

OFFICIAL STATEMENT DATED OCTOBER 31, 2017

NEW ISSUE
BOOK-ENTRY ONLY

Rating: (See “RATINGS” herein)

In the opinion of GluckWalrath LLP, Bond Counsel, assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended (the “Code”), applicable to the Bonds and subject to certain provisions of the Code which are described herein, under laws, regulations, rulings and judicial decisions existing on the respective dates of original delivery of the Bonds, interest received by holders of the Bonds will be excludable from gross income for federal income tax purposes and will not be treated as a tax preference item for purposes of the alternative minimum tax imposed by Section 55 of the Code. For certain corporate holders, interest on the Bonds will be taken into account in the calculation of such holders’ alternative minimum tax liability as part of adjusted current earnings. Under the laws of the State of New Jersey, as enacted and construed on the date of original delivery of the Bonds, interest on the Bonds and any gain from the sale thereof is excludable from gross income under the New Jersey Gross Income Tax Act. See “TAX MATTERS” herein for a description of certain other provisions of the Code that may affect the federal tax treatment of interest on the Bonds.

\$12,600,000
TOWNSHIP OF LAKEWOOD
IN THE COUNTY OF OCEAN, NEW JERSEY
GENERAL OBLIGATION BONDS, SERIES 2017
(Non-Callable) (Non-Bank Qualified)

Dated: Date of Delivery

Due: November 1, as shown on the inside front cover

The \$12,600,000 aggregate principal amount of General Obligation Bonds, Series 2017 (the “Bonds”) are general obligations of the Township of Lakewood, in the County of Ocean, State of New Jersey (the “Township”) for which the full faith and credit of the Township are pledged. The Township is authorized and required by law to levy ad valorem taxes on all taxable property within the Township without limitation as to rate or amount for the payment of the principal thereof and the interest thereon.

The Bonds will be issued in fully registered book-entry only form and, when issued, will be registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC, an automated depository for securities and clearing house for securities transactions, will act as securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry only form in the principal amount of \$5,000 or any integral multiple thereof, except that any amount of Bonds maturing in any one year in excess of the largest principal amount thereof equaling a multiple of \$5,000 will be in denominations of \$1,000 or any integral multiple thereof (or any necessary odd denomination).

The Bonds shall bear interest from the date of delivery thereof, payable semi-annually on May 1 and November 1 of each year, commencing May 1, 2018, at such rates of interest as shown on the inside front cover hereof until maturity. The Bonds will be payable as to principal upon presentation and surrender thereof at the offices of the Township or a duly designated paying agent. Interest on the Bonds will be paid by check, draft or wire transfer mailed, delivered or transmitted by the Township to the registered owner thereof as of the Record Dates (as defined herein).

The Bonds are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 *et seq.*, as amended and supplemented (the “Local Bond Law”), various bond ordinances duly adopted by the Township Committee on the dates set forth herein and by a resolution duly adopted by the Township Committee on October 18, 2017.

The proceeds of the Bonds are being used to: (i) refund, on a current basis, and permanently finance the outstanding bond anticipation notes of the Township; and (ii) pay the costs associated with the issuance of the Bonds.

The Bonds are not subject to redemption prior to their stated maturities.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP.



The Bonds are not debt or obligations, legal, moral or otherwise of the State of New Jersey, or any county, municipality or political subdivision thereof other than the Township.

This cover page and inside front cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement, including all appendices, to obtain information essential to making an informed investment decision.

The Bonds are offered when, as and if issued and delivered subject to the approval of the legality thereof by GluckWalrath, LLP Red Bank, New Jersey, Bond Counsel, and certain other conditions. Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor to the Township in connection with the issuance of the Bonds. Certain legal matters will be passed upon for the Township by the Township Attorney, Steven Secare, Esq., Toms River, New Jersey. It is anticipated that the Bonds will be available for delivery through DTC on or about November 14, 2017.

**TOWNSHIP OF LAKEWOOD
IN THE COUNTY OF OCEAN, NEW JERSEY**

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS*

\$12,600,000 GENERAL OBLIGATION BONDS, SERIES 2017

<u>Maturity (November 1)</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>	<u>Yields</u>	<u>CUSIPs*</u>
2018	\$675,000	2.00%	1.19%	512678TA1
2019	675,000	2.00	1.30	512678TB9
2020	675,000	2.00	1.42	512678TC7
2021	1,290,000	4.00	1.54	512678TD5
2022	1,295,000	4.00	1.72	512678TE3
2023	1,295,000	4.00	1.87	512678TF0
2024	1,295,000	4.00	2.01	512678TG8
2025	1,350,000	4.00	2.14	512678TH6
2026	1,350,000	4.00	2.27	512678TJ2
2027	1,350,000	4.00	2.37	512678TK9
2028	1,350,000	4.00	2.52	512678TL7

* CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the Township does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**TOWNSHIP OF LAKEWOOD,
IN THE COUNTY OF OCEAN, NEW JERSEY
231 THIRD STREET
LAKEWOOD, NJ 08701-3220
(732) 364-2500**

MAYOR
Raymond G. Coles

TOWNSHIP COMMITTEE
Menashe Miller, Deputy Mayor
Albert Akerman
Michael D'Elia
Meir Lichtenstein

TOWNSHIP MANAGER
Thomas L. Henshaw

CHIEF FINANCIAL OFFICER
William C. Rieker

TOWNSHIP CLERK
Kathryn Hutchinson, RMC

TOWNSHIP ATTORNEY
Secare & Hensel
Toms River, New Jersey

AUDITOR
Holman Frenia Allison, P.C.
Toms River, New Jersey

BOND COUNSEL
GluckWalrath LLP
Red Bank, New Jersey

MUNICIPAL ADVISOR
Phoenix Advisors, LLC
Bordentown, New Jersey

No broker, dealer, salesperson or other person has been authorized by the Township to give any information or to make any representations with respect to the Bonds other than those contained in this document, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the Township and other sources deemed reliable; however, no representation or warranty is made as to its accuracy or completeness and such information is not to be construed as a representation of accuracy or completeness and such information is not to be construed as a representation or warranty by the Underwriter or, as to information from sources other than itself, by the Township. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this document nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier.

References in this document to laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein.

This document does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than as contained in this document. If given or made, such other information or representations must not be relied upon as having been authorized by the Township or the Underwriter.

Assured Guaranty Municipal Corp. (“AGM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE” and “APPENDIX E - SPECIMEN MUNICIPAL BOND INSURANCE POLICY”.

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**OFFICIAL STATEMENT
OF THE
TOWNSHIP OF LAKEWOOD
IN THE COUNTY OF OCEAN, STATE OF NEW JERSEY**

RELATING TO

\$12,600,000 GENERAL OBLIGATION BONDS, SERIES 2017

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and the appendices attached hereto, has been prepared by the Township of Lakewood (the "Township"), in the County of Ocean (the "County"), State of New Jersey (the "State") in connection with the sale and issuance of \$12,600,000 aggregate principal amount of General Obligation Bonds, Series 2017 (the "Bonds") of the Township.

THE BONDS

General Description

The Bonds will be dated the date of delivery and will mature on November 1 in each of the years and in the principal amounts as shown on the inside cover page hereof. The interest on the Bonds will be payable semi-annually beginning May 1, 2018 and on each November 1 and May 1 thereafter. The record dates for the Bonds is each preceding April 15 and October 15, respectively (the "Record Dates"). The Bonds will be issued in book-entry form only. Interest on the Bonds is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year.

The Bonds are general obligations of the Township and are secured by a pledge of the full faith and credit of the Township for the payment of the principal thereof and interest thereon. The Township is obligated to levy *ad valorem* taxes upon all of the taxable property within the Township for the payment of principal of and interest on the Bonds without limitation as to rate or amount.

Redemption

The Bonds are not subject to redemption prior to their stated maturities.

Authorization for the Issuance of the Bonds

The Bonds are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), and are authorized by various bond ordinances duly adopted by the Township Committee of the Township on the dates set forth in the chart on the following page and published and approved as required by law, and by a resolution duly adopted by the Township Committee on October 18, 2017.

The bond ordinances authorizing the Bonds were published in full or in summary after their final adoption along with the statement that the twenty (20) day period of limitation within which a suit, action or proceeding questioning the validity of such bond ordinances could be commenced began to run from the date of the first publication of such statement. The Local Bond Law provides, that after issuance, all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and

all persons shall be estopped from questioning their sale, execution or delivery by the Township. Such estoppel period has concluded as of the date of this Official Statement.

Purpose of the Bonds

The proceeds of the Bonds are being used to provide funds to: (i) refund, on a current basis, and permanently finance the \$13,850,000 bond anticipation notes of the Township, dated March 16, 2017 and maturing December 5, 2017 (the “Prior Notes”); and (ii) pay the costs associated with the issuance of the Bonds.

The purposes for which the Bonds are to be issued have been authorized by duly adopted, approved and published bond ordinances of the Township, which bond ordinances are described in the following table by ordinance number, description and date of final adoption, and amount of the Prior Notes being refunded with the Bonds. The bond ordinances are:

Ordinance Number	Description	Amount of Prior Notes Being Refunded with the Bonds
2000-52	Various Capital Improvements, finally adopted July 20, 2000	\$100,000
2003-48	Various Capital Improvements, finally adopted August 7, 2003	460,000
2007-39	Various Capital Improvements, finally adopted August 2, 2007	190,000
2008-42	Various Capital Improvements, finally adopted September 11, 2008	872,000
2009-65	Various Capital Improvements, finally adopted November 19, 2009	470,000
2011-51	Various Projects for the Police Department, finally adopted October 27, 2011	174,000
2012-60/2013-54	Various Capital Improvements, finally adopted October 25, 2012 and amended August 8, 2013	1,430,000
2013-73	Various Capital Improvements and Equipment Acquisitions, finally adopted November 21, 2013	1,128,000
2014-63	Construction of a Basin and Road Improvements to Oak Street, finally adopted September 4, 2014	220,000
2014-70	Various Capital Improvements and Equipment Acquisitions, finally adopted October 2, 2014	2,009,000
2015-22	Improvements to Various Roadways and Sidewalks, finally adopted April 16, 2015	6,175,000
2015-63	Various Capital Improvements and Equipment Acquisitions, finally adopted November 12, 2015	<u>622,000</u>
TOTAL:		<u>\$13,850,000</u>

Payment of Bonds

The Bonds are general obligations of the Township for which the full faith and credit of the Township will be pledged. The Township is authorized and required by law to levy *ad valorem* taxes on all taxable property within the Township for the payment of principal of and interest on Bonds without limitation as to rate or amount. See “SECURITY FOR THE BONDS.”

Denominations and Place of Payment

The Bonds are issuable only as fully registered bonds without coupons, and when issued will be in the form of one certificate per maturity and will be registered in the name of Cede & Co., as registered owner and nominee for the Depository Trust Company ("DTC"), New York, New York. DTC will act as Securities Depository for the Bonds. Principal of and interest on the Bonds will be payable by the Township or a duly designated paying agent on the date of maturity by wire transfer of immediately available funds to DTC or its nominee. Purchase of the Bonds will be made in book entry form, in the principal amount of \$5,000 or any integral multiple thereof, except that any amount of Bonds maturing in any one year in excess of the largest principal amount thereof equaling a multiple of \$5,000 will be in denominations of \$1,000 or any integral multiple thereof (or any necessary odd denomination). Under certain circumstances, such beneficial interests in the Bonds are exchangeable for one or more fully registered Bond certificates in authorized denominations. Purchasers will not receive certificates representing their interest in Bonds purchased. So long as Cede & Co. is the registered owner, as nominee of DTC, references herein to the registered owners shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. See "Book-Entry-Only System" herein.

SECURITY FOR THE BONDS

The Bonds are general obligations of the Township, and the Township has pledged its full faith and credit for the payment of the principal, redemption premium, if any, and the interest on the Bonds. The Township is required by law to levy *ad valorem* taxes on all taxable real property in the Township for the payment of the principal, redemption premium, if any, of and the interest on the Bonds, without limitation as to rate or amount.

The Township

The Township is located along the northeastern section of the County. See Appendix "A" for demographic and statistical information concerning the Township.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On June 26, 2017, S&P issued a research update report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On December 14, 2016, KBRA issued a financial guaranty surveillance report in which it affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On August 8, 2016, Moody's published a credit opinion affirming its existing insurance financial strength rating of "A2" (stable outlook) on AGM. AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

Capitalization of AGM

At June 30, 2017:

- The policyholders' surplus of AGM was approximately \$2,222 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,289 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves of AGM and its subsidiaries (as described below) were approximately \$1,699 million. Such amount includes (i) 100% of the net unearned premium reserves of AGM and AGM's wholly owned subsidiaries Assured Guaranty (Europe) plc, Assured Guaranty (UK) plc, CIFG Europe S.A. and Assured Guaranty (London) plc (together, the "AGM European Subsidiaries") and (ii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves and net unearned premium reserves of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves of the AGM European Subsidiaries were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (filed by AGL with the SEC on February 24, 2017);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017 (filed by AGL with the SEC on May 5, 2017); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2017 (filed by AGL with the SEC on August 3, 2017).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

BOOK-ENTRY-ONLY SYSTEM

The description which follows of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal and interest, and other payments on the Bonds to DTC Participants or Beneficial Owners (as each such term is hereinafter defined), confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the Township. Accordingly, the Township does not make any representations as to the completeness or accuracy of such information.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued in the aggregate principal amount of each maturity of the Bonds, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of the Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be

requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices, if any, shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Township or its designated Paying Agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the Bonds, if any, will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Township or its designated Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Township, or the Township's designated Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Township or its designated Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Township or its designated Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Township may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Township believes to be reliable, but the Township takes no responsibility for the accuracy thereof.

NEITHER THE TOWNSHIP NOR ITS DESIGNATED PAYING AGENT WILL HAVE THE RESPONSIBILITY OR OBLIGATION TO THE DIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DIRECT PARTICIPANTS, OR THE INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTION "TAX MATTERS") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

Discontinuance of Book-Entry Only System

In the event that the book-entry only system is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions apply: (i) the Bonds may be exchanged for an equal aggregate principal amount of Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the office of the Township or its designated paying agent; (ii) the transfer of any Bonds may be registered on the books maintained by the paying agent for such purposes only upon the surrender thereof to the Township, or its designated paying agent, together with the duly executed assignment in form satisfactory to the Township, or its designated paying agent; and (iii) for every exchange or registration of transfer of Bonds, the Township or its designated paying agent, may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds. Interest on the Bonds will be payable by check or draft, mailed on each Interest Payment Date to the registered owners thereof as of the close of business on the Record Dates.

MUNICIPAL FINANCE – FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

Local Bond Law (N.J.S.A. 40A:2-1 et seq.)

The Local Bond Law generally governs the issuance of bonds to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments, with no annual principal payment greater than 100% of the smallest amount of any prior year's principal amount. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes, except for the issuance of refunding bonds. All bonds issued by the Township are general full faith and credit obligations.

Debt Limits

The authorized bonded indebtedness of the Township is limited by statute, subject to the exceptions noted below, to an amount equal to 3½% of its average equalized valuation basis over the past three years. The equalized valuation basis of a municipality is set by statute as the average for the last three preceding years of the equalized value of all taxable real property and improvements and certain Class II railroad property within its boundaries, as determined annually by the State Director of Taxation. Certain categories of debt, which include the portion of school debt within a school district's debt limitation and the self-liquidating portion of a utility's debt, are permitted by statute to be deducted for purposes of computing the statutory debt limit. As indicated in Appendix "A", the Township has not exceeded its statutory debt limit.

Exceptions to Debt Limits - Extensions of Credit

The Township may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the Township may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Township or substantially reduce the ability of the Township to meet its obligations or to provide essential public improvements and services, or makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the Township, without approval of the Local Finance Board, to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

Short Term Financing

The Township may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance, as may be amended and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued for one year periods, with the last date of issuance not to exceed ten years and four months from the original issuance date. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

The Local Budget Law (N.J.S.A. 40A:4-1 et seq.)

The foundation of the New Jersey local finance system is the annual cash basis budget. Every local unit must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the Director of the Division ("Director") prior to final adoption. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations.

Tax Anticipation Notes are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units.

The cash basis budgets of local units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local unit's expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year's budget.

The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenues from any source may be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director

determines that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and certifies that determination to the local unit.

No budget or budget amendment may be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality's calendar year. However, grant revenue is generally not realized until received in cash.

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also the local unit is required to make an appropriation for a "reserve for uncollected taxes" in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by December 31 of that year. The budget also must provide for any cash deficits of the prior year.

