00	338.00
Other Expenses	2,700.00	1,700.00	1,494.65	87.85
Zoning Board of Adjustment				
Salaries & Wages	5,000.00	5,000.00	4,773.00	227.00
INSURANCE				
Self-Insurance Program	66,215.00	66,215.00	64,467.50	1,747.50
Worker's Compensation Insurance	111,398.00	111,398.00	109,650.50	1,747.50
Group Plans for Employees	1,600,000.00	1,696,150.00	1,476,911.45	215,770.85
Unemployment Compensation Insurance	9,100.00	9,100.00	8,681.41	418.59
PUBLIC SAFETY FUNCTIONS				
Police				
Salaries & Wages	1,406,259.00	1,276,259.00	1,262,614.72	13,644.28
Other Expenses	93,000.00	147,000.00	92,462.09	4,884.37
Police Radio and Communications				
Other Expenses	39,800.00	39,800.00	39,795.30	4.70
Office of Emergency Management				
Salaries & Wages	5,865.00	5,865.00	5,818.32	46.68
Other Expenses	1,100.00	1,100.00	431.44	668.56
Fire				
Other Expenses	27,000.00	24,000.00	15,125.84	6,144.16
Fire Inspection				
Salaries & Wages	3,650.00	3,650.00	2,100.00	1,550.00
Rescue				
Other Expenses	14,000.00	16,000.00	10,172.70	2,038.86
Municipal Prosecutor				
Salaries & Wages	10,000.00	9,000.00	6,409.14	1,916.66

The accompanying notes to the financial statements are an integral part of this statement.

EXHIBIT A-3
(Continued)

STATEMENT OF EXPENDITURES - REGULATORY BASIS

	Appropriations		Expended	
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved
OTHER COMMON OPERATING FUNCTIONS				
Housing Program	15,000.00	15,000.00	9,561.83	212.16 5,226.01
Other Expenses				
Senior Citizen Lunch Program	55,000.00	50,000.00	44,916.10	5,083.90
Salaries & Wages	28,000.00	28,000.00	23,777.50	1,284.11
Other Expenses				
UTILITY EXPENSES AND BULK PURCHASES				
Electricity	109,000.00	99,000.00	98,763.80	236.20
Street Lighting	43,000.00	33,000.00	31,183.13	1,816.87
Telephone	14,000.00	19,000.00	18,946.54	53.46
Heating Oil	35,000.00	40,000.00	34,390.50	5,037.41
Sewer System				
Salaries & Wages	4,600.00	4,600.00	4,351.00	249.00
Other Expenses	132,000.00	132,000.00	37,397.81	2,049.76
Gasoline	85,000.00	95,000.00	82,449.10	12,550.90
LANDFILL AND SOLID WASTE DISPOSAL COSTS	57,000.00	54,000.00	52,920.35	1,079.65
Solid Waste Disposal Costs				
UNIFORM CONSTRUCTION CODE -				
APPROPRIATIONS OFFSET BY DEDICATED				
REVENUES (NJAC 5:23-4.17)				
State Uniform Construction Code				
Construction Official				
Salaries & Wages	12,000.00	12,000.00	11,630.04	369.96
Other Expenses	900.00	900.00	385.20	514.80
Plumbing Inspection				
Salaries & Wages	2,450.00	2,700.00	2,650.00	50.00
Electrical Sub Code Official				
Salaries & Wages	6,900.00	6,900.00	6,250.00	650.00
Total Operations Within "CAPS"	5,323,212.00	5,330,212.00	4,767,837.89	214,748.82 347,625.29
Contingent	2,000.00	2,000.00		2,000.00
Total Operations Including Contingent	5,325,212.00	5,332,212.00	4,767,837.89	214,748.82 349,625.29
Detail:				
Salaries & Wages	2,447,849.00	2,297,349.00	2,239,426.08	674.20 57,248.72
Other Expenses	2,877,363.00	3,034,863.00	2,528,411.81	214,074.62 292,376.57

The accompanying notes to the financial statements are an integral part of this statement.

EXHIBIT A-3
(Continued)

STATEMENT OF EXPENDITURES - REGULATORY BASIS

	Appropriations		Expended	
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved
Detail:				
Salaries and Wages	128,364.71	128,364.71	115,364.71	3,913.24 9,086.76
Other Expenses				
Transferred to Board of Education for Use of Local Schools (NJSA 40:46-17.1 & 17.3)	3,292,016.00	3,292,016.00	1,646,216.00	1,645,800.00
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	3,420,380.71	3,420,380.71	1,761,580.71	1,649,713.24 9,086.76
Subtotal General Appropriations	9,262,170.71	9,262,170.71	7,038,996.60	1,864,462.06 358,712.05
RESERVE FOR UNCOLLECTED TAXES	36,163.00	36,163.00	36,163.00	
TOTAL GENERAL APPROPRIATIONS	\$ 9,298,333.71	\$ 9,298,333.71	\$ 7,075,159.60	\$ 1,864,462.06 \$ 358,712.05
Ref.	A-2	A-3		A-19 A
Reserve for Federal and State Grants		Ref.		
Reserve for Uncollected Taxes		A-17	\$ 115,364.71	
Disbursed		A-2	36,163.00	
		A-4	6,923,631.89	
			<u>\$ 7,075,159.60</u>	

The accompanying notes to the financial statements are an integral part of this statement.

