TOWNSHIP OF LAWRENCE

2015 Audit Results
June 29, 2016

This report is intended solely for the information and use of the governing body and management and is not intended to be and should not be used by anyone other than these specified parties.
Contents

- Executive Summary
- Required Communications
- Financial Statements
- GASB Update
- Local Finance Notices Update
- Exhibit
Executive Summary

Audit Status
• Complete
• Unmodified opinion – New Jersey Regulatory Basis
# Required Communications

<table>
<thead>
<tr>
<th>Area</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our Responsibility with Regard to the Financial Statement Audit</td>
<td>Our responsibility under auditing standards generally accepted in the United States of America (&quot;GAAS&quot;); Government Auditing Standards Issued by the Comptroller General of the United States (&quot;GAS&quot;); and requirements of audit prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in our arrangement letter dated December 18, 2015.</td>
</tr>
<tr>
<td>Overview of the Planned Scope and Timing</td>
<td>We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of, and planned audit response to, significant risks of material misstatement.</td>
</tr>
</tbody>
</table>
# Accounting Policies and Practices

<table>
<thead>
<tr>
<th>Area</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preferability of Accounting Policies and Practices</td>
<td>Under New Jersey Regulatory Basis of accounting, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances management has selected the preferable accounting practice.</td>
</tr>
<tr>
<td>Adoption or Change [in Accounting Policies]</td>
<td>Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Township.</td>
</tr>
<tr>
<td></td>
<td>Implementation of GASB 68 and 71 required disclosures in the footnotes to the financial statements. See note G in the notes to the financial statements.</td>
</tr>
</tbody>
</table>
## Accounting Policies and Practices

<table>
<thead>
<tr>
<th>Area</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significant or Unusual Transactions</td>
<td>No significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</td>
</tr>
<tr>
<td>Management’s Judgments and Accounting Estimates</td>
<td>Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates follows.</td>
</tr>
</tbody>
</table>
Summary of Significant Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates reflected in the financial statements.

- The following are significant accounting estimates made inherent to the financial statements in which management's estimation process appears appropriate:
  - **Accumulated Sick and Vacation Time** – *only recorded in the footnote disclosures.*
Audit Adjustments

- No audit adjustments made to the original trial balance presented to us to begin our audit.
Corrected and Uncorrected Misstatements

• Corrected misstatements
  – There were no audit adjustments made to the original trial balance.

• Uncorrected misstatements
  – There were no unrecorded audit adjustments.
## Other Required Communications

<table>
<thead>
<tr>
<th>Area</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagreements with Management</td>
<td>We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.</td>
</tr>
<tr>
<td>Consultations with Other Accountants</td>
<td>We are not aware of any consultations management had with other accountants about accounting or auditing matters.</td>
</tr>
<tr>
<td>Significant Issues Discussed with Management</td>
<td>No significant issues arising from the audit were discussed with or the subject of correspondence with management.</td>
</tr>
<tr>
<td>Significant Difficulties Encountered in Performing the Audit</td>
<td>We did not encounter any significant difficulties in dealing with management during the audit.</td>
</tr>
</tbody>
</table>
### Other Required Communications

<table>
<thead>
<tr>
<th>Area</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Letter Communicating Material Weaknesses in Internal Control over Financial Reporting</td>
<td>No material weaknesses noted.</td>
</tr>
<tr>
<td>Certain Written Communications Between Management and Our Firm</td>
<td>Copies of certain written communications between our firm and the management of the entity, including the representation letter provided to us by management, are attached as Exhibit A.</td>
</tr>
</tbody>
</table>
Reporting Required by GAS

- No findings
  - Internal control over financial reporting.
  - Noncompliance with laws, regulations, contracts and grant agreements.
Combined Statement of Assets, Liabilities, Reserves and Fund Balance – All Funds and Account Groups

- See Attached
TOWNSHIP OF LAWRENCE  
COUNTY OF MERCER, STATE OF NEW JERSEY  

COMBINED STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE – ALL FUND TYPES AND ACCOUNT GROUP –  
REGULATORY BASIS  
December 31, 2015  
(With comparative totals for 2014)