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body of a local unit. However, with minor exceptions, such appropriations must be included in full in the following year's budget.

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as ice, snow and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparation and drainage map preparation for flood control purposes which may be amortized over five years. Of course, emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between major appropriation accounts are prohibited, except for: (i) during the first three (3) months of a current fiscal year, appropriation reserves may be transferred to the immediately preceding fiscal year's budget; and (ii) transfers between major appropriation accounts are permitted during the last two (2) months of a current fiscal year. Such transfers must be approved by two-thirds of the full membership of the governing body of a local governmental unit. Although sub-accounts within an appropriation account are not subject to the same year-end transfer restriction, they are subject to internal review and approval.

Municipal public utilities are supported by the revenues generated by the respective operations of the utilities in addition to the general taxing power upon real property. For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate budget. The budget is required to be balanced and to provide fully for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budgets of the utilities. Deficits or anticipated deficits in utility operations which cannot be provided for from utility surplus, if any, are required to be raised in the "Current" or operating budget.

Appropriation "CAP"

A provision of law known as the New Jersey "CAP Law" (N.J.S.A. 40A:4-45.1 et seq.) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The CAP formula is somewhat complex, but basically, it

permits a municipality to increase its overall appropriations by the lesser of 2.5% or the "Index Rate" if the index rate is greater than 2.5%. The "Index Rate" is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior years' tax levy in years when the Index Rate is 2.4% or less.

Additionally, new legislation constituting P.L. 2010, c. 44, effective July 13, 2010, imposes a two percent (2%) cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for capital expenditures, including debt service, increases in pension contributions in excess of 2%, certain increases in health care over 2%, and extraordinary costs incurred by a local unit directly related to a declared emergency. The governing body of a local unit may request approval, through a public question submitted to the legal voters residing in its territory, to increase the amount to be raised by taxation, and voters may approve increases above 2% not otherwise permitted under the law by an affirmative vote of 50%.

The Division has advised that counties and municipalities must comply with both budget "CAP" and the tax levy limitation. Neither the tax levy limitation nor the "CAP" law, however, limits the obligation of the Township to levy ad valorem taxes upon all taxable property within the boundaries of the Township to pay debt service on bonds and notes.

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the next six years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the terms were detailed.

Tax Appeals

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the Township must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Tax Board on or before the April 1 for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations.

The Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.)

This law regulates the non-budgetary financial activities of local governments. The chief financial officer of every local unit must file annually, with the Director, a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

An independent examination of each local unit accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local units financial procedures and must be filed with the report, together with all recommendations made, and must be published in a local newspaper within 30 days of its submission. The entire annual audit report for each local unit is on file with the Clerk and is available for review during business hours.

School Debt Subject to Voter Approval

State law permits local school districts, upon approval of the voters in a Type II school district, to authorize school district debt, including debt in excess of its independent debt limitation by using the available borrowing capacity of the Township. If such debt is in excess of the school district's debt limit and the remaining borrowing capacity of the Township, the State Commissioner of Education and the Local Finance Board must approve the proposed debt authorization before it is submitted to the voters for approval.

TAX MATTERS

In the opinion of GluckWalrath LLP, Red Bank, New Jersey ("Bond Counsel"), assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code") applicable to the Bonds and subject to certain provisions of the Code which are described below, under laws, regulations, rulings and judicial decisions existing on the date of the original delivery of the Bonds, interest received by a holder of the Bonds will be excludable from gross income for federal income tax purposes, and will not be treated as a tax preference item under Section 57 of the Code for individuals or corporations. For corporate holders, interest on the Bonds will be taken into account in the calculation of such holders' alternative minimum tax liability as part of adjusted current earnings.

The Code contains a number of provisions that apply to the Bonds, including restrictions relating to the use or investment of the proceeds of the Bonds (or facilities financed by such proceeds) and the payment of certain arbitrage earnings in excess of the "yield" on the Bonds to the Treasury of the United States. Non-compliance with such provisions may result in interest on the Bonds not being excludable from gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with these requirements.

Section 55 of the Code provides that an alternative minimum tax is imposed on corporations. For purposes of the corporate alternative minimum tax, the Code includes an increase adjustment for computation of the alternative minimum tax consisting generally of 75% of the amount by which "adjusted current earnings" exceeds alternative minimum taxable income (computed without regard to this adjustment and the alternative tax net operating loss deduction). Thus, to the extent that interest on the Bonds is a component of a corporate holder's "adjusted current earnings", such interest may be subject to an alternative minimum tax.

Section 265(b) of the Code generally denies to institutions any deduction for that portion of interest expense incurred to purchase or carry tax-exempt obligations. An exception is provided certain small issuers who designate the obligations as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code and, provided certain conditions are met, for obligations the proceeds of which refund obligations which were designated as qualified tax-exempt obligations. Such obligations will be subject to a reduced disallowance rule. The Bonds will **not** be designated as qualified tax exempt obligations under Section 265(b) of the Code.

Ownership of tax-exempt obligations may also result in collateral federal income tax consequences to certain taxpayers including, without limitation, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations.

Original Issue Premium

The Bonds have been sold to the public at a premium. Section 171 of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under, Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser's basis in a Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a Bond in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such Bonds and not as interest.

The federal income tax consequences from the purchase, ownership and redemption, sale or other disposition of Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. Holders of the Bonds should consult their own tax advisors with respect to the consequences of owning Bonds, including the effect of such ownership under applicable state and local laws.

From time to time, there are legislative proposals in Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. Various proposals have been submitted to Congress, which if enacted, would limit for certain individual taxpayers the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. If enacted into law. Such proposals may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals may also affect the market price for, or marketability of, the Bonds. No prediction is made whether these provisions will be enacted a proposed or concerning other future legislation which if passed might have an effect on the tax treatment on interest on the Bonds. Bond Counsel renders no opinion regarding any pending or proposed federal tax legislation. Bond Counsel will render its opinion as of the issue date, and will assume no obligation to update its opinions after the issue date to reflect any future facts or circumstances, or any future changes in law or interpretation, or otherwise. Moreover, the opinions of Bond Counsel are only opinions and not a warranty or guaranty of the matters discussed. Bond Counsel has no obligation to provide updated information concerning pending or future legislation. Each purchaser of the Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation.

In addition, the Internal Revenue Service (“IRS”) has established an expanded audit program for tax-exempt bonds. There can be no assurance that legislation enacted or proposed or an audit initiated or concluded by the IRS after the issue date of the Bonds involving either the Bonds or other tax-exempt bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds. Each purchaser of the Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

In addition, prospective purchasers of the Bonds should be aware that Section 6049 of the Code provides that interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. Pursuant to Notice 2006-93, backup withholding will be required if the bondholder fails to provide a tax identification number. This reporting requirement does not in and of itself affect or alter the excludability of such interest from gross income for federal tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

State Taxation

Bond Counsel is of the opinion, based upon existing statutes and judicial decisions, that interest on the Bonds and net gains from the sale of the Bonds are not included as gross income under the New Jersey Gross Income Tax Act. Potential purchasers of the Bonds should consult with their tax advisors in order to understand the tax consequences of ownership of the Bonds under the laws of other states.

Tax legislation, administrative action taken by tax authorities, and court decisions, whether at the federal or state level, may adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes, or the exclusion of interest on and any gain realized on the sale of the Bonds under the existing New Jersey Gross Income Tax Act, and any such legislation, administrative action or court decisions could adversely affect the market price or marketability of the bonds.

THE FOREGOING IS NOT INTENDED AS AN EXHAUSTIVE RECITAL OF THE POTENTIAL TAX CONSEQUENCES OF HOLDING THE BONDS. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF OWNERSHIP OF THE BONDS.

LEGALITY FOR INVESTMENT

The State and all public officers, municipalities, counties, political subdivisions and public bodies, and agencies thereof, all banks, bankers, trust companies, savings and loan associations, savings banks and institutional building and loan associations, investment companies, and other persons carrying on banking business, all insurance companies, and all executors, administrators, guardians, trustees, and other fiduciaries may legally invest any sinking funds, moneys or other funds belonging to them or within their control in any bonds of the Township including the Bonds, and such Bonds are authorized security for any and all public deposits.

CONTINUING DISCLOSURE

The Township has covenanted for the benefit of the holders of the Bonds and the beneficial owners of the Bonds to provide certain financial information and operating data of the Township to

comply with the provisions of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented, and as detailed in a Continuing Disclosure Certificate (the "Certificate") to be executed on behalf of the Township by its Chief Financial Officer, in the form appearing in Appendix "C" (the "Continuing Disclosure Certificate") attached hereto. Such Certificate shall be delivered concurrently with the delivery of the Bonds. Annual financial information, including operating data, and notices of events specified in the Rule, if material, shall be filed with the Municipal Securities Rulemaking Board's (the "MSRB") Electronic Municipal Market Access ("EMMA") dataport.

During the five-year period preceding the date of this Official Statement, the Township previously failed to file event notices in connection with certain bond insurer rating changes. Such notices of events have since been filed on EMMA. The Township appointed Phoenix Advisors, LLC in May of 2015 to serve as continuing disclosure agent.

LITIGATION

Upon delivery of the Bonds, the Township shall furnish a certificate of Secare & Hensel, Toms River, New Jersey (the "Township Attorney"), dated the date of delivery of the Bonds, to the effect that there is no litigation of any nature pending or, to the firm's knowledge, threatened, to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Bonds. In addition, such certificate shall state that there is no litigation of any nature now pending or threatened by, or against, the Township wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the Township or adversely affect the power of the Township to levy, collect and enforce the collection of taxes or other revenues for the payment of its bonds or notes, which has not been disclosed in this Official Statement.

MUNICIPAL BANKRUPTCY

The undertakings of the Township should be considered with reference to Chapter 9 of the Bankruptcy Act, 11 U.S.C. Section 401, et seq., as amended by Public Law 95-598, approved November 6, 1978, and as further amended on November 3, 1988, by an Act to Amend the Bankruptcy Law to Provide for Special Revenue Bonds, and for Other Purposes, and on October 22, 1994, by the Bankruptcy Reform Act of 1994, and by other bankruptcy laws affecting creditors' rights and municipalities in general. Chapter 9 permits a state or any political subdivision, public agency or instrumentality that is insolvent or unable to meet its debts to file a petition in a bankruptcy court for the ultimate purpose of effecting a plan to adjust its debts. Chapter 9 directs such a petitioner to file with the Bankruptcy Court a list of the petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner, with the exception that such petition does not operate as a stay of application of pledged special revenues to the payment of indebtedness secured by such revenues; grants priority to administrative and operational expenses and to debts owed for services or material, up to \$4,000 per individual or corporation, actually provided within ninety (90) days of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; provides that any securities issued under a reorganization plan will be exempt from the securities laws and, therefore, exempt from registration requirements; permits the petitioner, during bankruptcy proceedings, to continue to pay pre-petition debt without prior court approval; and provides that the plan must be accepted by a class of creditors, in writing, by or on behalf of creditors holding at least two-thirds in amount and more than one-half in number of the allowed claims of such class held by creditors. A plan shall not be approved by the Bankruptcy Court unless it is in the best interests of creditors and is feasible.

Reference should also be made to N.J.S.A. 52:27-40 through 52:27-45.11, which provides that any county, municipality, or other political subdivision of this State has the power to file a petition with any Bankruptcy Court, provided the approval of the municipal finance commission has been obtained, and such petition has been authorized by ordinance of the governing body of the political subdivision. The powers of the municipal finance commission have been vested in the Local Finance Board. The Bankruptcy Act specifically provides that Chapter 9 does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Act. However, the Bankruptcy Act does provide that a municipality must obtain any regulatory or electoral approval necessary under constitutional, statutory, or charter provisions, for actions taken under the reorganization plan.

CERTAIN REFERENCES

The foregoing statements and descriptions of provisions of the New Jersey Constitution, the Local Bond Law and other laws of the State of New Jersey, the Federal Bankruptcy Code, the ordinances and the resolution of the Township and the Bonds and all references to other material not purported to be quoted in full are only brief, generalized descriptions thereof, do not purport to be complete, and are in all respects subject to and qualified in their entireties by express reference to the complete provisions thereof. Copies of the ordinances and the resolution will be furnished by the Township on request.

All estimates and assumptions herein are believed to be reasonable, but no warranty, guaranty or other representation is made that such estimates or assumptions will be realized or are correct. So far as any statements herein involve matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

CERTIFICATION OF OFFICIAL STATEMENT

The Township hereby states that the descriptions and statements herein relating to the Township are true and correct in all material respects and, upon request, it will confirm to the purchasers of the Bonds, by certificates signed by the Township Chief Financial Officer, that to his knowledge such descriptions and statements, as of the date hereof, and as of the date of delivery of the Bonds, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

All other information has been obtained from sources which the Township considers to be reliable and it makes no warranty, guaranty or other representation which respect to the accuracy and completeness of such information.

Bond Counsel has not participated in the preparation of the financial or statistical information contained in this Official Statement, nor has it verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

RATINGS

S&P and KBRA (the "Rating Agencies") are expected to assign the Bonds a rating of "AA" and "AA+", respectively, subject to the issuance of the Policy by AGM at the time of delivery of the Bonds. S&P has assigned an underlying rating of "A+" to the Bonds based upon the creditworthiness of the Township. There is no assurance that the ratings will pertain for any given period of time or that they will not be lowered or withdrawn entirely if, in the judgment of the Rating Agencies, circumstances so

warrant. Any downward revision or withdrawal of the ratings could have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds have been purchased from the Township at a public sale by JP Morgan Securities LLC (the "Underwriter") at a price of \$13,855,706.61.

The Underwriter intends to offer the Bonds to the public initially at the offering yields set forth on the inside front cover of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investments trusts) at yields higher than the public offering yields set forth on the inside front cover of this Official Statement, and such yields may be changed, from time to time, by the Underwriter without prior notice.

MUNICIPAL ADVISOR

Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor to the Township with respect to the issuance of the Bonds (the "Municipal Advisor"). The Municipal Advisor is not obligated to undertake and has not undertaken, either to make an independent verification of, or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the appendices hereto. The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bond are subject to the approval of Bond Counsel to the Township, whose approving legal opinion will be delivered with the Bonds substantially in the form appearing in Appendix "D". Certain legal matters will be passed on for the Township by the Township Attorney.

FINANCIAL STATEMENTS

Appendix "B" contains certain audited financial data of the Township for the Township's fiscal year ending December 31, 2016. The audited financial data were provided by Holman Frenia Allison, P.C., Toms River, New Jersey, to the extent and for the period set forth in their report appearing in Appendix "B", and are included herein in reliance upon the authority of such firm.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including any information additional to that contained herein, may be directed to the Township's Chief Financial Officer, 231 Third Street, Lakewood, New Jersey 08701-3220, telephone (732) 364-2500, or to its Municipal Advisor, Phoenix Advisors, LLC, 4 West Park Street, Bordentown, New Jersey, telephone (609) 291-0130.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Township and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Township since the date hereof.

This Official Statement has been duly executed and delivered by the Township.

**TOWNSHIP OF LAKEWOOD,
IN THE COUNTY OF OCEAN, NEW JERSEY**

By: /s/ William C. Rieker
William C. Rieker,
Chief Financial Officer

Dated: October 31, 2017

APPENDIX A
GENERAL INFORMATION REGARDING THE TOWNSHIP

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INFORMATION REGARDING THE TOWNSHIP¹

The following material presents certain economic and demographic information of the Township of Lakewood (the “Township”), in the County of Ocean (the “County”), State of New Jersey (the “State”).

General Information

The Township is a community of approximately twenty-six (26) square miles located at the northern edge of the County, about sixty (60) miles from both the New York-New Jersey metropolitan region and the New Jersey-Philadelphia metropolitan region. It is bounded by Brick Township to the east, Toms River Township to the south, Jackson Township to the west, and Howell Township (Monmouth County) to the north.

Form of Government

The Township Committee form of government provides for a five-member committee elected at general elections conducted on the first Tuesday following the first Monday in November. The Township presently employs a Municipal Manager, whose duties are specified by local ordinance, and who generally carries out the policies adopted by the Township Committee. Therefore, the Township has full-time professional management to assist in the conduct of its affairs. The Township also employs a full-time Chief Financial Officer to oversee the finance department which is primarily responsible for the administration of the Township’s annual budget and maintenance of the general ledger, among other responsibilities.

Education

The Township school system began operation in 1869 with the opening of the first public school. Today, the Lakewood Township School District (the “Local School District”) operates four (4) kindergarten (K) through grade six (6) elementary schools, a grade seven (7) and grade eight (8) middle school, and a high school and alternative high school for grades nine (9) through twelve (12), serving a total student population of approximately 5,300 students. A significant number of children also attend various private and religious schools in the district. The Local School District is a Type II school district without a board of estimate.