TRUST FUND

EXHIBIT B

COMPARATIVE BALANCE SHEET - TRUST FUND - REGULATORY BASIS

	Ref.	Balance Dec. 31, 2017	Balance Dec. 31, 2016
ASSETS			
Animal Control Trust Fund			
Cash - Treasurer	B-1	\$ 1,033.23	\$ 588.23
LOSAP (Unaudited)			
Investments		88,132.33	75,752.22
Trust Other Funds			
Cash - Treasurer	B-1	208,960.44	302,539.86
Investments	B-2	21,464,141.10	21,417,075.59
		21,673,101.54	21,719,615.45
		<u>\$ 21,762,267.10</u>	<u>\$ 21,795,955.90</u>
LIABILITIES, RESERVES, AND FUND BALANCE			
Animal Control Trust Fund			
Due to Current Fund	A	\$ 542.23	\$ 588.23
Due State		220.80	
Reserve for Animal Control Fund Expenditures	B-3	270.20	
		1,033.23	588.23
LOSAP (Unaudited)			
Reserve for LOSAP Benefits		88,132.33	75,752.22
Trust Other Funds			
Due to Current Fund	A	55.87	
Reserve for Escrow	B-4	8,993.09	8,993.09
Reserve for Self-Insurance Fund	B-4	21,636,412.68	21,681,131.52
Reserve for Tax Sale Premium	B-4		1,400.00
Reserve for Municipal Drug Alliance Funds	B-4	8,587.46	8,887.46
Reserve for Uniform Fire Safety	B-4	12,524.62	12,524.62
Reserve for Leisure Arms	B-4	5,857.78	5,775.11
Reserve for Public Defender Fees	B-4	278.65	903.65
Reserve for Planning Board Escrow	B-4	391.39	
		21,673,101.54	21,719,615.45
		<u>\$ 21,762,267.10</u>	<u>\$ 21,795,955.90</u>

The accompanying notes to the financial statements are an integral part of this statement.

GENERAL CAPITAL FUND

EXHIBIT C

COMPARATIVE BALANCE SHEET - GENERAL CAPITAL FUND - REGULATORY BASIS

	Ref.	Balance Dec. 31, 2017	Balance Dec. 31, 2016
ASSETS			
Cash - Treasurer	C-2	\$ 8,077,697.30	\$ 8,000,727.55
Investments	C-3	30,283,488.95	30,359,855.81
		<u>\$ 38,361,186.25</u>	<u>\$ 38,360,583.36</u>
LIABILITIES, RESERVES, AND FUND BALANCE			
Encumbrances Payable	C-7	\$ 304,401.56	\$ 61,470.28
Unappropriated Grant	C-4	750,016.92	531,693.75
Capital Improvement Fund	C-5	37,040,011.54	36,989,785.55
Improvement Authorizations - Funded	C-6	113,901.30	624,778.85
Fund Balance	C-1	152,854.93	152,854.93
		<u>\$ 38,361,186.25</u>	<u>\$ 38,360,583.36</u>

EXHIBIT C-1

SCHEDULE OF FUND BALANCE - GENERAL CAPITAL FUND - REGULATORY BASIS

	Ref.	
Balance December 31, 2016	C	<u>\$ 152,854.93</u>
Balance December 31, 2017	C	<u>\$ 152,854.93</u>

The accompanying notes to the financial statements are an integral part of this statement.

GENERAL FIXED ASSETS ACCOUNT GROUP

EXHIBIT D

STATEMENT OF GENERAL FIXED ASSETS - REGULATORY BASIS

	Balance Dec. 31, 2017	Balance Dec. 31, 2016
Land	\$ 771,565.36	\$ 771,565.36
Buildings and Improvements	2,055,729.00	2,050,350.00
Equipment	5,010,875.40	4,915,632.58
	<u>\$ 7,838,169.76</u>	<u>\$ 7,737,547.94</u>
Investment in General Fixed Assets	<u>\$ 7,838,169.76</u>	<u>\$ 7,737,547.94</u>

The accompanying notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS (Regulatory Basis)

TOWNSHIP OF LOWER ALLOWAYS CREEK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Except as noted below, the financial statements of the Township of Lower Alloways Creek included every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township of Lower Alloways Creek, as required by NJSA 40A:5-5.

The Township of Lower Alloways Creek was incorporated in 1798 and is located in Salem County, New Jersey. The Township of Lower Alloways Creek is primarily a rural area 45 square miles in size and the population according to the 2010 census is 1,770.

The form of government is known as a Township pursuant to NJSA 40A:63-1 et seq. The government consists of five (5) Committee Members who are elected at large to three (3) year staggered terms. The Mayor is elected from and by the Members of the Committee and serves a one (1) year term. Under the statutes, the Mayor is the head of the government and has executive powers not assigned to the Mayor.

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 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 the taxes. The Township has no component units.

B. Description of Funds and Account Groups

The accounting policies of the Township of Lower Alloways Creek 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 Alloways Creek accounts for its transactions through the following separate funds which differs from the funds required by GAAP.

Current Fund - Resources and expenditures for governmental operations of a general nature, including Federal and State Grant Funds.

Trust Fund - 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 capital facilities, other than those acquired in the Current Fund. In addition, the fund is used to track the status of debt authorized for capital projects.

Payroll/Payroll Agency Account - Receipt and disbursement of funds to meet obligations to employees and payroll tax liabilities.

TOWNSHIP OF LOWER ALLOWAYS CREEK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Property Taxes - The County Board of Taxation certifies the tax levy of the municipality each year. The tax levy is based on the assessed valuation of taxable property within the municipality. Taxes are payable on the first day of February, May, August, and November. Any taxes that have not been paid by the 11th day of the 11th month in the year levied are subject to being included in the tax sale and the lien enforced by selling the property in accordance with NJSA 54:5 et seq. The municipality is responsible for remitting 100% of the county taxes to the respective agency. The loss for delinquent or uncollectible accounts is borne by the municipality and not the county. The inclusion of the "Reserve for Uncollected Taxes" appropriation in the Township's annual budget protects the Township from those taxes not paid. The minimum amount of the reserve is 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. Under accounting principles generally accepted in the United States of America, a "Reserve for Uncollected Taxes" would not be an appropriation.