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Current &amp; Grant Funds</th>
<th>General Capital Fund</th>
<th>Trust Funds (1)</th>
<th>Fixed Asset Account Group</th>
<th>Totals 2015</th>
<th>Totals 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$18,251,722.53</td>
<td>$4,592,181.64</td>
<td>$12,197,901.07</td>
<td>$-</td>
<td>$35,041,805.24</td>
<td>$46,344,668.35</td>
</tr>
<tr>
<td>Due from State of New Jersey per Chapter 73, P.L. 1976</td>
<td>61,467.82</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>61,467.82</td>
<td>68,217.82</td>
</tr>
<tr>
<td>Federal and State Grants Receivable</td>
<td>532,952.06</td>
<td>1,508,750.34</td>
<td>-</td>
<td>-</td>
<td>2,041,702.40</td>
<td>1,963,747.46</td>
</tr>
<tr>
<td>Receivables and Other Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan Proceeds Receivable</td>
<td>-</td>
<td>4,905.00</td>
<td>-</td>
<td>-</td>
<td>4,905.00</td>
<td>4,905.00</td>
</tr>
<tr>
<td>Delinquent Property Taxes</td>
<td>1,215,079.37</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,215,079.37</td>
<td>1,161,309.61</td>
</tr>
<tr>
<td>Delinquent Sewer Charges Receivable</td>
<td>310,430.00</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>310,430.00</td>
<td>346,410.47</td>
</tr>
<tr>
<td>Revenue Accounts Receivable</td>
<td>49,575.82</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>49,575.82</td>
<td>37,007.78</td>
</tr>
<tr>
<td>Tax Title Liens Receivable</td>
<td>1,465,114.15</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,465,114.15</td>
<td>1,447,637.81</td>
</tr>
<tr>
<td>Sewer Liens Receivable</td>
<td>8,371.09</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8,371.09</td>
<td>8,889.56</td>
</tr>
<tr>
<td>Property Acquired for Taxes at Assessed Valuation</td>
<td>168,410.00</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>168,410.00</td>
<td>168,410.00</td>
</tr>
<tr>
<td>Receivables and other assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7,959.97</td>
</tr>
<tr>
<td>Interfunds receivable</td>
<td>48,119.87</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>48,119.87</td>
<td>143,221.23</td>
</tr>
<tr>
<td>Deferred Charges</td>
<td>320,000.00</td>
<td>27,760,726.56</td>
<td>-</td>
<td>-</td>
<td>28,100,726.56</td>
<td>31,132,663.10</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>-</td>
<td>-</td>
<td>$12,197,901.07</td>
<td>$-</td>
<td>$87,318,222.00</td>
<td>$86,351,913.00</td>
</tr>
</tbody>
</table>

(1) - Includes Animal Control, Housing & Community, Self-Insurance and Other Trusts
## Combined Statement of Assets, Liabilities, Reserves and Fund Balance – All Fund Types and Account Group –
### Regulatory Basis (Continued)
December 31, 2015
(With comparative totals for 2014)