Utilities/Public Works

The Township is serviced by Verizon, which provides telephone service. Jersey Central Power & Light Company provides electrical service. The Lakewood Township Municipal Utilities Authority (the “LTMUA”) operates the former franchise area of the South Lakewood Water Company. There is a private water utility known as the New Jersey Water Company, servicing the remaining portion of the Township. The South Lakewood Sewerage Company which provides service to the southern portion of the Township, is a private utility, and is presently connected to the facilities of the Ocean County Utilities Authority for treatment and disposal of effluent. The LTMUA has no future plans to acquire or operate a sewerage system,

¹ Source: The Township, unless otherwise indicated.

although authorized to do so under the Municipal Utilities Authority Act. The LTMUA is operating on a self-liquidating basis from water revenues received from its users.

In 1975, the Township and the LTMUA entered into a Service Contract providing for certain annual service charges payable by the Township in respect of operating deficits of the LTMUA (including, if necessary, amounts in respect of debt service on obligations of the LTMUA). Through such Service Contract, the Township provides additional security for, and is contingently liable in respect of, certain bonds and notes issued from time to time by the LTMUA.

Police and Fire Protection

The Township is served by the Lakewood Police Department (LPD), which provides police protection for the Township and has several specialized units including: Traffic and Safety, School Resource Officers, Special Response Team (SWAT), Dive Team, and a Motorcycle Patrol and Bicycle Patrol unit in the spring and summer.

For fire protection, the Township is served by the Lakewood Fire Department (LFD), a unified combination fire department consisting of five (5) volunteer fire companies, one (1) fire police unit and two (2) paid fire stations which provide fire protection for the Township.

Transportation

The Township's existing road system is a composite of Federal, State, County and local jurisdiction. Route 9 traverses the Township from north to south and provides easy access to the northern metropolitan New Jersey and New York metropolitan areas, and easy access to the southern resort area of the State. Route 70 traverses the Township from east to west and provides highway traffic to Camden City and the Philadelphia metropolitan region.

The Garden State Parkway provides access to both the northern and southern areas of the State with easy access from the Parkway to the New Jersey Turnpike for commuting to New York, New England, and points south and west. Further east-west traffic is provided by Routes 72, 37 and 88. Route 88 connects the Township with Point Pleasant Borough where rail facilities are available for commuting to the northern New Jersey-New York area.

The Township is served by the Central Railroad of New Jersey for freight services, which traverses the northwest portion of the Township and connects the Township with major rail centers. The Lakewood airport is located within close proximity to the Township's central business district for fast, easy access to passenger points of destination in the Newark, Philadelphia and New York airports.

Retirement Systems

All full-time permanent or qualified Township employees who began employment after 1944 must enroll in one of two retirement systems depending upon their employment status. These systems were established by acts of the State Legislature. Benefits, contributions, means

of funding and the manner of administration are set by State law. The Division of Pensions, within the New Jersey Department of Treasury (the “Division”), is the administrator of the funds with the benefit and contribution levels set by the State. The Township is enrolled in the Public Employees' Retirement System (“PERS”) and the Police and Firemen's Retirement System (“PFRS”).

Pension Information²

Employees, who are eligible to participate in a pension plan, are enrolled in PERS or PFRS, administered by the Division. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost. The Township’s share of pension costs in 2016, which is based upon the annual billings received from the State, amounted to \$1,295,387 for PERS and \$3,483,360 for PFRS.

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² Source: State of New Jersey Department of Treasury, Division of Pensions and Benefits

Employment and Unemployment Comparisons

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the Township, the County, and the State:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Township</u>				
2016	30,739	29,443	1,296	4.2%
2015	29,512	28,021	1,491	5.1%
2014	29,259	27,379	1,880	6.4%
2013	28,675	26,440	2,235	7.8%
2012	28,766	26,185	2,581	9.0%
<u>County</u>				
2016	268,849	254,769	14,080	5.2%
2015	268,585	252,465	16,120	6.0%
2014	266,273	246,687	19,586	7.4%
2013	265,783	241,266	24,517	9.2%
2012	268,491	240,035	28,456	10.6%
<u>State</u>				
2016	4,524,262	4,299,923	224,315	5.0%
2015	4,543,800	4,288,800	255,000	5.6%
2014	4,513,600	4,209,700	303,900	6.7%
2013	4,528,500	4,157,600	370,800	8.2%
2012	4,585,300	4,158,600	426,800	9.3%

Source: New Jersey Department of Labor, Office of Research and Planning, Division of Labor Market and Demographic Research, Bureau of Labor Force Statistics, Local Area Unemployment Statistics

Income (as of 2015)

	<u>Township</u>	<u>County</u>	<u>State</u>
Median Household Income	\$40,983	\$61,994	\$72,093
Median Family Income	42,423	76,934	88,335
Per Capita Income	15,124	31,200	36,582

Source: US Bureau of the Census

Population

The following tables summarize population increases and decreases for the Township, the County, and the State.

<u>Year</u>	<u>Township</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2016 Estimate	100,758	8.53%	592,497	2.76%	8,958,013	1.89%
2010	92,843	53.84	576,567	12.85	8,791,894	4.49
2000	60,352	33.97	510,916	17.94	8,414,350	8.85
1990	45,048	17.12	433,203	25.19	7,730,188	4.96
1980	38,464	52.44	346,038	65.99	7,365,001	2.75

Source: United States Department of Commerce, Bureau of the Census

Largest Taxpayers

The ten (10) largest taxpayers in the Township and their assessed valuations are listed below:

<u>Taxpayers</u>	<u>2016 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Harrogate	\$29,229,300	0.45%
New Hampshire Avenue Investments	29,000,000	0.45%
Leisure Park Venture LTD	26,931,900	0.42%
1900 R70 Associates LLC	25,000,000	0.39%
Lakewood Plaza 9 Assoc. LP	24,444,500	0.38%
Lakewood Cogeneration LP	20,921,000	0.32%
Southgate at Lakewood LLC	17,776,100	0.28%
Parkway Lodging Realty LLC	17,671,000	0.27%
Eden Terrace LLC	14,456,000	0.22%
528 LLC	<u>14,366,000</u>	<u>0.22%</u>
Total	<u>\$219,795,800</u>	<u>3.41%</u>

Source: Comprehensive Annual Financial Report of the School District and Municipal Tax Assessor

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2016	\$193,527,697	\$188,476,118	97.39%
2015	181,444,332	176,994,178	97.55%
2014	168,349,045	163,882,545	97.35%
2013	156,732,622	150,977,590	96.33%
2012	146,479,145	141,152,778	96.36%

Source: Annual Audit Reports of the Township

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2016	\$1,167,793	\$4,652,656	\$5,820,449	3.01%
2015	1,055,494	3,908,549	4,964,043	2.74%
2014	1,047,447	3,890,567	4,938,014	2.93%
2013	1,013,318	3,616,508	4,629,826	2.95%
2012	1,231,914	3,448,199	4,680,113	3.20%

Source: Annual Audit Reports of the Township

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2016	\$51,439,400
2015	51,439,400
2014	52,336,800
2013	52,704,700
2012*	54,789,200

* The Township has revalued the municipally owned properties that comprise the receivable balance on the current fund comparative statement of assets, liabilities, reserves and fund balance. The balance has been revalued from \$5,930,092 to \$54,789,200. The revaluation brings the property values to reflect the assessed values in the Township tax duplicate.

Source: Annual Audit Reports of the Township

Tax Rates per \$100 of Net Valuations Taxable and Allocations

The table below lists the tax rates for Township residents for the past five (5) years.

<u>Year</u>	<u>Municipal</u>	<u>Local School</u>	<u>County</u>	<u>Fire District</u>	<u>Total</u>
2017R	\$0.592	\$1.004	\$0.407	\$0.049	\$2.052
2016	0.861	1.449	0.550	0.070	2.930
2015	0.861	1.403	0.513	0.058	2.835
2014	0.861	1.306	0.467	0.055	2.689
2013	0.783	1.190	0.452	0.044	2.469

R: Revaluation

Source: Abstract of Ratables and State of New Jersey – Property Taxes

Valuation of Property

<u>Year</u>	<u>Aggregate Assessed Valuation of Real Property</u>	<u>Aggregate True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Personal Property</u>	<u>Equalized Valuation</u>
2017R	\$9,677,307,895	\$9,470,843,507	102.18%	\$0	\$9,470,843,507
2016	6,451,459,200	9,019,235,565	71.53	0	9,019,235,565
2015	6,271,965,700	8,251,500,724	76.01	0	8,251,500,724
2014	6,151,919,800	7,574,390,298	81.22	11,728,940	7,586,119,238
2013	6,253,760,900	7,254,943,039	86.20	11,813,766	7,266,756,805

R: Revaluation

Source: Abstract of Ratables and State of New Jersey – Table of Equalized Valuations

Classification of Ratables

The table below lists the comparative assessed valuation for each classification of real property within the Township for the past five (5) years.

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2017R	\$561,132,800	\$6,875,176,623	\$4,331,400	\$1,051,798,750	\$772,859,700	\$412,008,622	\$9,677,307,895
2016	286,546,300	4,789,711,800	3,221,100	624,452,600	459,750,800	287,776,600	6,451,459,200
2015	256,079,600	4,625,968,400	3,716,700	630,153,600	470,101,100	285,946,300	6,271,965,700
2014	244,960,100	4,523,966,500	3,715,500	629,335,100	464,296,800	285,645,800	6,151,919,800
2013	235,722,600	4,648,485,100	4,138,400	611,549,700	477,750,200	276,114,900	6,253,760,900

R: Revaluation

Source: Abstract of Ratables and State of New Jersey – Property Value Classification

Financial Operations

The following table summarizes the Township's Current Fund budget for the past five (5) fiscal years ending December 31. The following summary should be used in conjunction with the tables in the sourced documents from which it is derived.

Summary of Current Fund Budget

<u>Anticipated Revenues</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Fund Balance Utilized	\$5,100,000	\$5,700,000	\$7,432,940	\$9,696,675	\$14,984,240
Miscellaneous Revenues	12,314,060	16,608,397	12,197,585	12,207,989	11,786,140
Receipts from Delinquent Taxes	3,400,000	3,000,000	3,050,000	3,200,000	3,700,000
Amount to be Raised by Taxation	49,101,420	53,095,472	54,001,576	55,545,000	57,245,001
Total Revenue:	<u>\$69,915,480</u>	<u>\$78,403,869</u>	<u>\$76,682,101</u>	<u>\$80,649,664</u>	<u>\$87,715,381</u>
<u>Appropriations</u>					
General Appropriations	\$55,229,161	\$58,431,103	\$62,008,596	\$63,277,451	\$68,168,475
Operations (Excluded from CAPS)	2,059,011	7,241,037	1,975,969	2,293,136	949,700
Deferred Charges and Statutory Expenditures	363,200	613,200	686,503	330,862	415,403
Judgments	0	0	100,000	0	0
Capital Improvement Fund	150,000	200,000	1,047,600	3,121,800	4,789,000
Municipal Debt Service	6,518,284	5,760,584	6,159,964	6,038,912	6,227,603
Transferred to Board of Education	0	0	0	1,000,000	2,000,000
Reserve for Uncollected Taxes	<u>5,595,824</u>	<u>6,157,945</u>	<u>4,703,469</u>	<u>4,587,503</u>	<u>5,165,200</u>
Total Appropriations:	<u>\$69,915,480</u>	<u>\$78,403,869</u>	<u>\$76,682,101</u>	<u>\$80,649,664</u>	<u>\$87,715,381</u>

Source: Annual Adopted Budgets of the Township

Fund Balance

The following table lists the Township's fund balance and the amount utilized in the succeeding year's budget for the Current Fund for the past five (5) fiscal years ending December 31.

<u>Fund Balance - Current Fund</u>		
	<u>Balance</u>	<u>Utilized in Budget</u>
<u>Year</u>	<u>12/31</u>	<u>of Succeeding Year</u>
2016	\$29,460,274	\$14,984,240
2015	21,575,424	9,696,675
2014	12,698,161	7,432,940
2013	6,711,046	5,700,000
2012	6,174,884	5,100,000

Source: Annual Audit Reports of the Township

Township Indebtedness as of December 31, 2016

General Purpose Debt

Serial Bonds	\$32,140,000
Bond Anticipation Notes	12,930,000
Bonds and Notes Authorized but Not Issued	6,240,213
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$51,310,213

Local School District Debt

Serial Bonds	\$33,445,000
Temporary Notes Issued	2,241
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$33,447,241

Self-Liquidating Debt

Serial Bonds	\$0
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$0

TOTAL GROSS DEBT

\$84,757,454

Less: Statutory Deductions	
General Purpose Debt	\$756,339
Local School District Debt	33,447,241
Self-Liquidating Debt	<u>0</u>
Total:	\$34,203,580

TOTAL NET DEBT

\$50,553,874

Source: Annual Debt Statement of the Township

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Overlapping Debt (as of December 31, 2016)³

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Township Percentage</u>	<u>Township Share</u>
Local School District	\$33,447,241	100.00%	\$33,447,241
Lakewood Municipal Utilities Authority	17,766,295	100.00%	17,766,295
County	457,267,841	8.58%	<u>39,241,449</u>
Net Indirect Debt			\$90,454,985
Net Direct Debt			<u>50,553,874</u>
Total Net Direct and Indirect Debt			<u>\$141,008,859</u>

Debt Limit

Average Equalized Valuation Basis (2014, 2015, 2016)	\$8,281,708,862
Permitted Debt Limitation (3 1/2%)	289,859,810
Less: Net Debt	<u>50,553,874</u>
Remaining Borrowing Power	<u>\$239,305,936</u>
Percentage of Net Debt to Average Equalized Valuation	0.610%

Gross Debt Per Capita based on 2010 population of 92,843	\$913
Net Debt Per Capita based on 2010 population of 92,843	\$545

Source: Annual Debt Statement of the Township

³ Township percentage of County debt is based on the Township's share of total equalized valuation in the County. The Township's utilities authority debt is based on the Township's portion of total flow from each respective authority.

APPENDIX B
FINANCIAL INFORMATION OF THE TOWNSHIP

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Township Council
Township of Lakewood
County of Ocean
Lakewood, New Jersey 08701

Report on the Financial Statements

We have audited the accompanying statements of assets, liabilities, reserves and fund balance - regulatory basis of the various funds and account group of the Township of Lakewood, County of Ocean, State of New Jersey as of December 31, 2016 and 2015, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, the related statement of revenues - regulatory basis, and statement of expenditures - regulatory basis for the year ended December 31, 2016 and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles and practices 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

As described in Note 1 to the financial statements, the Township of Lakewood prepares its financial statements using accounting practices that demonstrate compliance with regulatory basis of accounting and budget laws of 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 the State of New Jersey.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America” 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 the Township of Lakewood, County of Ocean, State of New Jersey, as of December 31, 2016 and 2015, or the results of its operations and changes in fund balance 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 assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the Township of Lakewood, County of Ocean, State of New Jersey, as of December 31, 2016 and 2015, and the results of its operations and changes in fund balance - regulatory basis of such funds for the years then ended, and the statement of revenues - regulatory basis, statement of expenditures - regulatory basis of the various funds, and general fixed assets group of accounts – regulatory basis, for the year ended December 31, 2016 in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

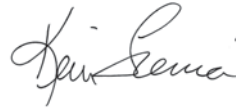
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2017, on our consideration of the Township of Lakewood’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

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 Lakewood's internal control over financial reporting and compliance.

Respectfully submitted,

HOLMAN FRENIA ALLISON, P.C.

A handwritten signature in cursive script, appearing to read "Kevin P. Frenia".

Kevin P. Frenia
Certified Public Accountant
Registered Municipal Accountant
RMA #435

Medford, New Jersey
May 18, 2017

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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***

Honorable Mayor and Members
of the Township Council
Township of Lakewood
County of Ocean
Lakewood, New Jersey 08701

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements-regulatory basis of the Township of Lakewood (herein referred to as "the Township"), as of and for the year ended December 31, 2016, 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 18, 2017. Our report indicated that the Township's financial statements were not prepared and presented in accordance with accounting principles generally accepted in the United States of America but rather prepared and presented in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control over Financial Reporting

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

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

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

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

HOLMAN FRENIA ALLISON, P.C.

A handwritten signature in dark ink, appearing to read 'Kevin P. Frenia', is written over a light gray background.