Interest on Delinquent Taxes - It is the policy of the Township 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.

Foreclosed Property - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. Under accounting principles generally accepted in the United States of America, foreclosed property would be recorded at historical cost and no reserve would be provided.

School Taxes - The Township is responsible for levying, collecting, and remitting school taxes for the Township of Lower Alloways Creek School District, if any is required. For 2017 and prior years, the governing body has chosen to appropriate sufficient funds in the municipal budget for transfers to the Board of Education to eliminate the need for a local school tax.

Cash - Cash and cash equivalents include petty cash, change funds, and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are stated at cost. Consequently, unrealized gains or losses on investments have not been recorded in accordance with Governmental Accounting Standards Board Statement No. 31.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. Under accounting principles generally accepted in the United States of America inter-funds are not reserved.

TOWNSHIP OF LOWER ALLOWAYS CREEK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. 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 revenues - regulatory basis and the statement of expenditures - regulatory basis since their inclusion would make the statements unduly complex and difficult to read.

E. Recent Accounting Pronouncements Not Yet Effective

Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The Statement is effective for periods beginning after June 15, 2017. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 83, "Certain Asset Retirement Obligations." This statement addresses accounting and financial reporting for certain asset retirement obligations (ARO's). The Statement is effective for period's beginning after June 15, 2018. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 84, "Fiduciary Activities." The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement is effective for reporting periods beginning after December 15, 2018. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 85, "Omnibus 2017." The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. This Statement is effective for periods beginning after June 15, 2017. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 86, "Certain Debt Extinguishment Issues." The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement is effective for periods beginning after June 15, 2017. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 87, "Leases." The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement is effective for periods beginning after December 15, 2019. Management does not expect this Statement will have an impact on the financial statements.

TOWNSHIP OF LOWER ALLOWAYS CREEK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 4: INVESTMENTS (CONTIUED)

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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.

Credit Risk - Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. NJSA 40A:5-15.1(a) limits municipal investments to those specified in the statutes to limit the exposure of governmental units to credit risk.

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

As of December 31, 2017, the Township had the following investments and maturities:

Investment	Maturities	Amortized Cost	Fair Value
U.S. TSY Inflation Index	1/15/2021	\$ 8,065,935.47	\$ 9,293,583.00
U.S. Treasury Bonds	2/15/2042	5,011,370.93	5,511,560.70
NJ State Turnpike	1/1/2040	7,206,182.56	7,717,600.00
New Brunswick NJ Parking Authority	9/1/2031	5,000,000.00	5,734,350.00
NJ State Transportation Trust Fund	12/15/2028	5,000,000.00	5,247,250.00
Port Authority of NY & NJ	10/1/2062	3,000,000.00	3,464,190.00
NJEDA St Pension	2/15/2029	1,979,419.31	2,501,320.00
NJEDA St Pension	2/15/2029	2,977,486.80	3,751,980.00
NJEDA St Pension	2/15/2018	1,927,213.14	1,995,360.00
NJEDA St Pension	2/15/2029	1,274,580.12	1,574,580.94
Cumberland Co. NJ Impr. Series B	4/15/2020	4,000,000.00	4,201,200.00
Bergen County Improvement Authority	6/1/2040	1,994,503.66	2,470,100.00
South Jersey Port Corp Term P	1/1/2040	3,416,680.00	3,611,730.00
NJ State EFA Rev Series B	7/1/2040	3,894,258.06	3,877,308.00
		<u>\$ 54,747,630.05</u>	<u>\$ 60,952,112.64</u>

Unaudited Investments:

As more fully described in Note 12, the Township has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et seq. except that all investments are retained in the name of the Township. All investments are valued at contract value. In accordance with NJAC 5:30-14.37 the investments are maintained by Lincoln National Life Insurance Company, which is an authorized provider, approved by the Division of Local Government Services. The balance in the accounts on December 31, 2017 and 2016, amounted to \$88,132.33 and \$75,752.22, respectively. The information on 5% or more invested with Variable Annual Life Insurance Company is not yet available.

TOWNSHIP OF LOWER ALLOWAYS CREEK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 8: ACCUMULATED ABSENCE BENEFITS

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. The liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Township and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Township and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

Employees of the Township are entitled to paid vacation and paid sick days depending on job classification, length of service, and other factors. Employees are represented by labor unions, and each contract contains different provisions for employee-compensated absences. The total value of compensated absences owed to employees as of December 31, 2017 and 2016, was \$55,224.51 and \$41,970.49, respectively.

NOTE 9: DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Township employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Township or its creditors. Since the Township does not have a fiduciary relationship with the Plan, the balances and activities of the Plan are not reported in the Township's financial statements.

NOTE 10: ECONOMIC DEPENDENCY

The Township of Lower Alloways Creek is not economically dependent on any one business or industry within the Township.

NOTE 11: FIXED ASSETS

The following is a summary of changes in the General Fixed Assets Account Group for the year ending December 31, 2017:

	Balance Dec. 31, 2016	Additions	Deletions	Balance Dec. 31, 2017
Land	\$ 771,565.36			\$ 771,565.36
Buildings & Improvements	2,050,350.00	\$ 5,379.00		2,055,729.00
Equipment	4,915,632.58	138,253.00	\$ 43,010.18	5,010,875.40
	<u>\$ 7,737,547.94</u>	<u>\$ 143,632.00</u>	<u>\$ 43,010.18</u>	<u>\$ 7,838,169.76</u>

TOWNSHIP OF LOWER ALLOWAYS CREEK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 15: PENSION FUNDS (CONTINUED)

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955, under the provisions of NJSA 43:15A to provide retirement, death, disability, and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing, multiple-employer plan. Membership is generally required for substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another state-administered retirement system or other state or local jurisdiction.