<table>
<thead>
<tr>
<th>Liabilities, Reserves and Fund Balance</th>
<th>Current &amp; Grant Funds</th>
<th>General Capital Fund</th>
<th>Trust Funds (1)</th>
<th>Fixed Asset Account Group</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tax/Sewer Fee Overpayments</strong></td>
<td>$ 463,627.83</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$ 463,627.83 $ 662,088.55</td>
</tr>
<tr>
<td><strong>Appropriation Reserves</strong></td>
<td>2,209,194.82</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,209,194.82 2,141,351.02</td>
</tr>
<tr>
<td><strong>Prepaid Taxes/Sewer Fees</strong></td>
<td>648,491.05</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>648,491.05 668,005.82</td>
</tr>
<tr>
<td><strong>Federal and State Grants</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Appropriated Reserves</strong></td>
<td>1,500,752.96</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,500,752.96 1,616,621.98</td>
</tr>
<tr>
<td><strong>Unappropriated Reserves</strong></td>
<td>13,637.92</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>13,637.92 118,282.19</td>
</tr>
<tr>
<td><strong>Reserve for Encumbrances</strong></td>
<td>332,187.13</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>332,187.13 422,692.28</td>
</tr>
<tr>
<td><strong>Other Liabilities and Reserves</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Due to State of New Jersey</strong></td>
<td>12,051.84</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>12,051.84 28,553.84</td>
</tr>
<tr>
<td><strong>Due to County for Added Taxes</strong></td>
<td>103,318.67</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>103,318.67 194,850.60</td>
</tr>
<tr>
<td><strong>Reserve for Debt Service</strong></td>
<td>-</td>
<td>746,797.55</td>
<td>-</td>
<td>-</td>
<td>746,797.55 562,897.55</td>
</tr>
<tr>
<td><strong>Capital Improvement Fund</strong></td>
<td>-</td>
<td>97,641.05</td>
<td>-</td>
<td>-</td>
<td>97,641.05 75,641.05</td>
</tr>
<tr>
<td><strong>Other Reserves</strong></td>
<td>3,502,994.02</td>
<td>2,815,753.29</td>
<td>11,997,241.05</td>
<td>-</td>
<td>18,315,988.36 27,857,769.47</td>
</tr>
<tr>
<td><strong>Special Emergency Note Payable</strong></td>
<td>-</td>
<td>320,000.00</td>
<td>-</td>
<td>-</td>
<td>320,000.00 480,000.00</td>
</tr>
<tr>
<td><strong>Improvement Authorizations</strong></td>
<td>-</td>
<td>7,506,152.82</td>
<td>-</td>
<td>-</td>
<td>7,506,152.82 9,052,904.67</td>
</tr>
<tr>
<td><strong>Reserve for Encumbrances</strong></td>
<td>610,964.38</td>
<td>1,512,992.63</td>
<td>-</td>
<td>-</td>
<td>2,123,957.01 3,131,608.95</td>
</tr>
<tr>
<td><strong>Interfund Payable</strong></td>
<td>-</td>
<td>-</td>
<td>48,119.87</td>
<td>-</td>
<td>48,119.87 143,221.23</td>
</tr>
<tr>
<td><strong>Bond Anticipation Notes</strong></td>
<td>-</td>
<td>9,625,000.00</td>
<td>-</td>
<td>-</td>
<td>9,625,000.00 9,270,000.00</td>
</tr>
<tr>
<td><strong>Serial Bonds</strong></td>
<td>-</td>
<td>10,765,000.00</td>
<td>-</td>
<td>-</td>
<td>10,765,000.00 13,300,000.00</td>
</tr>
<tr>
<td><strong>NJ Environmental Infrastructure Trust Loan Payable</strong></td>
<td>-</td>
<td>120,057.53</td>
<td>-</td>
<td>-</td>
<td>120,057.53 190,716.49</td>
</tr>
<tr>
<td><strong>Green Trust Loan Payable</strong></td>
<td>-</td>
<td>277,043.07</td>
<td>-</td>
<td>-</td>
<td>277,043.07 375,353.65</td>
</tr>
<tr>
<td><strong>Reserve for Receivables</strong></td>
<td>3,265,100.30</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,265,100.30 3,312,886.46</td>
</tr>
<tr>
<td><strong>Accounts Payable</strong></td>
<td>148,988.09</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>148,988.09 187,163.93</td>
</tr>
<tr>
<td><strong>Other Payables</strong></td>
<td>-</td>
<td>-</td>
<td>152,540.15</td>
<td>-</td>
<td>152,540.15 136,622.10</td>
</tr>
<tr>
<td><strong>Investment in Fixed Assets</strong></td>
<td>-</td>
<td>-</td>
<td>87,318,222.00</td>
<td>-</td>
<td>87,318,222.00 86,351,913.00</td>
</tr>
<tr>
<td><strong>Fund Balance</strong></td>
<td>$ 9,299,933.70</td>
<td>$ 420,125.60</td>
<td>-</td>
<td>-</td>
<td>$ 9,720,059.30 8,905,796.33</td>
</tr>
</tbody>
</table>