Kevin P. Frenia
Certified Public Accountant
Registered Municipal Accountant
RMA #435

Medford, New Jersey
May 18, 2017

BASIC FINANCIAL STATEMENTS

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**TOWNSHIP OF LAKEWOOD
CURRENT FUND
STATEMENT OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2016 AND 2015**

ASSETS	REFERENCE	2016	2015
Regular Fund:			
Cash & Cash Equivalents	A-4	\$ 50,773,217	\$ 40,156,194
Cash - Change Fund	A	1,415	1,315
Due from State of New Jersey	A-10	110,998	112,701
Total Regular Fund		50,885,630	40,270,210
Receivables & Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-6	4,652,656	3,908,549
Tax Title Liens Receivable	A-7	1,167,793	1,055,494
Abatement Receivable	A-8	26,015	26,015
Property Acquired for Taxes	A-9	50,008,900	51,439,400
Revenue Accounts Receivable	A-11	319,934	433,274
Total Receivable & Other Assets With Full Reserves		56,175,298	56,862,732
Deferred Charges:			
Special Emergency Authorizations	A-12	1,100,000	1,375,000
Total Deferred Charges		1,100,000	1,375,000
Total		108,160,928	98,507,942
Federal & State Grants:			
Due from Current Fund	A-26	462,906	858,447
Federal & State Grants Receivable	A-27	14,281,880	14,241,312
Total Federal & State Grants		14,744,786	15,099,759
Total Assets		\$ 122,905,714	\$ 113,607,701

The Accompanying Notes to the Financial Statements are an integral part of this Statement.

**TOWNSHIP OF LAKEWOOD
CURRENT FUND
STATEMENT OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2016 AND 2015**

LIABILITIES, RESERVES & FUND BALANCE	REFERENCE	2016	2015
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3	\$ 4,933,053	\$ 4,648,036
Reserve for Encumbrances	A-3	2,463,876	1,911,450
Accounts Payable	A-14	106,880	184,081
Prepaid Taxes	A-15	1,482,019	988,787
Tax Overpayments	A-16	2,702,122	1,677,183
County Taxes Payable	A-17	829,311	644,617
Due to State of New Jersey	A-21	50,050	76,144
Interfunds Payable	A-24	1,708,980	2,476,136
Deposits on Sale of Property	A-22	338,000	362,652
Due to Lakewood Housing	A-23	1,382,382	42
Special Emergency Notes Payable	A-25	1,100,000	1,375,000
Prepaid Tax Abatements	A	-	59
Various Reserves	A-20	5,428,683	5,725,599
Total Liabilities		22,525,356	20,069,786
Reserves for Receivables & Other Assets	A	56,175,298	56,862,732
Fund Balance	A-1	29,460,274	21,575,424
Total Regular Fund		108,160,928	98,507,942
State & Federal Grants:			
Reserve for State & Federal Grants:			
Encumbered	A-28	270,371	881,016
Reserved	A-28	14,474,415	14,218,743
Total State & Federal Grants		14,744,786	15,099,759
Total Liabilities, Reserves & Fund Balance		\$ 122,905,714	\$ 113,607,701

The Accompanying Notes to the Financial Statements are an integral part of this Statement.

**TOWNSHIP OF LAKEWOOD
CURRENT FUND
STATEMENT OF OPERATIONS AND CHANGES
IN FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
Revenue & Other Income Realized:		
Fund Balance Utilized	\$ 9,696,675	\$ 7,432,940
Miscellaneous Revenue Anticipated	16,091,978	20,281,100
Receipts from Delinquent Taxes	3,867,511	3,885,699
Receipts from Current Taxes	188,476,118	176,994,178
Nonbudget Revenues	8,183,140	7,863,221
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	3,813,877	1,852,520
Cancellation of Grant Appropriated Reserve	128,637	-
Close out Tent City	-	18
Cancellation of Accounts Payable	117,034	-
Interfunds Returned	6,515	11,167
Total	230,381,485	218,320,843
Expenditures:		
Budget & Emergency Appropriations:		
Appropriations Within "CAPS":		
Operations:		
Salaries & Wages	29,688,340	28,192,892
Other Expenses	27,503,064	28,030,393
Deferred Charges & Statutory Expenditures	6,086,047	5,785,311
Appropriations Excluded from "CAPS":		
Operations:		
Other Expenses	3,866,553	8,974,923
Capital Improvements	3,121,800	1,047,600
Municipal Debt Service	6,038,879	6,159,813
Deferred Charges	330,862	686,503
Judgements	-	100,000
Transfer to Board of Education for Use of Local Schools	1,000,000	-
Local School District Taxes	93,496,265	88,001,082
County Taxes Payable	36,297,557	32,778,328
Fire District Taxes Payable	4,465,410	3,600,852
Cancellation of Grant Receivable Without Appropriation	124,409	1,878
Prior Year Senior Citizens' and Vets' Disallowed	34,001	26,065
Refund of Prior Year Revenue	746,773	-
Total	212,799,960	203,385,640
Excess in Revenue	17,581,525	14,935,203
Expenditures Included Above which are by Statute		
Deferred Charges to Budgets of Succeeding Years	-	1,375,000
Statutory Excess to Fund Balance	17,581,525	16,310,203
Fund Balance January 1,	A 21,575,424	12,698,161
Total	39,156,949	29,008,364
Less: Amount of Fund Balance Utilized as Revenue	A-2 9,696,675	7,432,940
Fund Balance December 31,	A \$ 29,460,274	\$ 21,575,424

The Accompanying Notes to the Financial Statements are an integral part of this Statement.

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

	ANTICIPATED			
	ADOPTED BUDGET	SPECIAL N.J.S.40A:4-87	REALIZED	EXCESS (DEFICIT)
Fund Balance Anticipated	\$ 9,696,675	\$ -	\$ 9,696,675	\$ -
Miscellaneous Revenues Anticipated:				
Local Revenues:				
Licenses:				
Alcoholic Beverages	80,000	-	91,638	11,638
Other	130,000	-	116,341	(13,659)
Fees & Permits:				
Uniform Construction Code	1,800,000	-	3,191,848	1,391,848
Other	550,000	-	690,724	140,724
Fines & Costs - Municipal Court	680,000	-	736,490	56,490
Interest & Costs on Taxes	700,000	-	898,785	198,785
Police Identification Fees	16,000	-	18,421	2,421
Payment in Lieu of Taxes:				
Sons of Israel	75,000	-	16,922	(58,078)
Consolidated Municipal Property Tax Relief	388,342	-	388,342	-
Energy Receipts Tax	4,769,265	-	4,769,265	-
Tax Abatement Program Revenues	100,000	-	242,651	142,651
Emergency Medical Services	750,000	-	1,084,354	334,354
Recycling Revenues from County	80,000	-	61,915	(18,085)
General Capital Fund Balance	135,000	-	135,000	-
Municipal Hotel & Occupancy Tax	120,000	-	144,531	24,531
Police Off-Duty Funds	250,000	-	338,563	88,563
Cell Tower Lease	90,000	-	98,389	8,389
Cable TV Franchise Fees	167,419	-	167,419	-
Federal & State Grants:				
Recycling Tonnage Grant	117,920	-	117,920	-
Safe & Secure Communities Program	60,000	-	60,000	-
Clean Communities	-	135,359	135,359	-
Cops in Shops	-	5,600	5,600	-
Body Armor Replacement Grant	-	10,605	10,605	-
NJDOT 2016 Municipal Aid Program	351,726	-	351,726	-
Drive Sober or Get Pulled Over - 2015 Holiday Crackdown	-	5,000	5,000	-
Drive Sober or Get Pulled Over - 2016 Labor Day	-	5,000	5,000	-
Edward Byrne Memorial Justice Grant	-	13,149	13,149	-
Click It or Ticket	-	5,000	5,000	-
Municipal Alcohol Education/Rehabilitation Program	-	7,675	7,675	-
Community Development Block Grant	-	1,200,529	1,200,529	-
USDOT-FAA Construct Taxiway-Phase II	544,276	-	544,276	-
NJDOT-Construct Taxiway to Runway 24 End -State Share	30,237	-	30,237	-
USDOT-FAA-Acquire Land for Approaches-Runway 6-Phase II	222,804	-	222,804	-
Urban Enterprise Zone:				
Business to Business Networking Initiative 3	-	65,500	65,500	-
Business Assistance Initiative 6	-	100,000	100,000	-
Hatzolah Emergency Medical Services Inc - Vehicle	-	20,000	20,000	-
Total Miscellaneous Revenue	12,207,989	1,573,417	16,091,978	2,310,572
Receipts From Delinquent Taxes	3,200,000	-	3,867,511	667,511
Amount to be Raised by Taxes	55,545,000	-	58,804,389	3,259,389
Nonbudget Revenues	-	-	8,183,140	8,183,140
Total	\$ 80,649,664	\$ 1,573,417	\$ 96,643,693	\$ 14,420,612

The Accompanying Notes to the Financial Statements are an integral part of this Statement.

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

ANALYSIS OF REALIZED REVENUE

Allocation of Current Tax Collections:	
Revenue From Collection	\$ 188,476,118
Net Revenue from Collections	188,476,118
Allocated to School, County & Fire District Taxes	134,259,232
Balance for Support of Municipal Budget Appropriations	54,216,886
Add: Reserve for Uncollected Taxes	4,587,503
Amount for Support of Municipal Budget Appropriations	<u>\$ 58,804,389</u>
Analysis of Delinquent Taxes:	
Tax Title Liens	\$ 613
Delinquent Taxes	3,866,898
Total Receipts From Delinquent Taxes	<u>\$ 3,867,511</u>

ANALYSIS OF NONBUDGET REVENUE

Miscellaneous Revenue Not Anticipated:	
Interest on Investments & Deposits	\$ 109,614
Recycling	22,574
Macedonia/Senior Housing	30,448
Lakewood Housing Authority-PILOT	27,173
Miscellaneous Other (MRNA)	22,120
Miscellaneous - Tax Collector	6,396
Miscellaneous - Municipal Court	889
Cancel Outstanding Checks	9,265
American Baseball Utility Reimbursement	12,666
Co-Gen Host Community Fees	119,587
Lakewood Board of Education - Fuel Usage Reimbursement	68,334
Lakewood Housing - Fuel Reimbursement	4,518
Lakewood MUA - Fuel Usage Reimbursement	9,528
Street Opening Fees	24,625
Crossing Guard Reimbursement	5,293
Airport Lease - Aviation Charter	14,680
Liquor License Bid	187,000
Lakewood Plaza II-Pilot	132,756
DMV Inspection Fines	150
Ocean County JIF Dividend	84,977
Sale of Municipal Property	6,060,846
Verizon Franchise Fee	35,207
Foreign Trade Zone Fees	11,378
Ocean County HIF Dividend	460,092
Ocean County Polling Places Fee	721
Postage Refunds	3
Other Copies	1,059
Copies Engineering	945
Property Maintenance	5,933
Congregation Ahavas Chesed	9,953
Senior & Veteran - State Admin Fees	10,354
QUAL-LYNX/Ocean Co. Mun JIF	52,402
Township Auction Proceeds	18,456
Lease of Property	15,000
Tax Sale - Tax Penalty	10,079
Stewart Bill Reimbursement Grant	16,500
Lease Yeshiva Mekor Hatorah	27,122
Lakewood Fire Commissioners - Fuel Reimbursement	9,719
Vacation of Streets - Easements	8,750
Banquest Fee Refunds	75,075
Miscellaneous	460,953
Total	<u>\$ 8,183,140</u>

The Accompanying Notes to the Financial Statements are an integral part of this Statement.

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

	APPROPRIATIONS		EXPENDED		UNEXPENDED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	BALANCE CANCELLED
GENERAL GOVERNMENT FUNCTIONS:					
Administrative & Executive:					
Office of the Manager					
Salaries and Wages	\$ 461,364	\$ 419,364	\$ 354,568	\$ 64,796	\$ -
Other Expenses	18,100	18,100	16,887	1,213	-
Governing Body:					
Salaries and Wages	140,667	147,067	147,067	-	-
Other Expenses	107,600	107,600	105,178	2,422	-
Office of the Clerk:					
Salaries and Wages	330,008	330,008	318,234	11,774	-
Other Expenses	64,600	64,600	37,759	26,841	-
Purchasing Department:					
Salaries and Wages	130,080	132,080	131,822	258	-
Other Expenses	212,350	212,350	210,626	1,724	-
Financial Administration					
Salaries and Wages	350,396	343,396	336,794	6,602	-
Other Expenses	63,840	70,840	66,144	4,696	-
Audit Services:					
Other Expenses	60,000	60,000	-	60,000	-
Computer Center:					
Salaries and Wages	79,028	79,028	75,526	3,502	-
Other Expenses	183,500	183,500	166,857	16,643	-
Collection of Taxes:					
Salaries and Wages	276,510	276,510	266,395	10,115	-
Other Expenses	65,150	65,150	33,987	31,163	-
Assessment of Taxes:					
Salaries and Wages	380,834	380,834	377,689	3,145	-
Other Expenses	179,229	179,229	127,640	51,589	-
Liquidation of Tax Liens & Foreclosed Property:					
Other Expenses	20,500	20,500	-	20,500	-
Legal Services & Costs:					
Other Expenses	863,000	863,000	673,013	189,987	-
Engineering Services & Costs:					
Other Expenses	965,250	965,250	793,832	171,418	-
Department of Economic Development:					
Salaries and Wages	140,800	143,500	143,477	23	-
Other Expenses	5,000	5,000	955	4,045	-
Civil Rights Commission (N.J.S. 18:25-10):					
Other Expenses	1,250	1,250	-	1,250	-
Advisory Board on Disability:					
Other Expenses	1,500	1,500	-	1,500	-
Tourism Advisory Committee:					
Other Expenses	3,500	3,500	-	3,500	-
Veterans Advisory Committee:					
Other Expenses	30,000	30,000	30,000	-	-
Municipal Support Services					
Other Expenses	50,000	50,000	50,000	-	-
LAND USE ADMINISTRATION:					
Planning Board:					
Other Expenses	43,000	53,000	47,970	5,030	-
Zoning Board:					
Other Expenses	73,900	68,900	28,615	40,285	-
PUBLIC SAFETY FUNCTIONS:					
Police:					
Salaries and Wages	17,714,575	17,657,575	17,292,347	365,228	-
Other Expenses	974,000	1,014,000	1,011,967	2,033	-
Emergency Management Services:					
Salaries and Wages	50,000	50,000	-	50,000	-
Other Expenses	68,320	68,320	66,929	1,391	-
Emergency Medical Technicians:					
Salaries and Wages	952,020	942,020	850,841	91,179	-
Other Expenses	141,815	141,815	130,364	11,451	-
Municipal Prosecutor:					
Other Expenses	81,000	81,000	68,750	12,250	-

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

	APPROPRIATIONS		EXPENDED		UNEXPENDED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	BALANCE CANCELLED
PUBLIC WORKS FUNCTION:					
Road Repairs & Maintenance:					
Salaries and Wages	1,510,018	1,270,018	1,217,354	52,664	-
Other Expenses	410,850	445,850	445,415	435	-
Street Cleaning:					
Salaries and Wages	138,922	108,922	100,781	8,141	-
Other Expenses	18,300	18,300	18,300	-	-
Department of Public Works:					
Salaries and Wages	829,814	829,814	789,630	40,184	-
Other Expenses	47,100	48,600	47,263	1,337	-
Shade Tree Commission:					
Salaries and Wages	146,944	150,144	148,570	1,574	-
Other Expenses	9,980	9,980	3,888	6,092	-
Cross Street Landfill Maintenance:					
Other Expenses	10,000	10,000	2,781	7,219	-
Garbage & Trash Removal:					
Salaries and Wages	1,284,805	1,383,805	1,345,770	38,035	-
Other Expenses	210,000	235,000	211,991	23,009	-
Recycling:					
Salaries and Wages	929,688	1,070,088	1,053,552	16,536	-
Other Expenses	67,500	84,500	71,616	12,884	-
Public Buildings & Grounds:					
Salaries and Wages	301,846	286,846	268,300	18,546	-
Other Expenses	177,000	232,000	219,821	12,179	-
Apartment Trash Reimbursements:					
Other Expenses	590,000	590,000	351,751	238,249	-
Automotive Mechanics:					
Salaries and Wages	428,389	492,389	486,005	6,384	-
Municipal Garage:					
Salaries and Wages	94,063	54,063	48,427	5,636	-
Other Expenses	115,500	130,500	117,442	13,058	-
Community Services Act:					
Other Expenses	1,225,000	1,225,000	1,028,354	196,646	-
MUNICIPAL COURT FUNCTIONS:					
Municipal Court:					
Salaries and Wages	462,560	442,560	414,178	28,382	-
Other Expenses	99,975	128,975	127,337	1,638	-
Public Defender:					
Other Expenses	45,000	45,000	11,300	33,700	-
HEALTH & HUMAN SERVICES FUNCTIONS:					
Board of Health:					
Salaries and Wages	107,000	91,700	73,507	18,193	-
Other Expenses	2,650	2,650	1,346	1,304	-
Environmental Commission (N.J.S. 40:56-A-1, et seq.):					
Other Expenses	2,000	2,000	1,539	461	-
Animal Control					
Salaries and Wages	81,136	87,436	87,019	417	-
Other Expenses	72,800	72,800	57,842	14,958	-
Relocation Assistance Program					
Other Expenses	7,500	7,500	-	7,500	-
Senior & Social Services:					
Other Expenses	250,000	250,000	250,000	-	-
Lakewood Community Services Corporation (N.J.S.A. 40:23-8.17)	40,000	80,000	80,000	-	-
PARKS & RECREATION FUNCTIONS:					
Recreation:					
Salaries and Wages	223,050	223,050	219,148	3,902	-
Other Expenses	41,900	41,900	30,433	11,467	-
Community Center:					
Salaries and Wages	115,540	115,540	98,430	17,110	-
Other Expenses	27,650	27,650	7,790	19,860	-
Parks & Playgrounds:					
Salaries and Wages	892,052	859,052	819,118	39,934	-
Other Expenses	145,050	145,050	133,338	11,712	-
OTHER COMMON OPERATING FUNCTIONS:					
Accumulated Leave Compensation	10,000	10,000	10,000	-	-
Celebration of Public Events:					
Other Expenses	15,000	15,000	12,000	3,000	-
Transfer to Lakewood Airport Authority	90,000	90,000	74,087	15,913	-
Lakewood Public Transportation	375,000	375,000	266,553	108,447	-