Police and Firemen's Retirement System (PFRS) - The Police and Firemen's Retirement System was established in July 1944, under the provisions of NJSA 43:16A, to provide coverage to substantially all full-time county or municipal police and fire-fighters and state fire-fighters appointed after June 30, 1944. Enrollment is required for permanent, full-time employees appointed to positions of law enforcement or firefighting in the State of New Jersey.

Funding Policy -The contribution policy is set by NJSA 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997, and NJSA 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 provide for employee contributions of 7.20% to 7.34% of employees' annual compensation, as defined. Subsequent increases will be phased in over 7 years (each July 1) to bring the total pension contribution rate to 7.5% as of July 1, 2018. PFRS provides for employee contributions of 10% thereafter of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS and PFRS. The PERS and PFRS rates in effect for 2016 are 12.91% and 25.51%, respectively, of covered payroll, as reported on June 30, 2015. The actuarially determined contribution includes funding for, cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The Township's contributions to PERS for the years ending December 31, 2017, 2016, and 2015, were \$120,221.00, \$122,529.00, and \$115,228.00, respectively, equal to the required contributions for each year. The Township's contributions to PFRS for the years ending December 31, 2017, 2016, and 2015, were \$211,357.00, \$220,758.00, and 205,595.00, respectively, equal to the required contributions for each year.

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) and the Police and Firemen's Retirement System (PFRS) operate 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.

TOWNSHIP OF LOWER ALLOWAYS CREEK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 15: PENSION FUNDS (CONTINUED)

Significant Legislation (Continued)

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 16: POST-EMPLOYMENT HEALTHCARE PLAN

Plan Description - The Township's defined benefit postemployment healthcare plan allows retiring police officers who completed 20 years of public employment with the Township and retiring employees who completed 25 years of public employment (at least 20 years of service with the Township) to receive fully paid health, dental, and prescription benefits for themselves and dependents. Additionally, employees of the Township are eligible for benefits upon retirement provided they have completed 15 years of public employments and are at least age 62.

The Township also provides life insurance. Police officers receive \$15,000.00 of life insurance and other employees receive \$10,000.00 of life insurance until the age of 65 when the life insurance decreases 20% each year to a minimum of \$2,000.00.

The benefit provisions of the plan may be established or amended by the Township Committee. The plan does not issue a separate financial report.

Funding Policy - The contribution requirements of the Township healthcare plan are established by negotiated labor contracts and the Township employee manual. The required contribution is based on projected pay-as-you-go financing requirements. For calendar year 2017, the Township contributed \$1,012,398.23 to the plan for current premiums. Plan members receiving benefits are not required to make contributions.

Annual OPEB Cost and Net OPEB Obligation - The Township's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Township's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Township's net OPEB obligation to the plan.

At December 31, 2017, the estimated actuarial accrued liability of benefit obligations and annual required contributions (ARC) of the Township for other post-employment benefits are:

TOWNSHIP OF LOWER ALLOWAYS CREEK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 17: FINANCIAL INFORMATION RELATED TO GASB 68 & GASB 71 FOR PUBLIC RETIREMENT SYSTEMS (CONTINUED)

Public Employee's Retirement System (Continued) - 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, 2017 and 2016, the Township's allocation percentage was .0140320546% and .0135112483% respectively.

For the year ended December 31, 2017, the Township's pension expense would have been \$378,229 if New Jersey municipalities followed GAAP accounting principles. The Township's deferred outflows of resources and deferred inflows of resources (which are not recorded) related to PERS are from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions		\$ 259,885
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ 77,322	
Changes in Proportion and Differences Between the Township's Contributions and Proportionate Share of Contributions	9,958	
Difference Between Expected and Actual Experience	44,990	
	<u>\$ 132,270</u>	<u>\$ 259,885</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are not recognized in pension expense since New Jersey municipalities do not follow GAAP accounting principles.

If GAAP accounting principles were followed, the other amounts reported as deferred outflows of resources and deferred inflows of resources would have been recognized in pension expense as follows:

Year Ended December 31,	Amount
2019	\$ 4,253
2020	84,619
2021	(5,958)
2022	(137,289)
2023	(73,240)
	<u>\$ (127,615)</u>

TOWNSHIP OF LOWER ALLOWAYS CREEK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 17: FINANCIAL INFORMATION RELATED TO GASB 68 & GASB 71 FOR PUBLIC RETIREMENT SYSTEMS (CONTINUED)

Actuarial Assumptions (Continued)

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Division of Pension and Benefits financial report at: <http://www.state.nj.us/treasury/pensions/gasb-notice.shtml>.

Police and Firemen's Retirement System - At December 31, 2017, the Township's proportionate share of net pension liability was \$4,563,624. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2017 and 2016, the Township's proportion was 0.0295608524% and 0.0259225411% respectively.

For the year ended December 31, 2017, the Township's pension expense would have been \$580,607 if New Jersey municipalities followed GAAP accounting principles. The Township's deferred outflows of resources and deferred inflows of resources (which are not recorded) related to PFRS are from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions		\$ 522,080
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ 105,926	
Changes in Proportion and Differences Between the Township's Contributions and Proportionate Share of Contributions	383,174	
Difference Between Expected and Actual Experience	17,923	
	<u>\$ 507,023</u>	<u>\$ 522,080</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are not recognized in pension expense since New Jersey municipalities do not follow GAAP accounting principles.

If GAAP accounting principles were followed, the other amounts reported as deferred outflows of resources and deferred inflows of resources would have been recognized in pension expense as follows:

TOWNSHIP OF LOWER ALLOWAYS CREEK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 17: FINANCIAL INFORMATION RELATED TO GASB 68 & GASB 71 FOR PUBLIC RETIREMENT SYSTEMS (CONTINUED)

Actuarial Assumptions (Continued)

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

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Division of Pension and Benefits financial report at: <http://www.state.nj.us/treasury/pensions/gasb-notices.shtml>.