(1) - Includes Animal Control, Housing & Community, Self-Insurance and Other Trusts

See notes to financial statements.
Statement of Revenues, Expenditures, and Changes in Fund Balance – Current Fund

- See Attached
TOWNSHIP OF LAWRENCE
COUNTY OF MERCER, STATE OF NEW JERSEY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CURRENT FUND - REGULATORY BASIS
Year Ended December 31, 2015

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Miscellaneous Revenues</td>
<td>$3,750,000.00</td>
</tr>
<tr>
<td>State PJd w/o Offsetting Appropriations</td>
<td>$13,049,833.70</td>
</tr>
<tr>
<td>Offsetting Appropriations</td>
<td></td>
</tr>
<tr>
<td>Special Items with Offsetting Appropriations</td>
<td>$8,370,670.73</td>
</tr>
<tr>
<td>Special Items with Prior Consent of the Director</td>
<td>$469,362.97</td>
</tr>
<tr>
<td>Delinquent Taxes</td>
<td>$24,914,556.12</td>
</tr>
<tr>
<td>Amount to be Raised by Taxes for Support of Municipal Budget</td>
<td>$45,816,416.75</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>$97,906,549.67</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditures</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Expenditures</td>
<td></td>
</tr>
<tr>
<td>Other Expenses and Charges to Income</td>
<td>$13,147,135.00</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td></td>
</tr>
<tr>
<td>Other Expenses</td>
<td></td>
</tr>
<tr>
<td>Municipal Debt Service</td>
<td></td>
</tr>
<tr>
<td>Sales and Wages</td>
<td></td>
</tr>
<tr>
<td>Appropriations Excluded from &quot;CAP&quot; Operations</td>
<td>$3,034,141.00</td>
</tr>
<tr>
<td>Deferred Charges and Semiannual Expenditures - Municipal</td>
<td>$12,452,139.00</td>
</tr>
<tr>
<td>Other Expenses</td>
<td></td>
</tr>
<tr>
<td>Sales and Wages</td>
<td></td>
</tr>
<tr>
<td>Appropriations within &quot;CAP&quot; Operations</td>
<td>$3,777,535.25</td>
</tr>
<tr>
<td>Expenditures</td>
<td></td>
</tr>
<tr>
<td>Other Revenues</td>
<td></td>
</tr>
<tr>
<td>Total Revenues</td>
<td></td>
</tr>
<tr>
<td>Other Credits to Income</td>
<td></td>
</tr>
<tr>
<td>Total Revenues</td>
<td></td>
</tr>
<tr>
<td>Other Revenues</td>
<td></td>
</tr>
<tr>
<td>Definitive Revenues</td>
<td></td>
</tr>
<tr>
<td>Special Items with Prior Consent of the Director</td>
<td>$13,049,833.70</td>
</tr>
<tr>
<td>Special Items with Offsetting Appropriations</td>
<td>$8,370,670.73</td>
</tr>
<tr>
<td>Special Items with Offsetting Appropriations</td>
<td>$469,362.97</td>
</tr>
<tr>
<td>Miscellaneous Revenues</td>
<td></td>
</tr>
<tr>
<td>Fund balance Applied</td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td></td>
</tr>
</tbody>
</table>

Fund balance, January 1, 2016

See notes to financial statements.
GASB Update

- Some recently issued standards
  - GASB Statement No. 72, *Fair Value Measurement and Application*
  - GASB Statement No. 75, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
GASB Update

- Some recently issued standards
  - GASB Statement No. 77, *Tax Abatement Disclosures*
GASB Statement No. 72

- GASB Statement No. 72, *Fair Value Measurement and Application*
  - The standard describes how fair value should be defined and measured, the use of various valuation techniques, and which information about fair value should be disclosed in the notes to the financial statements.
  - Requires investments to be measured at fair value. A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value per share (or its equivalent) of the investment.
  - Requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets and capital assets received in a service concession arrangement. These assets were previously required to be measured at fair value.
GASB Statement No. 72, Fair Value Measurement and Application (Continued)

- Requires disclosures about fair value measurements, the level of fair value hierarchy and valuation techniques. The hierarchy has three levels.
  - Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
  - Level 2 inputs are inputs—other than quoted prices—included within Level 1 that are observable for the asset or liability, either directly or indirectly.
  - Level 3 inputs are unobservable inputs, such as management’s assumption of the default rate among underlying mortgages of a mortgage-backed security.