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

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELLED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
CODE ENFORCEMENT & ADMINISTRATION:					
State Uniform Construction Code Officials:					
Salaries and Wages	1,417,345	1,417,345	1,409,165	8,180	-
Other Expenses	356,300	356,300	275,932	80,368	-
Property Maintenance Code:					
Salaries and Wages	47,686	47,686	47,675	11	-
INSURANCE:					
Liability Insurance	972,510	972,510	972,510	-	-
Workers Compensation Insurance	978,557	978,557	978,557	-	-
Group Insurance Plan for Employees	10,050,000	10,050,000	9,926,560	123,440	-
Health Insurance Waivers	200,000	200,000	176,858	23,142	-
UTILITY EXPENSES & BULK PURCHASES:					
Electricity	413,000	413,000	343,117	69,883	-
Street Lighting	1,120,000	1,120,000	802,052	317,948	-
Telephone	194,000	194,000	162,783	31,217	-
Water	62,000	62,000	47,648	14,352	-
Natural Gas	136,000	136,000	70,092	65,908	-
Gasoline	1,154,000	1,005,800	609,747	396,053	-
Stadium Utilities	36,000	36,000	26,747	9,253	-
LANDFILL/SOLID WASTE DISPOSAL COSTS:					
Landfill Disposal Costs	3,176,238	3,176,238	2,910,062	266,176	-
Total Operations Within CAPS	57,247,904	57,183,904	53,473,714	3,710,190	-
Contingent	7,500	7,500	-	7,500	-
Total Operations Including Contingent Within "CAPS"	57,255,404	57,191,404	53,473,714	3,717,690	-
Detail:					
Salaries and Wages	30,017,140	29,688,340	28,777,912	910,428	-
Other Expenses	27,238,264	27,503,064	24,695,802	2,807,262	-
DEFERRED CHARGES & STATUTORY EXPENDITURES WITHIN CAPS:					
Statutory Expenditures:					
Contributions to Employees Retirement System	1,295,387	1,295,387	1,295,387	-	-
Social Security System (O.A.S.I.)	1,230,000	1,294,000	1,272,904	21,096	-
NJ Police & Fireman's Retirement System	3,483,360	3,483,360	3,483,360	-	-
Volunteer Firemen's Widow Pension					
R.S.43:12-28.2	4,800	4,800	4,800	-	-
Defined Contribution Retirement Program	8,500	8,500	2,832	5,668	-
Deferred Charges & Statutory Expenditures Within CAPS	6,022,047	6,086,047	6,059,283	26,764	-
Total Appropriations Within CAPS	63,277,451	63,277,451	59,532,997	3,744,454	-
OPERATIONS - EXCLUDED FROM CAPS					
Recycling Tax:					
Other Expenses	123,762	123,762	123,762	-	-
Declared State of Emergency Costs for					
Snow Removal	400,000	400,000	400,000	-	-
SMFP Fire District Payments	47,327	47,327	47,327	-	-
Total Operations Excluded from "CAPS"	571,089	571,089	571,089	-	-

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

	APPROPRIATIONS		EXPENDED		UNEXPENDED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	BALANCE CANCELLED
Public & Private Programs Offset by Revenues:					
Safe & Secure Communities Program:					
State Share	60,000	60,000	60,000	-	-
Local Share	334,847	334,847	334,847	-	-
Clean Communities Program	-	135,359	135,359	-	-
Alcohol Education & Rehabilitation Fund	-	7,675	7,675	-	-
Recycling Tonnage Grant	117,920	117,920	117,920	-	-
US DOT-FAA-Construct Taxiway-Phase II	544,276	544,276	544,276	-	-
NJDOT-Constuct Taxiway to Runway 24 End-State Share	30,237	30,237	30,237	-	-
NJDOT-Construct Taxiway to Runway 24 End-Local Share	30,237	30,237	30,237	-	-
USDOT-FAA-Acquire Land for Approaches-Runway 6-Phase II	222,804	222,804	222,804	-	-
Matching Funds for Grants	30,000	30,000	9,000	21,000	-
Urban Enterprise Zone:					
Business Assistace Initiative 6	-	100,000	100,000	-	-
Business to Business Networking 3	-	65,500	65,500	-	-
Hatzolah Emergency Medical Services Inc - Vehicle	-	20,000	20,000	-	-
NJDOT 2016 Municipal Aid Program	351,726	351,726	351,726	-	-
CDBG HUD Block Grant #B-15-MC-34-0128	-	1,200,529	1,200,529	-	-
Cops in Shops	-	5,600	5,600	-	-
Drive Sober or Get Pulled Over	-	10,000	10,000	-	-
2016 Body Armor	-	10,605	10,605	-	-
Edward Byrne Memorial Justice Assistance Grant	-	13,149	13,149	-	-
Click It or Ticket	-	5,000	5,000	-	-
<hr/>					
Total Public & Private Programs Offset by Revenues	1,722,047	3,295,464	3,274,464	21,000	-
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Capital Improvements - Excluded from "CAPS":					
Capital Improvement Fund	200,000	200,000	200,000	-	-
Computerization of Gas Pumps at Public Works Facility	25,000	25,000	18,882	6,118	-
Municipal Building Security System Installation	250,000	250,000	126,497	123,503	-
Purchase of Two Ambulances	260,000	260,000	236,628	23,372	-
Replace Windows & Doors at Various Municipal Buildings	75,000	75,000	11,987	63,013	-
Refurbish/Replace Playground Equipment	175,000	175,000	174,536	464	-
Demolition of Old Public Works Building/Construction of Playground	325,000	325,000	96,150	228,850	-
Police Shooting Range and SWAT Facility Construction	300,000	300,000	49,500	250,500	-
Drainage Construction	516,800	516,800	61,555	455,245	-
Three Sanitation Trucks	830,000	830,000	830,000	-	-
Five 40 Yard Containers	40,000	40,000	38,136	1,864	-
Public Works Computer and Software Updates	125,000	125,000	110,331	14,669	-
<hr/>					
Total Capital Improvements - Excluded from CAPS	3,121,800	3,121,800	1,954,202	1,167,598	-
<hr/>					
Municipal Debt Service - Excluded from "CAPS":					
Payment of Bond Principal	4,225,000	4,225,000	4,225,000	-	-
Payment of Bond Anticipation Notes	500,000	500,000	500,000	-	-
Interest on Bonds	1,186,305	1,186,305	1,186,305	-	-
Interest on Notes	127,607	127,607	127,574	-	33
<hr/>					
Total Municipal Debt Service - Excluded from CAPS	6,038,912	6,038,912	6,038,879	-	33

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

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELLED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
Deferred Charges - Excluded from "CAPS":					
Special Emergency Authorizations - 5 Years	275,000	275,000	275,000	-	-
Ordinance #-96-28 - Various Capital Improvements	55,303	55,303	55,303	-	-
Ordinance #98-63 - Acquisition of Land	464	464	464	-	-
Ordinance #2001-39 - Public Parking Lots	95	95	94	1	-
Total Deferred Charges - Municipal - Excluded from CAPS:	330,862	330,862	330,861	1	-
Transferred to Board of Education for Use of Local Schools	1,000,000	1,000,000	1,000,000	-	-
Total General Appropriations Excluded from CAPS	12,784,710	14,358,127	13,169,495	1,188,599	33
Subtotal General Appropriations	76,062,161	77,635,578	72,702,492	4,933,053	33
Reserve For Uncollected Taxes	4,587,503	4,587,503	4,587,503	-	-
Total General Appropriations	<u>\$ 80,649,664</u>	<u>\$ 82,223,081</u>	<u>\$ 77,289,995</u>	<u>\$ 4,933,053</u>	<u>\$ 33</u>
Budget		\$ 80,649,664			
Added by N.J.A. 40A:4-87		<u>1,573,417</u>			
Total		<u>\$ 82,223,081</u>			
Disbursements			\$ 67,793,706		
Refunds of Current Year Appropriations			(1,095,554)		
Reserve for Encumbrances			2,463,876		
Appropriated Reserves for Federal & State Grants			3,265,464		
Deferred Charges			275,000		
Reserve for Uncollected Taxes			<u>4,587,503</u>		
Total			<u>\$ 77,289,995</u>		

**TOWNSHIP OF LAKEWOOD
TRUST FUND
STATEMENT OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2016 AND 2015**

ASSETS	REFERENCE	<u>2016</u>	<u>2015</u>
Animal Control Trust Fund:			
Due from State of New Jersey	B-5	\$ 367	\$ 363
Interfund - Current Fund	B-4	<u>22,761</u>	<u>22,541</u>
Total Animal Control Fund		<u>23,128</u>	<u>22,904</u>
Grant Trust Fund:			
Cash	B-1	<u>200,024</u>	<u>199,525</u>
General Trust Fund:			
Cash & Cash Equivalents	B-1	10,380,484	9,340,402
Investments	B-2	512,561	511,423
Interfund - Current Fund	B-7	<u>1,223,313</u>	<u>1,595,148</u>
Total General Trust Fund		<u>12,116,358</u>	<u>11,446,973</u>
Total Assets		<u><u>\$ 12,339,510</u></u>	<u><u>\$ 11,669,402</u></u>
 LIABILITIES, RESERVES & FUND BALANCE			
Animal Control Trust Fund:			
Reserve for Animal Control Expenditures	B-3	<u>\$ 23,128</u>	<u>\$ 22,904</u>
Total Animal Control Fund		<u>23,128</u>	<u>22,904</u>
Grant Trust Fund:			
Reserve for Revolving Loan Grant	B-6	<u>200,024</u>	<u>199,525</u>
General Trust Fund:			
Various Reserves	B-8	<u>12,116,358</u>	<u>11,446,973</u>
Total General Trust Fund		<u>12,116,358</u>	<u>11,446,973</u>
Total Liabilities, Reserves & Fund Balance		<u><u>\$ 12,339,510</u></u>	<u><u>\$ 11,669,402</u></u>

The Accompanying Notes to the Financial Statements are an integral part of this Statement.

**TOWNSHIP OF LAKEWOOD
GENERAL CAPITAL FUND
STATEMENT OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2016 AND 2015**

ASSETS	REFERENCE	2016	2015
Cash & Cash Equivalents	C-2	\$ 1,466,980	\$ 4,464,973
Deferred Charges to Future Taxation:			
Funded	C-4	32,140,000	36,475,000
Unfunded	C-5	19,027,657	25,615,788
Prospective Assessments Raised by Taxation	C-6	3,600	3,600
Total Assets		<u>\$ 52,638,237</u>	<u>\$ 66,559,361</u>
LIABILITIES, RESERVES & FUND BALANCE			
Improvement Authorizations:			
Encumbered	C-7	\$ 936,245	\$ 2,676,106
Funded	C-7	10,208	114,911
Unfunded	C-7	6,198,697	15,390,785
Serial Bonds	C-8	32,140,000	36,475,000
Bond Anticipation Notes	C-9	12,930,000	11,480,000
Capital Improvement Fund	C-10	143,610	160,610
Reserve for Improvements	C-11	9,716	9,716
Reserve for Prospective Assessments Raised by Taxation	C	3,600	3,600
Reserve for Renewal & Replacement	C-12	101,356	101,356
Reserve for Bond Funding COI 2014	C-14	-	7,037
Reserve for Bond Funding COI 2016	C-15	7,657	-
Fund Balance	C-1	157,148	140,240
Total Liabilities, Reserves & Fund Balance		<u>\$ 52,638,237</u>	<u>\$ 66,559,361</u>

There were bonds and notes authorized but not issued on December 31, 2016 of \$ 6,240,212 and on December 31, 2015 was \$14,135,788.

**TOWNSHIP OF LAKEWOOD
PAYROLL FUND
STATEMENT OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2016 AND 2015**

ASSETS	<u>2016</u>	<u>2015</u>
Cash	<u>\$ 567,741</u>	<u>\$ 377,548</u>
Total Assets	<u><u>\$ 567,741</u></u>	<u><u>\$ 377,548</u></u>
LIABILITIES & RESERVES		
Payroll Reserve	\$ 232,774	\$ 89,831
Due to Various Agencies	<u>334,967</u>	<u>287,717</u>
Total Liabilities & Reserves	<u><u>\$ 567,741</u></u>	<u><u>\$ 377,548</u></u>

The Accompanying Notes to the Financial Statements are an integral part of this Statement.

**TOWNSHIP OF LAKEWOOD
GENERAL FIXED ASSETS ACCOUNT GROUP
STATEMENT OF FIXED ASSETS AND
FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2016 AND 2015**

ASSETS	<u>2016</u>	<u>2015</u>
General Fixed Assets:		
Land	\$ 6,989,500	\$ 6,989,500
Buildings	25,225,305	25,225,305
Furniture & Fixtures, Equipment & Vehicles	<u>17,309,103</u>	<u>16,594,048</u>
 Total	 <u><u>\$ 49,523,908</u></u>	 <u><u>\$ 48,808,853</u></u>
 FUND BALANCE		
Total Investment in General Fixed Assets	<u><u>\$ 49,523,908</u></u>	<u><u>\$ 48,808,853</u></u>

The Accompanying Notes to the Financial Statements are an integral part of this Statement.

**TOWNSHIP OF LAKEWOOD
COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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TOWNSHIP OF LAKEWOOD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1. Summary of Significant Accounting Policies

Description of Financial Reporting Entity - The Township of Lakewood is organized as a Committee-Manager municipality under the provisions of *N.J.S.40:69A-82* et seq. The Township is governed by an elected Committee and by an appointed Municipal Manager and by such other officers and employees as may be duly appointed. The Committee shall consist of five members elected at large by voters of the Municipality and shall service for a term of three years beginning on the first day of January next following their election and that the Mayor shall be elected by the members of the Committee. Each member of the Committee carries a legislative vote.

This report includes the financial statements of the Township of Lakewood (the "Township"), within the County of Ocean, in the State of New Jersey and reflects the activities of the Municipality which is under the control of the Mayor and Township Committee. The financial statements of the Board of Education and Fire District are reported separately since their activities are administered by separate boards.

Component Units

Governmental Accounting Standards Board Statement No. 14, as amended by GASB Statements No. 39 and 61, establishes criteria to be used in determining the component units, which should be included in the financial statements of an oversight entity. The criteria differ from the New Jersey Division of Local Government Services', whereby certain boards, commission, and agencies of the Township, by statute or other directive, report separately their own financial statements.

The basic financial statements of the Township include all government activities, organizations and functions for which the Township exercises significant oversight responsibility and which it has appropriated funds in accordance with statutory requirements, except for the Lakewood Development Corporation, Lakewood Municipal Utilities Authority and the Lakewood Housing Authority.

Basis of Accounting, Measurement Focus and Basis of Presentation - The financial statements of the Township of Lakewood contain all funds and account groups in accordance with the "Requirements of Audit" as promulgated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. The principles and practices established by the Requirements of Audit 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. Generally, the financial statements are presented using the flow of current financial resources measurement focus and modified accrual basis of accounting with minor exceptions as mandated by these "Requirements". In addition, the prescribed accounting principles previously referred to differ in certain respects from accounting principles generally accepted in the United State of America applicable to local government units. The more significant differences are explained in this Note.