A special funding situation exists for the Local employers of the Police and Fire Retirement System of New Jersey. The State of New Jersey, as a non-employer, is required to pay the additional costs incurred by Local employers under Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993, and Chapter 201, P.L. 2001. The June 30, 2017 and June 30, 2016, special funding situation net pension liability amounts of \$511,164 and \$415,834 are the accumulated differences between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date.

NOTE 18: COMMITMENTS AND CONTINGENCIES

The Township participates in federal and state assisted grant programs. The Township is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

It is the Township of Lower Alloways Creek Counsel's opinion there exists no litigation or contingent liability that may be pending against the Township of Lower Alloways Creek that would have an adverse effect on the financial position in the future.

NOTE 19: SUBSEQUENT EVENT

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2017 and May 25, 2018, the date that the financial statements were issued for possible disclosure and recognition in the financial statements, and not items have come to the attention of the Township that would require disclosure.

**SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSIONS
(GASB 68 & GASB 71)**

EXHIBIT E-1

SCHEDULE OF THE TOWNSHIP'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - PERS
Last Four Fiscal Years

	Year Ended			
	12/31/17	12/31/16	12/31/15	12/31/14
Township's Proportion of the Net Pension Liability (Asset)	0.0140320546%	0.0135112483%	0.0142520027%	0.0139774401%
Township's Proportionate Share of the Net Pension Liability (Asset)	\$ 3,266,438	\$ 4,001,644	\$ 3,199,289	\$ 2,616,959
Township's Covered-Employee Payroll	946,468	958,499	978,273	994,925
Township's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	345.12%	417.49%	327.03%	263.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	40.14%	47.92%	52.08%
Measurement Date	6/30/2017	6/30/2016	6/30/2015	6/30/2014

EXHIBIT E-3

SCHEDULE OF THE TOWNSHIP'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - PFRS
Last Four Fiscal Years

	Year Ended		
	12/31/17	12/31/16	12/31/15
Township's Proportion of the Net Pension Liability (Asset)	0.0295608524%	0.0259225411%	0.0271584881%
Township's Proportionate Share of the Net Pension Liability (Asset)	\$ 4,563,624	\$ 4,951,868	\$ 4,523,657
Township's Covered-Employee Payroll	962,603	928,906	810,564
Township's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	474.09%	533.09%	558.09%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.60%	52.01%	56.30%
Measurement Date	6/30/2017	6/30/2016	6/30/2015
			6/30/2014
			3,367,138
			833,324
			404.06%
			62.41%

EXHIBIT E-5

SCHEDULE OF THE TOWNSHIP'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - PFRS
Special Funding Situation
Last Four Fiscal Years

	Year Ended			
	12/31/17	12/31/16	12/31/15	12/31/14
Township's Proportion of the Net Pension Liability (Asset)	0.0295608524%	0.0259225411%	0.0271584881%	0.0267677750%
Township's Proportionate Share of the Net Pension Liability (Asset)	\$ 511,164	\$ 415,834	\$ 396,710	\$ 362,584
Township's Covered-Employee Payroll	962,603	928,906	810,564	833,324
Township's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	53.10%	44.77%	48.94%	43.51%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.60%	52.01%	56.30%	62.41%
Measurement Date	6/30/2017	6/30/2016	6/30/2015	6/30/2014

The data in the above schedule represents the allocation of the State of New Jersey's obligation on behalf of the Township.

The Police & Firemen's Retirement System is a Cost-Sharing, Multi-Employer Defined Benefit Plan with a Special Funding Situation - 100% of 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.

SUPPLEMENTARY INFORMATION

PETRONI & ASSOCIATES LLC

Certified Public Accountants • Registered Municipal Accountants
102 West High Street, Suite 100 • P.O. Box 279 • Glassboro, NJ 08028
(856) 881-1600 • Fax (856) 881-6860

MEMBER: AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Nick L. Petroni, CPA, RMA

Mary A. Carey, RMA
Wendy G. Fama, CPA
Denise R. Nevico, CPA
Deanna L. Roller, CPA, RMA

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

Independent Auditor's Report

Honorable Mayor and Members
of the Township Committee
Township of Lower Alloways Creek
501 Locust Road
Hancocks Bridge, New Jersey 08038

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, and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the accompanying balance sheets - regulatory basis of the various funds and account group, the related statement of operations and changes in fund balance - regulatory basis, the related statement of revenues - regulatory basis, and statement of expenditures - regulatory basis of the Township of Lower Alloways Creek, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Township of Lower Alloways Creek's basic financial statements, and have issued our report thereon dated May 25, 2018, which contained an adverse opinion on those financial statements due to being presented in accordance with the New Jersey regulatory basis of accounting. The financial statements of the Length of Service Award Program (LOSAP) have not been audited, and we were not engaged to audit the LOSAP financial statements as part of the audit of the Township of Lower Alloways Creek's financial statements.

Internal Control Over Financial Reporting

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

SCHEDULE OF CURRENT FUND CASH - TREASURER

	Ref.	Current Fund	Grant Fund
Balance December 31, 2016	A	<u>\$ 618,533.91</u>	
Increased by Receipts:			
Tax Collector	A-5	3,616,578.24	
Revenue Accounts Receivable	A-13	8,467,448.09	
Due State of New Jersey - Senior Citizen and Veterans Deductions	A-14	26,833.56	
Grants Unappropriated	A-18		\$ 181,411.70
County Energy Receipts Tax		2,195,000.00	
Payroll Taxes Payable		918,594.00	
Due from Grant Fund	A-4	68,650.09	
Petty Cash		1,100.00	
		<u>15,294,203.98</u>	<u>181,411.70</u>
		<u>15,912,737.89</u>	<u>181,411.70</u>
Decreased by Disbursements:			
Budget Appropriations	A-3	6,923,631.89	
Appropriation Reserves	A-15	13,146.27	
Encumbrances Payable	A-19	1,861,310.74	6,000.00
Reserve for Grants - Appropriated	A-17		106,761.61
County Taxes	A-8	3,354,186.82	
County Open Space Taxes	A-8	59,519.48	
Due County Added & Omitted Taxes	A-8	5,047.53	
County Energy Receipts Tax		2,195,000.00	
Due to Current Fund	A-4		68,650.09
Payroll Taxes Payable		918,594.00	
Petty Cash		1,100.00	
		<u>15,331,536.73</u>	<u>181,411.70</u>
Balance December 31, 2017	A	<u><u>\$ 581,201.16</u></u>	