- Effective for periods beginning after June 15, 2015.
GASB Statement No. 73

  
  - Establishes requirements for defined benefit pensions that are not within the scope of GASB 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. Also establishes requirements for defined contribution pensions that are not within the scope of GASB 68. The requirements are similar to GASB 68.

- Effective dates:
  - The requirements that address accounting and financial reporting for pensions that are not within the scope of GASB 68 are effective for financial statements for fiscal years beginning after June 15, 2016.
  - The requirements that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015.
GASB Statement No. 73

- 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 (Continued)

  - Clarifies the application of certain provisions of GASB 68 related to the following:
    - Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported;
    - Accounting and financial reporting for separately financed specific liabilities of individual employers and non-employer contributing entities for defined benefit pensions; and
    - Timing of employer recognition of revenue for the support of non-employer contributing entities not in a special funding situation.

  - This portion of the statement is effective for fiscal years beginning after June 15, 2015 (concurrent with the effective date of GASB 68).
• GASB Statement No. 75, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*

  - Establishes new accounting and financial reporting requirements for other postemployment benefit (OPEB) plans provided by state and local governments to its employees and for governments that finance OPEB for employees of other governments.
    ▪ Record a liability for the OPEB based on specific criteria.
    ▪ Record expense based on changes in the components of the net OPEB liability.
    ▪ Requires more extensive note disclosures and required supplementary information.

  - Effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.
GASB Statement No. 77

- GASB Statement No. 77, Tax Abatement Disclosures
  - Requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.
  - Effective for fiscal years beginning after December 15, 2015. Earlier application is encouraged.
New Jersey Division of Local Government Services

- Some recently issued Local Finance Notices
  - LFN 2015-20 – Adjustment of Public Bidding Threshold Effective 7/1/15
  - LFN 2016-09 – Applying Payments Toward Delinquencies & Cancelling Delinquent Municipal Charges Under $10
Our Compass

Core Values

Mercadien pledges to be accountable and guided by these core values that we use as our compass. Core values are the essential and enduring principles that are integral to our success. These values form the foundation of our work, how we interact with one another, and which strategies we employ to accomplish our efforts. We define leadership as embracing these core values and having the courage to act on them on behalf of our families, our firm, ourselves, our clients, colleagues and community.

- **Integrity** – conducting our affairs honestly and ethically and doing what's right, regardless of the cost or consequence.
- **Excellence** – striving to be the best in everything we do, being a part of something special, and enabling ourselves and others to reach the highest potential.
- **Responsibility** – being accountable for the success, development and improvement of our families, our firm, ourselves, our clients, colleagues and community.
- **Creativity** – embracing change and continually seeking out and developing innovative ways to serve our families, our firm, ourselves, our clients, colleagues and community, recognizing that failure is an integral part of success.
- **Respect** – appreciating, understanding and supporting ourselves and others, our colleagues, our clients and community.
Questions?
Contact Information

MERCADIEN, P.C., CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 7648
PRINCETON, NJ 08543-7648

WARREN A. BROUDY, CPA, RMA, CGFM, PSA, CGMA
Principal
(609) 689-9700 / wbroudy@mercadien.com

DIGESH PATEL, CPA, MBA, CGMA
Director
(609) 689-2410 / dpatel@mercadien.com
Exhibit A

- Management Representation Letter
June 29, 2016

Mercadien, P.C., Certified Public Accountants
P.O. Box 7648
Princeton, NJ 08543-7648

This representation letter is provided in connection with your audits of the basic financial statements of the Township of Lawrence, County of Mercer, State of New Jersey (the "Township"), as of and for the year ended December 31, 2015, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects in accordance with the requirements of the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

We confirm, to the best of our knowledge and belief, as of June 29, 2016:

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated December 18, 2015, for the preparation and fair presentation of the financial statements referred to above in accordance with the requirements of the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

2. We acknowledge our responsibility 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.

3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist at the balance sheet date and related accounting policies.

a. To reduce receivables with appropriate offsetting reserves.

b. To estimate the unreported liabilities for various risk management programs.

c. To determine the unreported liabilities for various risk management programs.

d. For pension obligations, post-employment benefits other than pensions, and deferred compensation agreements.