In accordance with the "Requirements", the Township of Lakewood accounts for its financial transactions through the use of separate funds are described as follows:

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

Trust Funds – receipt, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created, including dog license revenue and expenditures and sundry deposits held for satisfactory completion of specific work.

TOWNSHIP OF LAKEWOOD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1. Summary of Significant Accounting Policies (continued):

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

Payroll Fund – is used for the receipt and disbursements of funds used to meet obligations to employees and payroll tax liability.

General Fixed Assets Account Group – used to account for fixed assets used in general government operations.

Budgets and Budgetary Accounting – The Township of Lakewood must adopt an annual budget for its current fund in accordance with *N.J.S.A.40A:4* et seq. *N.J.S.A.40A:4-5* requires the governing body to introduce and approve the annual municipal budget no later than February 10th of each year. At introduction, the governing body shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper published and circulating in the municipality. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the governing body may, by majority vote, adopt the budget or may amend the budget in accordance with *N.J.S.A.40A:4-9*. Amendments to adopted budgets, if any, are detailed in the statements of revenues and expenditures.

An extension of the statutory dates for introduction, approval and adoption of the municipal budget may be granted by the Director of the Division of Local Government Services, with the permission of the Local Finance Board. Budgets are adopted on the same basis of accounting utilized for the preparation of the Township's financial statements.

Cash, Cash Equivalents and Investments – Cash and Cash equivalents include petty cash, change funds and cash on deposit with public depositories. Investments are stated at cost. Consequently, unrealized gain or loss on investments has not been recorded in accordance with Governmental Accounting Standards Board Statement No. 31.

New Jersey municipal units are required by *N.J.S.A.40A:5-14* to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. *N.J.S.A.40A:5-15.1* provides a list of investments, which may be purchased by New Jersey municipal units. *N.J.S.A.17:9-41* et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include state or federally chartered banks, savings banks or associations located in the State of New Jersey or state or federally chartered banks, savings banks or associations located in another state with a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

The Township of Lakewood deposit Funds in public depositories protected from loss under the provisions of the Act.

TOWNSHIP OF LAKEWOOD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1. Summary of Significant Accounting Policies (continued):

Interfunds – Interfund receivables and payables that rise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed. 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.

Inventories of Supplies - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are 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. All interest costs are recorded as expenditures when paid.

Accounting for Governmental Fixed Assets, as promulgated by Technical Accounting Directive No. 85-2 as issued by the Division of Local Government Services, differs in certain respects from generally accepted accounting principles. The following is brief description of the provisions of the Directive:

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. No depreciation on general fixed assets is recorded in the financial statements. Donated general fixed assets are valued at their estimated fair market value on the date received.

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

	Balance December 31, 2015			Balance December 31, 2015		
		Additions	Deletions			
Land	\$ 6,989,500	\$ -	\$ -	\$ 6,989,500		
Building	25,225,305	-	-	25,225,305		
Furniture & Fixtures, Equipment & Vehicles	16,594,048	715,055	-	17,309,103		
Total	\$ 48,808,853	\$ 715,055	\$ -	\$ 49,523,908		

Foreclosed Property – Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. Ordinarily it is the intention of the municipality to resell foreclosed property in order to recover all or a portion of the delinquent taxes or assessments and to return the property to a taxpaying basis. For this reason the value of foreclosed property has not been

TOWNSHIP OF LAKEWOOD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1. Summary of Significant Accounting Policies (continued):

included in the General Fixed Assets Account Group. If such property is converted to a municipal use, it will be recorded in the General Fixed Assets Account Group.

Deferred Charges – The recognition of certain expenditures is deferred to future periods. These expenditures or deferred charges, are generally overexpenditures of legally adopted budget appropriations or emergency appropriations made in accordance with *N.J.S.A.40A:4-46* et seq. Deferred charges are subsequently raised as items of appropriation in budgets of succeeding years.

Liens Sold for Other Governmental Units – Liens sold on behalf of other governmental units are not recorded on the records of the tax collector until such liens are collected. Upon their collection, such liens are recorded as a liability due to the governmental unit net of the costs of the initial sale. The related costs of sale are recognized as revenue when received.

Fund Balance – Fund balances included in the Current Fund represents amounts available for anticipation as revenue in future year's budgets, with certain restrictions.

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

Property Tax Revenues – Property tax revenues are collected in quarterly installments due February 1, May 1, August 1 and November 1. The amount of tax levied includes not only the amount required in support of the Township's annual budget, but also the amounts required in support of the budgets of the County of Ocean and the Township of Lakewood School District. Unpaid property taxes are subject to tax sale in accordance with the statutes.

School Taxes – The municipality is responsible for levying, collecting and remitting school taxes for the Township of Lakewood School District. Operations is charged for the full amount required to be raised from taxation to operate the local school district for the period from January 1 to December 31.

County Taxes – The municipality is responsible for levying, collecting and remitting county taxes for the County of Ocean. Operations is charged for the amount due the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10 of the current year. In addition, operations is charged for the County share of Added and Omitted Taxes certified to the County Board of Taxation by October 10 of the current year and due to be paid to the County by February 15 of the following year.

Fire District Taxes – The municipality is responsible for levying, collecting and remitting taxes for the Township of Lakewood Fire District No. 1 and Township of Lakewood Fire District 2.

Reserve for Uncollected Taxes – The inclusion of the "Reserve for Uncollected Taxes" appropriation in the township's annual budget projects the Township from taxes not paid currently. The reserve, the minimum amount of which is determined on the percentage of collections experienced in the immediate

TOWNSHIP OF LAKEWOOD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1. Summary of Significant Accounting Policies (continued):

preceding year, with certain exceptions, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations.

Expenditures – Expenditures are recorded on the “budgetary” basis of accounting. Generally, expenditures are recorded when an amount is encumbered through the issuance of a numerically controlled purchase order or when a contract is executed as required by Technical Accounting Directive No. 85-1. When expenditure is paid, the amount encumbered is simultaneously liquidated in its original amount. Encumbrances are offset by an account entitled reserve for encumbrances. The reserve is classified as a cash liability under New Jersey municipal accounting. At December 31, this reserve represents the portion of appropriation reserves that has been encumbered and is subject to the same statutory provisions as appropriation reserves.

Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis; whereas interest on utility indebtedness is on the accrual basis.

Appropriation Reserves – Appropriation reserves covering unexpended appropriation balances are automatically created at year-end 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.

Long-Term Debt – Long-term debt, relative to the acquisition of capital assets, is recorded as a liability in the General Capital Fund. Where an improvement is a “local improvement”, i.e. assessable upon completion, long-term debt associated with that portion of the cost of the improvement to be funded by assessments is transferred to the Trust Fund upon the confirmation of the assessments or when the improvement is fully and permanently funded.

Compensated Absences and Post-Employment Benefits – Compensated absences for vacation, sick leave and other compensated absences are recorded and provided for in the annual budget in the year in which they are paid, on a pay-as-you-go basis. Likewise, no accrual is made for post-employment benefits, if any, which are also funded on the pay-as-you-go basis.

Comparative Data - Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Township’s financial position and operations. However, comparative data have not been presented in each of the statements because their inclusion would make the statements unduly complex and difficult to read.

Impact of Recently Issued Accounting Principles

Adopted Accounting Pronouncements

For the year ended December 31, 2016, the Township implemented GASB Statement No. 72, *Fair Value Measurement and Application*. As a result of implementing this statement, the Township is required to measure certain investments at fair value for financial reporting purposes. In addition, the Township is required to measure donated capital assets at acquisition value (an entry price); these assets were previously required to be measured at fair value. Statement No. 72 requires disclosures to be made about

TOWNSHIP OF LAKEWOOD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1. Summary of Significant Accounting Policies (continued):

fair value measurements, the level of fair value hierarchy, and valuation techniques. Implementation of this Statement did not impact the Township's financial statements.

The Township implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Implementation of this Statement did not impact the Township's financial statements.

The Township implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Implementation of this Statement did not impact the Township's financial statements.

Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose information about those agreements. Implementation of this Statement did not impact the Township's financial statements.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. Implementation of this Statement did not impact the Township's financial statements.

Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Implementation of this Statement did not impact the Township's financial statements.

Recently Issued Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact the Township's financial statements.

Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans. This Statement will be effective for the

TOWNSHIP OF LAKEWOOD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1. Summary of Significant Accounting Policies (continued):

year ended December 31, 2018. Management has not yet determined the potential impact on the Township's financial statements.

Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact the Township's financial statements.

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact the Township's financial statements.

Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement will be effective for the year ended December 31, 2017. Management has not yet determined the potential impact on the Township's financial statements.

Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting requirements for certain asset retirement obligations and establishes the timing and pattern of recognition of a liability and corresponding deferred outflow of resources. This Statement will be effective for the year ended December 31, 2019. Management does not expect this Statement to impact the Township's 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. This Statement will be effective for the year ended December 31, 2019. Management does not expect this Statement to impact the Township's 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 (pensions and other postemployment benefits [OPEB]). This Statement will be effective for the year ended December 31, 2018. Management has not yet determined the potential impact on the Township's financial statements.

Subsequent Events - The Township of Lakewood has evaluated subsequent events occurring after December 31, 2016 through the date of May 18, 2017, which is the date the financial statements were available to be issued.

TOWNSHIP OF LAKEWOOD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 2. Cash and Cash Equivalents

The Township is governed by the deposit and investment limitations of New Jersey state law. The Deposits and investments held at December 31, 2016, and reported at fair value are as follows:

Deposits:

Demand Deposits	<u>\$ 63,389,861</u>
Total Deposits	<u>\$ 63,389,861</u>

Reconciliation of Statements of Assets, Liabilities, Reserves and Fund Balance:

Current:	
Treasurer	\$ 50,774,632
Grant Trust	200,024
Other Trust	10,380,484
Payroll Trust	567,741
General Capital	<u>1,466,980</u>
Total	<u>\$ 63,389,861</u>

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be recovered. Although the Township does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 et seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA is a supplemental insurance program set forth by the New Jersey Legislature to protect the deposits of local governmental agencies. The program is administered by the Commissioner of the New Jersey Department of Banking and Insurance. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by 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 or funds that may pass to the Township relative to the happening of a future condition. Such funds are shown as Uninsured and Uncollateralized in the schedule below. As of December 31, 2016, the Township's bank balance of \$65,707,473 was exposed to custodial credit risk as follows:

Insured	\$ 1,164,140
Uninsured and uncollateralized	11,379,430
Collateralized in the District's Name Under GUDPA	<u>53,163,903</u>
Total	<u>\$65,707,473</u>

TOWNSHIP OF LAKEWOOD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 3. Investments

A. Custodial Credit Risk

For an investment, custodial credit risk is a risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Township and are held by either the counterparty or the counterparty's trust department or agent but not in the Township's name. All of the Township's investments are held in the name of the Township and are collateralized by GUDPA.

B. Investment Interest Rate Risk

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The Township has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at December 31, 2016, are provided in the schedule on the following page.

C. Investment Credit Risk

The Township has no investment policy that limits its investment choices other than the limitation of state law as follows:

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- Government money market mutual funds;
- Any obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor;
- Bonds or other obligations of the Township or bonds or other obligations of the local unit or units within which the Township is located;
- Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by the Township;
- Local Government investment pools;
- Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or
- Agreements for the repurchase of fully collateralized securities.

TOWNSHIP OF LAKEWOOD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 3. Investments (continued):

As of December 31, 2016, the Township had the following investments and maturities:

<u>Investment</u>	<u>Description</u>	<u>Maturity</u>	<u>Fair Value</u>
Trust Other	U.S. Taxable Bonds	Various	<u>\$ 512,561</u>
Total Investment			<u>\$ 512,561</u>

Note 4. Property Taxes

The following is a three-year comparison of certain statistical information relative to property taxes and property tax collections for the current and previous two years.

	2016	2015	2014
Total Tax Rate	<u>\$2.930</u>	<u>\$2.835</u>	<u>\$2.689</u>
Apportionment of Tax Rate:			
Municipal	0.861	0.861	0.861
County	0.550	0.513	0.467
Local School	1.449	1.403	1.306
Fire District	0.070	0.058	0.055

Net Valuation Taxable:

2016	<u>\$ 6,451,459,200</u>	
2015	<u>\$ 6,271,965,700</u>	
2014		<u>\$ 6,163,648,740</u>

Comparison of Tax Levies and Collection Currently

YEAR	TAX LEVY	CASH COLLECTIONS	PERCENTAGE OF COLLECTION
2016	\$ 193,527,697	\$ 188,476,118	97.39%
2015	181,444,332	176,994,178	97.55%
2014	168,349,041	163,882,545	97.35%

TOWNSHIP OF LAKEWOOD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 4. Property Taxes (continued):

Delinquent Taxes and Tax Title Liens

YEAR ENDED DECEMBER 31	AMOUNT OF TAX TITLE LIENS	AMOUNT OF DELINQUENT TAXES	TOTAL DELINQUENT	PERCENTAGE OF TAX LEVY
2016	\$ 1,167,793	\$ 4,652,656	\$ 5,820,449	3.01%
2015	1,055,494	3,908,549	4,964,043	2.74%
2014	1,047,447	3,890,567	4,938,014	2.93%

Note 5. Property Acquired By Tax Title Lien Liquidation

The value of property acquired by liquidation of tax title liens on December 31, on the basis of the last assessed valuation of such properties, for the current and previous two years was as follows:

YEAR	AMOUNT
2016	\$ 50,008,900
2015	51,439,400
2014	52,336,800

Note 6. Interfund Receivables and Payables

The following interfunds remained as of December 31, 2016:

Fund	Interfund Receivable	Interfund Payable
Current Fund	\$ -	\$ 1,708,980
Federal and State Grant Fund	462,906	-
Trust - Animal Control Fund	22,761	-
Trust - Other Fund	1,223,313	-
	<u>\$ 1,708,980</u>	<u>\$ 1,708,980</u>

The interfund receivables and payables above predominately resulted from payment made by certain funds on behalf of other funds. All interfund balances are expected to be repaid within one year.

The summary of interfund transfers follows:

TOWNSHIP OF LAKEWOOD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 6. Interfund Receivables and Payables (continued):

Fund	Transfers In	Transfers Out
Current Fund	\$ 3,319,501	\$ 4,086,657
Federal and State Grant Fund	3,620,437	3,224,896
General Capital Fund	4,656	4,656
Trust - Other Fund	447,868	76,033
Trust - Animal Control Fund	13,696	13,916
	\$ 7,406,158	\$ 7,406,158

The purpose of interfund transfers were for the liquidation of prior year interfund receivables and payables and for payments made on behalf of other funds.

Note 7. Fund Balance Appropriated

The following schedule details the amount of fund balance available at the end of the current year and four previous years and the amounts utilized in the subsequent year's budgets.

YEAR	BALANCE DECEMBER 31,	UTILIZED IN BUDGET OF SUCCEEDING YEAR	PERCENTAGE OF FUND BALANCE USED
CURRENT FUND:			
2016	\$ 29,460,274	\$ 14,984,240	50.86%
2015	21,575,424	9,696,675	44.94%
2014	12,698,161	7,432,940	58.54%
2013	6,711,046	5,700,000	84.93%
2012	6,174,884	5,100,000	82.59%

Note 8. Pension Obligations

A. Public Employees' Retirement System (PERS)

Plan Description - The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

The vesting and benefit provisions are set by *N.J.S.A. 43:15A*. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

TOWNSHIP OF LAKEWOOD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 8. Pension Obligations (continued):

A. Public Employees' Retirement System (PERS) (continued):

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Basis of Presentation - The schedules of employer allocations and the schedules of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Contributions - The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2016, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Components of Net Pension Liability - At December 31, 2016, the Municipality reported a liability of \$43,980,848 for its proportionate share of the PERS net pension liability. The net pension liability was

TOWNSHIP OF LAKEWOOD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 8. Pension Obligations (continued):

A. Public Employees' Retirement System (PERS) (continued):

measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The Municipality's proportion of the net pension liability was based on the Municipality's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The Municipality's proportion measured as of June 30, 2016, was .14850%, which was an increase of .00450% from its proportion measured as of June 30, 2015.