SCHEDULE OF CHANGE FUND

	Balance Dec. 31, 2017	Balance Dec. 31, 2016
Municipal Clerk	\$ 50.00	\$ 50.00
Tax Collector	100.00	100.00
Municipal Court	150.00	150.00
Assistant Treasurer	50.00	50.00
	<u>\$ 350.00</u>	<u>\$ 350.00</u>
Ref. A	A	A

EXHIBIT A-8

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance Dec. 31, 2016	Levy	Added Taxes	Collected 2016	Collected 2017	Overpayment Applied	Canceled	Transferred to Tax Title Liens	Balance Dec. 31, 2017
2015	\$ 6.69				\$ 6.69			\$ 1,844.34	
2016	\$ 31,024.26		\$ 250.00		29,429.92				
	31,030.95		250.00		29,436.61			1,844.34	
2017		\$ 3,419,693.13		\$ 58,944.50	3,319,490.97	\$ 183.18	\$ 1,743.45	6,419.22	\$ 32,911.81
	\$ 31,030.95	\$ 3,419,693.13	\$ 250.00	\$ 58,944.50	\$ 3,348,927.58	\$ 183.18	\$ 1,743.45	\$ 8,263.56	\$ 32,911.81
Ref.	A							A-9	A
Cash - Collector									
Due State of New Jersey									
				Ref.					
				A-5	\$ 3,323,594.02				
				A-14	25,333.56				
					\$ 3,348,927.58				

EXHIBIT A-9

SCHEDULE OF TAX TITLE LIENS RECEIVABLE

Balance December 31, 2016	Ref. A		\$ 9,665.83
Increased by:			
Transfers from Taxes Receivable	A-8	\$ 8,263.56	
Interest and Costs on Tax Sale		288.25	
			<u>8,551.81</u>
Balance December 31, 2017	A		<u>\$ 18,217.64</u>

EXHIBIT A-10

SCHEDULE OF PROPERTY ACQUIRED FOR TAXES
(AT ASSESSED VALUATION)

Balance December 31, 2016	Ref. A	<u>\$ 103,430.00</u>
Balance December 31, 2017	A	<u>\$ 103,430.00</u>

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance			Collected		Balance
	Dec. 31, 2016	Accrued		Treasurer	Collector	Dec. 31, 2017
Miscellaneous Revenue Anticipated						
Fines and Costs:	\$ 1,335.46	\$ 15,283.93	\$ 15,741.63			\$ 877.76
Municipal Court		2,643,202.91	2,643,202.91			
Interest on Investments and Deposits		99,343.00	99,343.00			
Police Agreement		183,953.04	183,953.04			
Trash Agreement		165,457.99	165,457.99			
Leisure Arms Rentals		204,743.03	\$ 204,743.03			
Sewer Rents		17,394.84	17,394.84			
Fuel Reimbursements		5,000,361.00	5,000,361.00			
Energy Receipts Tax		35,841.00	35,841.00			
Garden State Trust Preservation		32,489.80	32,489.80			
Uniform Construction Code Fees		30,592.00	30,592.00			
Senior Citizen Lunch Program						
Miscellaneous Revenue Not Anticipated						
Refunds		192,705.82	192,705.82		7,373.51	
Interest and Costs on Taxes		7,373.51				
Bulk Stickers		2,487.00	2,487.00			
Clerk Licenses		1,313.19	1,313.19			
Police Department Fees		446.95	446.95			
Planning & Zoning Fees		150.00	150.00			
Recycling		2,321.51	2,321.51			
Historical Books		180.00	180.00			
Mobile Home Fees		2,400.00	2,400.00			
Court Agreement		2,710.00	2,710.00			
Senior Citizen Administrative Fee		536.67	536.67			
Zoning Housing Fee		1,690.00	1,690.00			
Cable Franchise Fee		4,922.39	4,922.39			
Interest on Sewer Accounts		6,973.66			6,973.66	
Boat Passes		3,539.00	3,539.00			
Miscellaneous		27,668.35	27,668.35			
	<u>\$ 1,335.46</u>	<u>\$ 8,686,080.59</u>	<u>\$ 8,467,448.09</u>	<u>\$ 219,090.20</u>	<u>\$ 877.76</u>	
Ref. A		A-4		A-5		A