To the best of our knowledge and belief, the financial statements presented fairly, in all material respects, the basic financial position of the Township of Lawrence, County of Mercer, State of New Jersey, as of December 31, 2015.

June 29, 2016

Community Affairs, State of New Jersey

Lawrenceville, New Jersey 08648

P.O. Box 6006

Township of Lawrence

P. O. Box 7648

Mercadien, P.C., Certified Public Accountants

June 29, 2016

Lawrenceville, New Jersey 08648

Township of Lawrence
5. Related party and component unit relationships and transactions have been appropriately accounted for and disclosed.

6. All events subsequent to the date of the financial statements that required adjustment or disclosure have been adjusted or disclosed.

7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed.

8. There are no unasserted claims or assessments that our lawyer has advised us are probable or material, and no asset or liability, real or personal, has been acquired or disposed of on which the Township is contingently liable.

9. We have no direct or indirect, legal or moral obligation for any debt of any organization, public or private that is not disclosed in the financial statements.

10. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

11. The following have been properly recorded and/or disclosed in the financial statements:
   a. Fund balance, reserves, and other appropriations.
   b. Guarantees, whether written or oral, under which the Township is contingently liable.
   c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
   d. Line of credit or similar arrangements.
   e. Security agreements in effect under the Uniform Commercial Code.
   f. Any other loans or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way to any other actual or possible liabilities.
   g. Amounts of contractual obligations for construction and purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books.
   h. Any liabilities which are subordinated in any way to any other actual or possible liabilities.
   i. Arrangements with financial institutions involving contractual agreements.
   j. All leases and material amounts of rental obligations under long-term leases.
   k. All significant estimates and material concentrations known to management which are required to be disclosed.
   l. Debt and debt issue provisions.
   m. Special and extraordinary items.
m. Deposits and investment securities categories of risk.

n. Authorized but unissued bonds and/or notes.

o. Arbitrage rebate liabilities.


q. Loans and loan provisions.

r. Risk-financing activities.

s. Deferred charges.

t. Improvement authorizations.
— Receivables and reserves.
19. We are unable to determine the possibility of a withdrawal liability in a multi-employer plan.

20. We do not intend to compensate for the elimination of postretirement benefits by granting an increase in pension benefits.

21. We do not plan to make frequent amendments to the pension and other postretirement benefit plans.

22. We have no knowledge of any uncorrected misstatements in the financial statements.

23. We have not expended grant dollars in excess of required threshold and thus, are not subject to single audit requirements.

24. We have provided you with:

   a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;

   b. Additional information that you have requested from us for the purpose of the audit;

   c. Minutes of the meetings of the Township Council Meetings, or summaries of actions of transactions not yet been prepared.

25. All transactions have been recorded in the accounting records and are reflected in the financial statements.

26. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

27. We have no knowledge of allegations or suspicions of fraud that the financial statements are not in accordance with generally accepted accounting principles.

28. We have no knowledge of allegations or suspicions of fraud affecting the Township's financial statements involving:

29. Management involving:

   a. Employees who have significant roles in the internal control.

   b. Employees who have significant roles in the internal control.

   c. Employees who have significant roles in the internal control.

30. We have not expended grant dollars in excess of required threshold and thus, are not subject to single audit requirements.

31. We do not plan to make frequent amendments to the pension and other postretirement benefit plans.

32. We have no knowledge of any uncorrected misstatements in the financial statements.

33. We have not expended grant dollars in excess of required threshold and thus, are not subject to single audit requirements.