	<u>12/31/16</u>	<u>12/31/15</u>
Actuarial Valuation Date (including roll Forward)	June 30, 2016	June 30, 2015
Deferred Outflows of Resources	12,797,867	4,834,403
Deferred Inflows of Resources	211,781	788,419
Net Pension Liability	43,980,848	32,323,997
Municipality's Portion of the Plan's Total		
Net Pension Liability	0.14850%	0.14400%

Pension Expense and Deferred Outflows/Inflows of Resources - At December 31, 2016, the Municipality reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 817,910	\$ -
Changes of Assumptions	9,110,482	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,677,030	-
Changes in Proportion and Differences between Municipality Contributions and Proportionate Share of Contributions	<u>1,192,445</u>	<u>211,781</u>
	<u>\$ 12,797,867</u>	<u>\$ 211,781</u>

TOWNSHIP OF LAKEWOOD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 8. Pension Obligations (continued):

A. Public Employees' Retirement System (PERS) (continued):

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension expense as follows:

	Year Ending <u>Dec 31,</u>	<u>PERS</u>		
	2017	\$ 2,825,833		
	2018	2,825,836		
	2019	3,232,218		
	2020	2,703,263		
	2021	998,936		
		<u>\$ 12,586,086</u>		
			<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience				
Year of Pension Plan Deferral:				
June 30, 2014		-	-	
June 30, 2015		5.72	-	
June 30, 2016		5.57	-	
Changes of Assumptions				
Year of Pension Plan Deferral:				
June 30, 2014		6.44	-	
June 30, 2015		5.72	-	
June 30, 2016		5.57	-	
Net Difference between Projected and Actual Earnings on Pension Plan Investments				
Year of Pension Plan Deferral:				
June 30, 2014		-	5.00	
June 30, 2015		-	5.00	
June 30, 2016		5.00	-	
Changes in Proportion and Differences between Municipality Contributions and Proportionate Share of Contributions				
Year of Pension Plan Deferral:				
June 30, 2014		6.44	6.44	
June 30, 2015		5.72	5.72	
June 30, 2016		5.57	5.57	

TOWNSHIP OF LAKEWOOD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 8. Pension Obligations (continued):

A. Public Employees' Retirement System (PERS) (continued):

Actuarial Assumptions - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

<u>PERS</u>	
Inflation	3.08%
Salary Increases:	
Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Investment Rate of Return	7.65%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	
Study upon which Actuarial	
Assumptions were Based	July 1, 2011 - June 30, 2014

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scales. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

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

TOWNSHIP OF LAKEWOOD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 8. Pension Obligations (continued):

A. Public Employees' Retirement System (PERS) (continued):

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment grade credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global debt ex U.S.	5.00%	-0.25%
REIT	5.25%	5.63%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be

TOWNSHIP OF LAKEWOOD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 8. Pension Obligations (continued):

A. Public Employees' Retirement System (PERS) (continued):

available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Municipality's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Municipality's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Municipality's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.98%) or 1-percentage-point higher (4.98%) than the current rate:

	Decrease (2.98%)	Discount Rate (3.98%)	Increase (4.98%)
Municipality's proportionate share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability associated with the Municipality	\$ 53,893,395	\$ 43,980,848	\$ 35,797,180

B. Police and Firemen's Retirement System (PFRS)

Plan Description – The State of New Jersey, Police and Firemen's Retirement System (PFRS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PFRS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after four years of service.

The following represents the membership tiers for PFRS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to May 22, 2010.
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1 % for each year if creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

TOWNSHIP OF LAKEWOOD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 8. Pension Obligations (continued):

B. Police and Firemen's Retirement System (PFRS)(continued):

Basis of Presentation - The schedules of employer allocations and the schedules of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PFRS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PFRS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PFRS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Contributions - The contribution policy for PFRS is set by *N.J.S.A. 43:16A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2016, the State contributed an amount less than the actuarially determined amount. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Municipality contributions to PFRS amounted to \$3,297,191 for 2016.

The employee contributions for PFRS are 10.00% of employees' annual compensation, as defined.

Net Pension Liability and Pension Expense - At December 31, 2016, the Municipality's proportionate share of the PFRS net pension liability is valued to be \$77,202,660. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2015, to the measurement date of June 30, 2016. The Municipality's proportion of the net pension liability was based on the Municipality's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The Municipality's proportion measured as of June 30, 2016, was .040414%, which was a decrease of .00148% from its proportion measured as of June 30, 2015.

Collective Balances at December 31, 2016 & December 31, 2015		
	<u>12/31/16</u>	<u>12/31/15</u>
Actuarial Valuation Date (including roll Forward)	June 30, 2016	June 30, 2015
Deferred Outflows of Resources	16,623,168	13,158,786
Deferred Inflows of Resources	1,064,906	2,256,632
Net Pension Liability	77,202,660	67,564,313
Municipality's Portion of the Plan's Total		
Net Pension Liability	0.40414%	0.40563%

TOWNSHIP OF LAKEWOOD

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 8. Pension Obligations (continued):

B. Police and Firemen's Retirement System (PFRS)(continued):

Pension Expense and Deferred Outflows/Inflows of Resources - At December 31, 2016, the Municipality had deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ -	\$ 506,075
Changes of Assumptions	10,693,203	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	5,409,435	-
Changes in Proportion and Differences between Municipality Contributions and Proportionate Share of Contributions	<u>520,530</u>	<u>558,831</u>
	<u><u>\$ 16,623,168</u></u>	<u><u>\$ 1,064,906</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense as follows:

Year Ending	
<u>Dec 31,</u>	<u>PFRS</u>
2017	\$ 3,755,248
2018	3,755,249
2019	5,071,548
2020	2,920,173
2021	<u>56,044</u>
	<u><u>\$ 15,558,262</u></u>

TOWNSHIP OF LAKEWOOD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 8. Pension Obligations (continued):

B. Police and Firemen's Retirement System (PFRS)(continued):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	-	5.53
June 30, 2016	-	5.58
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.17	-
June 30, 2015	5.53	-
June 30, 2016	5.58	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
Changes in Proportion and Differences between Municipality Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.17	6.17
June 30, 2015	5.53	5.53
June 30, 2016	5.58	5.58

Special Funding Situation – Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the state is as follows: 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 amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 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 (except for employer specific financed amounts), there is no net pension liability to report in the financial statements of the local participating employers related to this legislation.

TOWNSHIP OF LAKEWOOD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 8. Pension Obligations (continued):

B. Police and Firemen's Retirement System (PFRS)(continued):

Additionally, the State's proportionate share of the net pension liability attributable to the Municipality is \$6,483,109.00 as of December 31, 2016. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2015, to the measurement date of June 30, 2016. The State's proportion of the net pension liability associated with the Municipality was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. The State's proportion measured as of June 30, 2016 was .05670%, which was an increase of .00095% from its proportion measured as of June 30, 2015, which is the same proportion as the Municipality's.

Municipality's Proportionate Share of the Net Pension Liability	\$ 77,202,660
State's Proportionate Share of the Net Pension Liability Associated with the Municipality	<u>6,483,109</u>
Total Net Pension Liability	<u>\$ 83,685,769</u>

For the year ended December 31, 2016, the Municipality's total allocated pension expense was \$8,277,423.

Actuarial Assumptions - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

	<u>PFRS</u>
Inflation	3.08%
Salary Increases:	
Through 2026	2.10% - 8.98% Based on Age
Thereafter	3.10% - 9.98% Based on Age
Investment Rate of Return	7.65%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	
Study upon which Actuarial	
Assumptions were Based	July 1, 2010 - June 30, 2013

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males

TOWNSHIP OF LAKEWOOD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 8. Pension Obligations (continued):

B. Police and Firemen's Retirement System (PFRS)(continued):

and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rate were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scales. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%
Total	100.00%	

TOWNSHIP OF LAKEWOOD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 8. Pension Obligations (continued):

B. Police and Firemen's Retirement System (PFRS)(continued):

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

Sensitivity of the Municipality's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Municipality's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Municipality's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.55%) or 1-percentage-point higher (6.55%) than the current rate:

	Decrease (4.55%)	Discount Rate (5.55%)	Increase (6.55%)
Municipality's proportionate share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability associated with the Municipality	\$ 107,906,663	\$ 83,685,769	\$ 63,935,087

Note 9. Compensated Absences

Full-time Township employees are entitled to fifteen paid sick leave days each year. Unused sick leave may be accumulated and carried forward from year to year; however, upon retirement no lump sum supplemental compensation payment shall exceed \$15,000 unless the employee was hired before May of 1991. Any employee hired before May of 1991 shall be paid ½ the value of accumulated sick time. Unused vacation time may be accumulated and carried over to a succeeding year in an amount not exceeding one year's worth of vacation time. More time than that can be carried over with prior approval of the Municipal Manager through the Governing Body. Upon retirement, payment for vacation time cannot exceed more than two years' worth of accumulated time. (If an employee earns 18 days of vacation time per year, the maximum payout upon retirement for vacation time is 36 days).

Part-time employees are entitled to no sick or vacation time.

The Township does not record accrued sick leave. In those years where the Township believes that retirement will occur, budgetary appropriations are made to fund estimated payments.

TOWNSHIP OF LAKEWOOD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 10. Long-Term Liabilities:

During the fiscal year ended December 31, 2016 the following changes occurred in capital debt and long-term liabilities:

	December 31, 2015	Accrued/ Increases	Retired/ Decreases	December 31, 2016	Due Within One Year
General Obligation Bonds	\$ 36,475,000	\$ 4,690,000	\$ (9,025,000)	\$ 32,140,000	\$ 3,620,000
Bond Anticipation Notes	11,480,000	12,930,000	(11,480,000)	12,930,000	12,930,000
Total	<u>\$ 47,955,000</u>	<u>\$ 17,620,000</u>	<u>\$ (20,505,000)</u>	<u>\$ 45,070,000</u>	<u>\$ 16,550,000</u>

The Local Bond Law governs the issuance of bonds and notes to finance general municipal capital expenditures. Bonds are retired in serial installments with the statutory period of usefulness. Bonds issued by the Township are general obligations bonds backed by the full faith and credit of the Township. Bond anticipation notes are issued to temporarily finance capital projects prior to the issuance of serial bonds. The terms of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. All such notes must be paid no later than the tenth anniversary of the date of the original note. The State of New Jersey also prescribes that on or before the third anniversary date of the original note a payment of at least equal to the first legally payable installment of the bonds in anticipation of which such notes were issued be paid. A second legal installment must be paid if the notes are to be renewed beyond the fourth anniversary date of the original issuance and so on.

Summary of Municipal Debt	<u>Year 2016</u>	<u>Year 2015</u>	<u>Year 2014</u>
Issued & Outstanding			
General:			
Bonds, Loans & Notes	<u>\$ 45,070,000</u>	<u>\$ 47,955,000</u>	<u>\$ 45,545,000</u>
Net Debt Issued	<u>45,070,000</u>	<u>47,955,000</u>	<u>45,545,000</u>
Authorized But Not Issued			
General - Bonds & Notes	<u>6,240,212</u>	<u>14,135,788</u>	<u>9,191,081</u>
Total Issued & Authorized but Not Issued	<u>51,310,212</u>	<u>62,090,788</u>	<u>54,736,081</u>
Less:			
Bonds per N.J.S.A.40A:2-52	<u>632,657</u>	<u>740,000</u>	<u>840,000</u>
Total	<u>632,657</u>	<u>740,000</u>	<u>840,000</u>
Net Bonds & Notes Issued & Authorized but Not Issued	<u>\$ 50,677,555</u>	<u>\$ 61,350,788</u>	<u>\$ 53,896,081</u>

TOWNSHIP OF LAKEWOOD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 10. Long-Term Liabilities (continued):

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 0.797%

	GROSS DEBT	DEDUCTIONS	NET DEBT
Local School District Debt	\$ 33,447,241	\$ 33,447,241	\$ -
General Debt	51,310,213	632,657	50,677,556
Total	<u>\$ 84,757,454</u>	<u>\$ 34,079,898</u>	<u>\$ 50,677,556</u>

Net Debt, \$50,667,556 divided by Equalized Valuation Basis per N.J.S.A.40A:2-2, as amended, \$8,281,708,862 equals 0.610%.

Borrowing Power Under 40A:2-6:

3 1/2% of Equalized Valuation Bases (Municipal)	\$ 289,859,810
Net Debt	<u>50,677,556</u>
Remaining Borrowing Power	<u>\$ 239,182,254</u>

As of December 31, 2016, the Township's Long-Term Debt is as follows:

General Obligation Bonds:

\$9,800,000 2007 Bonds due in annual installments of \$300,000 to \$500,000 Through November 1, 2017 at interest rates ranging from 4.00% to 4.100%.	\$ 500,000
\$21,800,000 2008 Bonds due in annual installments of \$970,000 Through November 1, 2018 at an interest rate of 5.0%	1,940,000
2009 Refunding Bond Issue due in annual installments of \$480,000 through January 2017 at interest rate of 5.0%.	480,000
2012 General Improvement Refunding Bond Issue due in annual installments of \$705,000 to 790,000 through January 2020 at interest rate of 4.0%	2,990,000
2012 Pension Obligation Refunding Bond Issue due in annual installments of \$50,000 to 165,000 through January 2020 at interest rates ranging from 2.00% to 3.50%.	625,000
2014 General Obligation Bonds Issue due in annual installments of \$375,000 to 725,000 through March 2026 with interest ranging from 2.0% to 3.0% .	7,230,000
2014 Refunding Bonds Issue due in annual installments of \$130,000 to \$1,110,000 through November 2031 at interest rates ranging from 2.0% to 5.0%.	13,755,000
2016 Refunding Bonds Issue due in annual installments of \$270,000 to \$500,000 through November 2027 at interest rates ranging from 2.0% to 4.0%.	<u>4,620,000</u>
Total	<u>\$ 32,140,000</u>

TOWNSHIP OF LAKEWOOD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 10. Long-Term Liabilities (continued):

Schedule of Annual Debt Service for Principal and Interest for the next five (5) years and five-year increments thereafter for Bonded Debt issued and outstanding:

Year	Principal	Interest	Total
2017	\$ 3,620,000	\$ 1,098,733	\$ 4,718,733
2018	3,200,000	968,704	4,168,704
2019	3,240,000	851,406	4,091,406
2020	3,275,000	741,800	4,016,800
2021	2,365,000	643,238	3,008,238
2022-2026	11,250,000	2,144,106	13,394,106
2027-2031	5,190,000	512,625	5,702,625
Total	<u>32,140,000</u>	<u>6,960,612</u>	<u>\$ 39,100,612</u>

Bond Anticipation Notes:

During the year ended December 31, 2016 the Township issued a bond anticipation note in the amount of \$6,280,000 with an interest rate of 2.00% and maturing on March 7, 2017 for the purpose of various capital improvements. The Township also issued a second bond anticipation note in the amount of \$4,950,000 with an interest rate of .83% and maturing on March 17, 2017 for the purpose of various capital improvements. The Township also issued a third bond anticipation note in the amount of \$1,700,000 with an interest rate of 1.00% and maturing on March 17, 2017 for the purpose of various capital improvements.

Refunding Bonds:

On March 23, 2016, the Township of Lakewood issued 2016 Refunding Bonds in the amount of \$4,690,000 in order to refund the 2007 General Obligation Bonds originally issued in the amount of \$9,800,000. The new bonds bear interest from 3.00% to 4.00% and are due in installments ranging from \$270,000 to \$500,000 through November 1, 2027. The new issue will reduce debt service payments for the Township by \$374,909 with an economic gain of \$335,460, or 1.96%.

Note 11. 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 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	Township Contributions	Amount Reimbursed	Ending Balance
2016	\$ 242	\$ 14,813	\$ 81,762
2015	321	35,431	96,333
2014	465	53,602	131,443

TOWNSHIP OF LAKEWOOD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 12. Risk Management

The Township of Lakewood is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters. The Township is a member of the Ocean County Municipal Joint Insurance Fund (JIF). This public entity risk pool is both an insured and self-administered group of 29 municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen's compensation. The JIF will be self-sustaining through member premiums. The JIF participates in the Municipal Excess Liability Insurance Program. There were no settlements in excess of insurance coverage in 2016, 2015 and 2014.

Note 13. Deferred Compensation Salary Account

The Township offers its employees a Deferred Compensation Plan in accordance with Internal Revenue Code Section 457, which has been approved by the Director of Local Government Services. The Plan, available to all full time employees at their option, permits employees to defer a portion of their salary to future years. The deferred compensation is not available to participants 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.

Note 14. Litigation

The Township is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the Township, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

Note 15. Post Employment Retirements Benefits

In addition to the pension benefits described in Note 8, the Township provides post employment benefits other than pension benefits to employees who retire from the Township and meet certain eligibility criteria in accordance with contractual agreements. These are known as post-employment benefits. Other post-employment benefits include post-employment health care benefits provided, regardless of the type of plan that provides them, and all post-employment benefits provided separately from a pension plan, excluding benefits defined as termination offers and benefits. Benefits are provided through the Central Jersey Health Insurance Fund, an agent multiple-employer health insurance fund.