EXHIBIT A-15

SCHEDULE OF APPROPRIATION RESERVES

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charged	Balance Lapsed
Salaries and Wages				
Road Repair & Maintenance	\$ 13,526.29	\$ 3,526.29		\$ 3,526.29
Other Expenses				
Purchasing	200.19	200.19	\$ 50.00	150.19
Township Clerk	1,525.18	525.18	234.83	290.35
Legal Printing & Advertising	1,067.41	67.41		67.41
Financial Administration	18,021.00	3,021.00	1,415.00	1,606.00
Revenue Administration	1,263.59	263.59		263.59
Tax Assessor	3,611.68	3,611.68	2,357.75	1,253.93
Legal Services	10,760.00	760.00		760.00
Planning Board	2,051.31	1,051.31		1,051.31
Workers Compensations	5,231.45	55,231.45	773.95	54,457.50
Road Repair & Maintenance	28,193.78	13,193.78	209.63	12,984.15
Buildings and Grounds	16,282.10	16,282.10	610.12	15,671.98
Heating Oil	3,223.68	3,223.68	277.28	2,946.40
Sewer System	423.39	423.39	194.37	229.02
Construction Code	187.95	5,187.95	465.00	4,722.95
Police	13,597.84	12,597.84		12,597.84
Ambulance/Rescue	3,965.38	3,965.38	1,458.34	2,507.04
LOSAP	12,000.00	12,000.00	5,100.00	6,900.00
Other Accounts - No Change	65,201.11	65,201.11		65,201.11
	<u>\$ 200,333.33</u>	<u>\$ 200,333.33</u>	<u>\$ 13,146.27</u>	<u>\$ 187,187.06</u>
Ref.	A		A-4	A-1

EXHIBIT A-17

SCHEDULE OF RESERVE FOR GRANTS - APPROPRIATED

	Balance Dec. 31, 2016	Transferred from Budget Appropriation	Disbursed	Encumbered	Balance Dec. 31, 2017
Federal Grants:					
Buffer Zone Protection Program	\$ 4,909.98				\$ 4,909.98
Municipal Storm water Regulation Program	6,573.66				6,573.66
	<u>11,483.64</u>				<u>11,483.64</u>
State Grants:					
Senior Citizen & Disabled Resident					
Transportation Assistance Act Program	367,357.41	\$ 94,051.85	\$ 101,770.82	\$ 7,850.00	351,788.44
Municipal Court Alcohol Education & Rehab Fund	10,573.44	181.29			10,754.73
Recycling Tonnage Grant	96,525.56	9,560.04			106,085.60
Body Armor Replacement Fund	1,313.83	1,382.18		855.00	1,841.01
Clean Communities	25,315.95	10,189.35	4,946.83		30,558.47
Drunk Driving Enforcement Fund	10,949.07				10,949.07
Municipal Alliance on Alcohol and Drug Abuse	9,624.48		43.96		9,580.52
	<u>521,659.74</u>	<u>115,364.71</u>	<u>106,761.61</u>	<u>8,705.00</u>	<u>521,557.84</u>
	\$ 533,143.38	\$ 115,364.71	\$ 106,761.61	\$ 8,705.00	\$ 533,041.48
Ref.	<u>A</u>	<u>A-3</u>	<u>A-4</u>	<u>A-19</u>	<u>A</u>

SCHEDULE OF ENCUMBRANCES PAYABLE

	Ref.	Current Fund	Federal and State Grant Fund
Balance December 31, 2016	A	\$ 1,881,832.32	\$ 6,000.00
Increased by:			
Charges to Current Appropriations	A-3	1,864,462.06	
Charges to Reserve for Grants Appropriated	A-17		8,705.00
		<u>1,864,462.06</u>	<u>8,705.00</u>
		3,746,294.38	14,705.00
Decreased by:			
Payments	A-4	1,861,310.74	6,000.00
Canceled	A-1	20,521.58	
		<u>1,881,832.32</u>	<u>6,000.00</u>
Balance December 31, 2017	A	<u>\$ 1,864,462.06</u>	<u>\$ 8,705.00</u>

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TRUST FUND

EXHIBIT B-1

SCHEDULE OF TRUST FUND CASH - TREASURER

	Ref.	Animal Control Trust Fund	Other Trust Funds
Balance December 31, 2016	B	\$ 588.23	\$ 302,539.86
Increased by Receipts:			
Dog License Fees:			
Municipal Share	B-3	3,065.20	
State Share		637.80	
Trust Other	B-4		38,863.64
Interest Earned		2.86	61.48
Due Current Fund		232.00	42,000.00
		<u>3,937.86</u>	<u>80,925.12</u>
		<u>4,526.09</u>	<u>383,464.98</u>
Decreased by Disbursements:			
Due State of New Jersey		417.00	
Trust Other	B-4		85,433.42
To Investments	B-2		47,065.51
Expenditures Under RS 4:19-15.11	B-3	2,795.00	
Due Current Fund		280.86	42,005.61
		<u>3,492.86</u>	<u>174,504.54</u>
Balance December 31, 2017	B	<u>\$ 1,033.23</u>	<u>\$ 208,960.44</u>

EXHIBIT B-3

SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES

	Ref.	
Increased by:		
Municipal Share of Dog License Fees	B-1	\$ 3,065.20
Decreased by:		
Expenditures Under RS 4:19-15.11	B-1	<u>2,795.00</u>
Balance December 31, 2017	B	<u><u>\$ 270.20</u></u>

License Fees Collected

Year	Amount
2015	\$ 3,239.60
2016	2,736.60
	<u>\$ 5,976.20</u>

GENERAL CAPITAL FUND

EXHIBIT C-2

SCHEDULE OF GENERAL CAPITAL CASH - TREASURER

Balance December 31, 2016	Ref. C		\$ 8,000,727.55
Increased by:			
Due from Current Fund	C-4	\$ 77.97	
From Investments	C-3	76,366.86	
Grants	C-4	<u>218,323.17</u>	
			<u>294,768.00</u>
			8,295,495.55
Decreased by:			
Improvement Authorizations	C-6	196,931.57	
Encumbrances Payable	C-7	20,788.71	
Due Current Fund	C-4	<u>77.97</u>	
			<u>217,798.25</u>
Balance December 31, 2017	C		<u>\$ 8,077,697.30</u>