34. We do not plan to make frequent amendments to the pension or other postretirement benefit plans.

35. We do not intend to compensate for the elimination of postretirement benefits by granting an increase in pension benefits.

36. We are unable to determine the possibility of a withdrawal liability in a multi-employer benefit plan.

37. We have no knowledge of any uncorrected misstatements in the financial statements.

38. We have not expended grant dollars in excess of required threshold and thus, are not subject to single audit requirements.

39. We do not plan to make frequent amendments to the pension or other postretirement benefit plans.

40. We do not intend to compensate for the elimination of postretirement benefits by granting an increase in pension benefits.

41. We are unable to determine the possibility of a withdrawal liability in a multi-employer benefit plan.
29. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing financial statements.

30. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.

31. We have disclosed to you the identity of the entity's related parties and all the related-party relationships and transactions of which we are aware.

32. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Township's ability to record, process, summarize, and report financial data.

33. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

34. We have no plans or intentions that may materially affect the carrying value or classification of assets. In that regard:
   a. We have no significant amounts of idle property and equipment or permanent excess plant capacity.
   b. We have no plans or intentions to discontinue the operations of any department or division or to discontinue the operations of any department or division or to discontinue any significant services.
   c. We have reviewed long-lived assets and certain identifiable intangibles to be held and used for future operations and have determined that no impairment has occurred.

35. We have evaluated the effect that would result from adopting the guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, and the Township has disclosed the effect of adopting the guidance in its financial statements.

36. We have complied with all aspects of contractual agreements that would have a material effect on the Township's financial statements.

37. The Township has satisfactory title to all owned assets.

38. There are no violations or possible violations of laws or regulations whose effects should be disclosed.

39. The Township has no legal rights to any other assets.

(GASB) Statement No. 68, and 71. The Township has disclosed the effect of adopting the guidance in Governmental Accounting Standards Board (GASB) Statement No. 68 and 71. The Township has evaluated the effect that would result from adopting the guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, and the Township has disclosed the effect of adopting the guidance in its financial statements.

35. We have evaluated the effect that would result from adopting the guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, and the Township has disclosed the effect of adopting the guidance in its financial statements.

36. The Township has satisfactory title to all owned assets.

37. We have complied with all aspects of contractual agreements that would have a material effect on the Township's financial statements.

38. There are no violations or possible violations of laws or regulations whose effects should be disclosed.

39. The Township has no legal rights to any other assets.
39. With respect to supplementary information presented in relation to the financial statements as a whole:

a. We acknowledge our responsibility for the presentation of such information.

b. We believe such information, including its form and content, is fairly presented in accordance with the requirements of the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

c. The methods of measurement or presentation have not changed from those used in the prior period.

40. With respect to required supplementary information presented as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey:

a. We acknowledge our responsibility for the presentation of such required supplementary information.

b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

c. The methods of measurement or presentation have not changed from those used in the prior period.

d. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

41. During the course of your audit, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Compliance Considerations

In connection with your audit, conducted in accordance with Government Auditing Standards, we confirm that management:

1. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.

2. Is responsible for compliance with the laws, regulations and provisions of contracts and grant agreements applicable to the auditee.

3. Has identified and disclosed to the auditor all instances that have occurred or are likely to have occurred of noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

4. Has identified and disclosed to the auditor all instances that have occurred or are likely to have occurred of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts.
5. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements.

6. Is 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.

7. Acknowledges its responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.

8. Has taken timely and appropriate steps to remedy fraud; noncompliance with provisions of laws, regulations, contracts and grant agreements; or abuse that the auditor reports.

9. Acknowledges its responsibilities as it relates to non-audit services performed by the auditor, including a statement that it assumes all management responsibilities; that it oversees the services performed by the auditor; designates an individual, preferably within senior management, who possesses suitable skill, knowledge or experience; and evaluates the adequacy and results of the services performed.

Township of Lawrence, County of Mercer, State of New Jersey

Ri pi Ø-}(r- wczun, ownship Manager/CFO

Peter Altmich, Controller

Ricardo S. Reiswurm, Township Manager/CFO