Results of Valuation

♦ *Actuarial Accrued Liability*

The Actuarial Accrued Liability ("AAL") as of December 31, 2015 is \$179,524,636 based upon a discount rate of 4.50% per annum and the plan provisions in effect on December 31, 2016.

♦ *Annual Required Contribution*

The Annual Required Contribution ("ARC") is the measure of annual cost on an accrual basis. It is comprised of the "Normal Cost" which is the portion of future liabilities attributable to the measurement year, plus 30 year amortization of the Unfunded Actuarial Accrued Liability ("UAAL"). As of the measurement date, the plan had no assets to offset any portion of the AAL, so the UAAL and AAL are equal.

TOWNSHIP OF LAKEWOOD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 15. Post Employment Retirements Benefits (continued):

The ARC as of December 31, 2016 is \$15,250,168 based upon a discount rate of 4.50% per annum and the plan provisions in effect on December 31, 2015. The breakdown of the ARC is as follows:

(1) Normal Cost	\$ 4,228,874
(2) Actuarial Accrued Liability	\$179,524,636
(3) Assets	\$ 0
(4) UAAL = (2) - (3)	\$179,524,636
(5) 30 Year Amortization of UAAL at Discount Rate	\$ 11,021,294
(6) ARC = (1) + (5)	\$ 15,250,168

Basis of Valuation

This valuation has been conducted as of December 31, 2016 based upon census, plan design and claims information provided by The Fund. Census includes 173 participants currently receiving retiree benefits, and 302 active participants of whom 25 are eligible to retire as of the valuation date. The average age of the active population is 44 and the average age of the retiree population is 66.

Actuarial assumptions were selected with the intention of satisfying the requirements of New Jersey Local Finance Notice 2007-15 in addition to Statement of Government Accounting Standard Number 45.

Demographic assumptions were selected based on those used in by the State Division of Pensions and Benefits in calculating pension benefits taken from the July 1, 2015 report from Buck Consultants. While some assumptions were simplified to reflect the smaller population, and to simplify the valuation process, the valuation results reasonably conform to the requirements of LFN 2007-15.

Health care (economic) assumptions were selected based on those used by the State Health Benefits Program in calculating SHBP member OPEB requirements taken from the July 1, 2014 report from Aon Consultants.

Key Actuarial Assumptions:

Mortality	RP 200 Combined Healthy Male Mortality Rates Set Forward Three Years
Turnover	NJ State Pensions Ultimate Withdrawal Rates – prior to benefits eligibility
Assumed Retirement Age	At first eligibility after completing 20 years of service for nonunion employees: bargained employees after completing years of service as follows: PBA and SOA – 19 years, EMS – 25 years, AFSCME – 20 years, IBT 97 and AIW IBT 469 – 25 years
Full Attribution Period	Service to Assumed Retirement Age
Annual Discount Rate	4.50%
Medical Trend	7.5% in 2015, reducing by 0.5% per annum, leveling at 5% per annum in 2020
Medical Cost Aging Factor	NJ SHBP Medical Morbidity Rates

Attribution period – The attribution period begins with the date of hire and ends with full benefits eligibility date.

TOWNSHIP OF LAKEWOOD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 15. Post Employment Retirements Benefits (continued):

Per capita cost methods – The valuation reflects per capita net premium costs based on actual 2016 medical, dental and prescription drug premiums and the plan option selected. Plan selections are assumed to remain unchanged in retirement. The age specific cost was derived based on per person costs at the average age of the active population (44) and scaled to each age based on the medical cost aging factors. At age 65, Medicare becomes the primary payor of medical benefits and consequentially, per capita plan costs are offset by Medicare payments. Thus, post 65 costs were decreased using the assumption that Medicare picks up 66.7% of medical costs. 2015 total contributions for retiree benefits as reported by the Fund are \$3.135 million.

Retiree Contributions – NJ Chapter 78 requires that certain future retirees contribute toward the cost of their benefits. Specifically, those who had retired prior to passage of Chapter 78 and those employees that had more than 25 years of service on the date of passage are grandfathered. All others are subject to the contribution rates in effect when they retire, but not less than 1.5% of their annual retirement allowance from the Public Employees Retirement System. For purposes of this valuation, we have assumed that future retiree contribution percentages will be equal to the current percentage of premium so as not to understate actuarial measurements.

Actuarial valuation method – Projected Unit Credit Funding Method.

Note 16. Reserve for Co-Gen Overpayments

A Tax Agreement was made by and between Lakewood Cogeneration, LP ("Co-Gen"), Ocean Peaking Power, L.L.C. ("OPP") and the Township of Lakewood, County of Ocean, State of New Jersey (the "Township") on January 2, 2003. The Agreement sets forth the handling of tax overpayments on the Co-Gen facility on Block 1160.01, Lot 384, which resulted in substantial overpayments of taxes for 2000 (\$540,880), 2001 (\$586,866) and 2002 (\$648,108) totaling \$1,775,854.

Co-Gen and OPP have agreed to pay taxes on Block 1160.01, Lots 384, 385.01 and 385.02. If the taxes combined on the properties are less than \$860,000, then Co-Gen or OPP will pay Host Community Benefit Fee for the difference between the taxes and the \$860,000. Once taxes on all properties exceed \$1,111,183 then the Township will cover such excess with the overpayments that exist from the 2001 and 2002 tax years until exhausted.

The credit for the 2000 taxes of \$540,880 will be waived by Co-Gen unless the Township refunds the taxes under the Agreement, and then all tax overpayments will be payable to Co-Gen. Legal counsel recommended maintaining such an amount for 2000 tax overpayments as a liability until the Agreement expires, and then at that time funds can be credited to surplus. According to the Agreement documents, the Agreement is either for 15 years or 20 years at the option of the Township. If the Agreement is for 15 years, all remaining credits for 2001 and 2002 are refunded to Co-Gen. If the Agreement is for 20 years, the Township retains any remaining credits.

APPENDIX C
FORM OF CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Township of Lakewood, in the County of Ocean, New Jersey (the "Issuer") in connection with the issuance by the Issuer of \$12,600,000 General Obligation Bonds, Series 2017 (the "Bonds"). The Bonds are being issued pursuant to various Bond Ordinances (collectively, the "Ordinances") duly adopted by the Committee of the Issuer (the "Committee"), as set forth in a resolution duly adopted by the Committee on October 18, 2017 (the "Resolution"). The Bonds are dated their date of delivery and shall mature on November 1st in the years 2018 through 2028, inclusive. The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12, as amended.

SECTION 2. Definitions. The following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access System operated by MSRB.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rule Making Board.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" or "Repositories" shall mean each State Repository, if any, and the Municipal Securities Rulemaking Board (the "MSRB") via the MSRB's Electronic Municipal Market Access system ("EMMA").

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of New Jersey.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

SECTION 3. Provision of Annual Reports. (a) The Issuer shall, or cause the Dissemination Agent to, not later than September 30th of each year, commencing September 30, 2018 for the Annual Report for the fiscal year ending December 31, 2017, provide to the MSRB via the EMMA an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(a).

(b) Not later than fifteen (15) business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide an Annual Report by the date required in subsection (a), the Issuer shall, in a timely manner not in excess of ten (10) business days after such required date, send a notice, in substantially the form attached hereto as Exhibit A, to the MSRB via EMMA on such form and in such format as shall be required by the MSRB for such filings.

(c) The Dissemination Agent shall:

1. If the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

SECTION 4. Content of Annual Reports. (a) The Issuer's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles as from time to time in effect, and as prescribed by the Division of Local Government Services in the Department of Community Affairs of the State pursuant to Chapter 5 of Title 40A of the New Jersey Statutes. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Certain financial and operating data of the Issuer, consisting of: (i) Issuer indebtedness; (ii) the Issuer's most current adopted budget; (iii) property valuation information; and (iv) tax rate, levy and collection data.

SECTION 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall deliver in a timely manner not in excess of ten (10) business days after the occurrence of the event, through EMMA, at www.emma.msrb.org, notice of the occurrence of any of the following events with respect to the Bonds:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of a proposed or final determination of taxability, Notice of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. modifications to rights of holders of the Bonds, if material;
8. bond calls, if material;
9. defeasances;
10. release, substitution, or sale of property securing payment of the Bonds, if material;
11. rating changes;
12. tender offers for the Bonds;
13. bankruptcy, insolvency, receivership or similar events of the Issuer;
14. the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

15. appointment of a successor or additional trustee, or the change of a trustee, if material.

The Issuer does not undertake to provide the above-described event notice of a mandatory scheduled redemption not otherwise contingent upon the occurrence of an event, if (i) the terms, dates and amounts of redemption are set forth in detail in the final official statement (as defined in the Rule), (ii) the only open issue is which securities will be redeemed in the case of a partial redemption; (iii) notice of redemption is given to the Bondholders as required under the terms of the securities and (iv) public notice of redemption is given pursuant to Exchange Act Release No. 23856 of the SEC, even if the originally scheduled amounts are reduced prior to optional redemptions or security purchases.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the Issuer determines that knowledge of the occurrence of a Listed Event (for which a determination of materiality is applicable) would be material under applicable federal securities laws, the Issuer shall promptly file a notice of such occurrence with the MSRB via EMMA.

SECTION 6. Termination of Reporting Obligation. The obligations of the Issuer under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The Initial Dissemination Agent shall be the Issuer.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Prior Compliance with the Rule. The Issuer is currently in compliance with all previous undertakings, if any, to provide secondary market disclosure pursuant to the Rule.

SECTION 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

**TOWNSHIP OF LAKEWOOD, IN THE
COUNTY OF OCEAN, NEW JERSEY**

By _____
WILLIAM C. RIEKER,
Chief Financial Officer

Dated: November 14, 2017

EXHIBIT A

NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Township of Lakewood, County of Ocean, New Jersey
Name of Bond Issue: \$12,600,000 General Obligation Bonds, Series 2017
Dated Date: November 14, 2017
(CUSIP Number: _____)

NOTICE IS HEREBY GIVEN that the above designated Township has not provided an Annual Report with respect to the above-named Bonds as required by the Bond Resolution and a Continuing Disclosure Agreement for the General Obligation Bonds dated November 14, 2017 and executed by the Township. The Issuer anticipates that the Annual Report will be filed by _____.

Date: _____

**TOWNSHIP OF LAKEWOOD, IN THE
COUNTY OF OCEAN, NEW JERSEY**

By _____
Name:
Title:

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APPENDIX D
FORM OF BOND COUNSEL'S OPINION

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—LAW OFFICES—

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Trenton Office

428 River View Plaza
Trenton, New Jersey 08611
Tel: (609) 278-1900 Fax: (609) 278-9200

*An opinion in substantially the following form
will be delivered at Closing assuming no
material changes in facts or law.*

November 14, 2017

Mayor and Members of the Township Committee
Township of Lakewood
Ocean County, New Jersey

Assured Guaranty Municipal Corp.
1633 Broadway
New York, NY 10019

**RE: Township of Lakewood, County of Ocean, New Jersey
\$12,600,000 General Obligation Bonds, Series 2017**

Dear Mayor and Committee:

We have examined the record of proceedings relating to the issuance of \$12,600,000 General Obligation Bonds, Series 2017 (the “Bonds”), of the Township of Lakewood, in the County of Ocean, a municipal corporation of the State of New Jersey (the “Township”). The Bonds are dated November 14, 2017 and mature on November 1st in each year in the principal amounts set forth in the tables below. Interest on the Bonds, at the respective rates of interest set forth below, is payable semiannually on May 1st and November 1st of each year, commencing on May 1, 2018, until maturity.

<u>Maturity</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u>	<u>Maturity</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u>
2018	\$675,000	2.000%	2024	\$1,295,000	4.000%
2019	675,000	2.000	2025	1,350,000	4.000
2020	675,000	2.000	2026	1,350,000	4.000
2021	1,290,000	4.000	2027	1,350,000	4.000
2022	1,295,000	4.000	2028	1,350,000	4.000
2023	1,295,000	4.000			

November 14, 2017

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The Bonds are not subject to redemption prior to maturity as set forth in the Official Statement.

The Bonds are issued in fully registered form without coupons and are transferable as provided therein and are of various denominations and are numbered consecutively upwards. We have examined each bond as executed, and, in our opinion, their form and execution are regular and proper.

The Bonds are authorized pursuant to the Local Bond Law of the State of New Jersey (*N.J.S.A. 40A:2-1 et seq.*) and are issued pursuant to a Bond Resolution adopted by the Township on October 18, 2017 (the “Bond Resolution”), and by virtue of various Bond Ordinances finally adopted by the Township as identified in the Bond Resolution (collectively, the “Bond Ordinances”). The Bonds are being issued to: (i) currently refund and permanently finance outstanding bond anticipation notes of the Township previously issued in the aggregate principal amount of \$13,850,000, dated March 16, 2017 and maturing on December 5, 2017; and (ii) pay costs of issuance and delivery of the Bonds.

In forming our opinion, we have examined certified copies of the Bond Ordinances, Bond Resolution and related proceedings. We also have examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary or appropriate, including the Non-Arbitrage and Use of Proceeds Certificate of the Township dated the date of the Bonds (the “Non-Arbitrage Certificate”) for the purpose of the opinions rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents. We have relied, as to the execution and delivery of the Bonds, on a certificate of the Township executed by the Mayor, Clerk, and Chief Financial Officer. We have not reviewed and are not passing upon any statistical or financial data or other information relating to the Township which may have been provided to any purchaser or prospective purchaser of the Bonds.

The Internal Revenue Code of 1986, as amended (the “Code”), sets forth certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest thereon will be and will remain excluded from gross income pursuant to Section 103 of the Code. The Township has provided the Non-Arbitrage Certificate which contains provisions and procedures regarding compliance with the requirements of the Code. In executing the Non-Arbitrage Certificate, the Township has certified to the effect that it expects to be able to, and will, comply with the provisions and procedures set forth therein and that to the extent authorized by law will do and perform all acts and things necessary or desirable to assure that interest paid on the Bonds is not includible in gross income under Section 103 of the Code. In rendering this opinion, we have assumed compliance by the Township with the covenants contained in the Bonds and the statements contained in the Non-Arbitrage Certificate that are intended to comply

November 14, 2017

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with the provisions of the Code relating to actions to be taken by the Township in respect of the Bonds after the issuance thereof to the extent necessary to effect or maintain the federal tax-exempt status of the interest on the Bonds. These covenants and statements relate to, *inter alia*, the use of proceeds of the Bonds and the property financed or refinanced thereby and the rebating to the United States Treasury of specified arbitrage earnings, if required. We have assumed that the Township will comply with the provisions of the Non-Arbitrage Certificate. Furthermore, we take no responsibility for the continuing review or verification as to the satisfaction of the requirements under the Code, or any similar or related legislation when enacted or amended, for compliance by the Township therewith.

Based upon and subject to the foregoing we are of the opinion that:

1. The Bonds are valid and legally binding obligations of the Township, and the Township has the power and is obligated to levy *ad valorem* taxes upon all the taxable property within the Township for the payment of the principal of the Bonds and the interest thereon, without limitation as to rate or amount. The enforceability of rights or remedies with respect to such Bonds may be limited by any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting creditors' rights in general, from time to time in effect and by equitable principles, whether considered at law or in equity.

2. Interest on the Bonds and any gain from the sale thereof are not includible in gross income under the New Jersey Gross Income Tax Act.

3. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes under existing law, as currently enacted and construed. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations by the Internal Revenue Code of 1986, as amended (the "Code"). Interest on a Bond held by a corporation (other than an S corporation, regulated investment company, real estate investment trust or real estate mortgage investment conduit) may be indirectly subject to alternative minimum tax because of its inclusion in the adjusted current earnings of the corporate holder. Interest on a Bond held by a foreign corporation may be subject to the branch profits tax imposed by the Code.

The opinions set forth herein are given solely for the benefit of the original purchaser of the Notes and the addressee hereof and may not be relied on by any other person or entity without our express prior written consent. This opinion is rendered on the basis of federal law and the laws of the State of New Jersey as enacted and construed on the date hereof. We express no opinion as to any matter not set forth in the numbered paragraphs above, including, without limitation, with respect to, and assume no responsibility for, the accuracy, adequacy or completeness of any financial or other information relating to the Township furnished in connection with the sale of the Notes and make no representation that we have independently verified any such information. The opinions set forth herein are given solely as of the date hereof, and we do not undertake to update or supplement this opinion to reflect any facts or

November 14, 2017

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circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

APPENDIX E
SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100