EXHIBIT C-4

ANALYSIS OF GENERAL CAPITAL FUND CASH

	Balance Dec. 31, 2016 \$	Receipts Miscellaneous \$	Improvement Authorizations \$	Disbursements Miscellaneous \$	Transfers To/(From) \$	Balance Dec. 31, 2017 \$
Encumbrances Payable	61,470.28					304,401.56
Due Current Fund		77.97				
Unappropriated Grant	531,693.75					750,016.92
Capital Improvement Fund	36,989,785.55	218,323.17			50,225.99	37,040,011.54
Fund Balance	152,854.93					152,854.93
Improvement Authorizations:						
Ordinance						
Number	Purpose					
2004-16	Hancocks Bridge Bank Improvements	67,185.35			(67,185.35)	7,468.61
2011-09	Solar Electric Generation Equipment	7,468.61				
2012-05	Repairs and Related Costs to the Alloway Creek Bank	433,040.64	\$ 9,080.85		(392,359.07)	31,600.92
2015-02	Resurfacing Alloway Creek Neck Road	47,940.10	39,000.00			8,940.10
2015-03	Purchasing Public Works Equipment, Public Safety Equipment, Improvements to Municipal Building and Grounds, and Purchase of a Trash Truck	69,144.15	55,836.15		(13,306.00)	
2017-02	Purchasing Public Works Equipment, Public Safety Equipment, Improvements to Municipal Building and Grounds, and Purchase of a Trash Truck		93,012.77		100,000.00	6,987.23
2017-05	Resurfacing Alloway Creek Neck Road				58,904.44	58,904.44
		\$ 218,401.14	\$ 196,931.57	\$ 20,866.68		\$ 38,351,186.25
		C-2;C-5	C-6	C-2		C
Ref.						

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Improvement Description	Amount	Balance Dec. 31, 2016		Authorizations	Disbursed	Canceled	Encumbrances		Encumbered	Balance Dec. 31, 2017	
			Funded	Funded				Canceled	Canceled		Funded	Funded
2004-16	Hancocks Bridge Bank Improvements	\$ 310,000.00	\$	\$ 67,185.35			\$ 67,185.35				\$	7,468.61
2011-08	Solar Electric Generation Equipment	1,000,000.00		7,468.61								31,600.92
2012-05	Repairs and Related Costs to the Alloway Creek Bank	1,200,000.00		433,040.64		\$ 9,080.65	433,040.64		\$ 40,681.57			8,940.10
2012-06	Resurfacing Alloway Creek Neck Road	470,000.00		47,940.10		39,000.00						
2015-03	Purchasing Public Works Equipment, Public Safety Equipment, Improvements to Municipal Building and Grounds, and Purchase of a Trash Truck	100,000.00		69,144.15		55,838.15			\$ 13,306.00			
2017-02	Purchasing Public Works Equipment, Public Safety Equipment, Improvements to Municipal Building and Grounds, and Purchase of a Trash Truck	100,000.00			\$ 100,000.00	93,012.77					6,987.23	
		350,000.00			350,000.00					291,095.56	58,904.44	
2017-05	Resurfacing Alloway Creek Neck Road		\$ 624,778.85		\$ 450,000.00	\$ 196,931.57	\$ 500,225.99	\$ 40,681.57	\$ 304,401.56	\$ 113,901.30		
	Ref.		C		C-5	C-2	C-5	C-7	C-7	C		

PART II

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2017

GENERAL COMMENTS

Contracts and Agreements Required to be Advertised for NJSA 40A:11-4

NJSA 40A:11-4 states "Every contract or agreement 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."

The governing body of the Township 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 violation of the statute, the Solicitor's opinion should be sought before a commitment is made.

The minutes indicate that bids were requested by public advertisement for various items including:

Reconstruction of Alloways Creek Neck Road
Purchase of Police Interceptor

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per NJSA 40A:11.5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

Our examination of expenditures did not reveal individual payments, contracts or agreements in excess of the bid threshold "for the performance of any work or the furnishing or hiring of any materials or supplies," other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of NJSA 40A:11-6.

NJSA 40A:11-6.1 requires that at least two competitive quotations be obtained for all contracts that in the aggregate are less than the bid threshold but 15 percent or more of that amount.

Collection of Interest on Delinquent Taxes and Assessments

The statute provides 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 on January 3, 2017, adopted the following resolution authorizing interest to be charged on delinquent taxes:

WHEREAS, RS 54:4-66 states that taxes shall be payable in quarterly installments on the first day of February, May, August, and November, and shall become delinquent after the tenth day of February, May, August, and November; and

WHEREAS, RS 54:4-67 provides that the governing body may, by Resolution, fix the rate of interest to be charged for non-payment of taxes or assessments on or before the date they would become delinquent.

Comparative Schedule of Delinquent Taxes and Tax Title Liens (Continued)

	2017	2016	2015
Amount of Tax Title Liens	\$ 18,217.64	\$ 9,665.83	\$ 3,688.66
Delinquent Taxes	32,911.81	31,030.95	32,704.99
Total Delinquent	\$ 51,129.45	\$ 40,696.78	\$ 36,393.65
Percentage of Tax Levy	1.50%	1.23%	1.19%

Comparative Schedule of Property Acquired by Tax Title Lien Liquidation

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

	2017	2016	2015
Property Acquired for Taxes (Assessed Valuation)	103,430	103,430	103,430

OTHER COMMENTS

Chief Financial Officer

The records maintained by the Chief Financial Officer were found to be in compliance with requirements prescribed by the Division of Local Government Services, state statutes, and administrative code requirements with the following exception:

The general ledger is not properly maintained.

Tax/Sewer Collector

The records maintained by the Tax/Sewer Collector were found to be in good condition.

Municipal Clerk

The records maintained by the Municipal Clerk were found to be in good condition.

Corrective Action Plan

A corrective action plan for the 2016 audit was filed.

STATUS OF PRIOR RECOMMENDATIONS

2016-001 Finding: A general ledger is not properly maintained as required by NJAC 5:30-5.7.

Status: Corrective action has not been taken.