

**TOWNSHIP OF UPPER  
REPORT OF AUDIT  
FOR THE YEAR ENDED  
DECEMBER 31, 2012**

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**TOWNSHIP OF UPPER**

**PART I**

**REPORT ON EXAMINATION OF FINANCIAL STATEMENTS - REGULATORY BASIS**

**FOR THE YEAR ENDED**

**DECEMBER 31, 2012**



# FORD - SCOTT

& ASSOCIATES, L.L.C.

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## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and  
Members of the Township Committee  
Township of Upper  
County of Cape May, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Township of Upper, as of December 31, 2012 and 2011, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

***Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles.***

As described in Note 1 of the financial statements, the financial statements are prepared by the Township of Upper on the basis of the financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of New Jersey.

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the the United States of America, the financial position of each fund of the Township of Upper as of December 31, 2012 and 2011, or changes in financial position for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets and account group as of December 31, 2012 and 2011, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2012 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

***Other Matters***

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Upper’s basic financial statements. The supplementary information listed in the table of contents and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the schedule of expenditures of state financial assistance as required by NJ OMB 04-04 and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the schedule of and the schedule of expenditures of state financial assistance as required by NJ OMB 04-04 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the supplemental information listed in the table of contents, schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the schedule of expenditures of state financial assistance as required by NJ OMB 04-04 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2013 on our consideration of the Township of Upper's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Upper's internal control over financial reporting and compliance.

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

*Leon P. Costello*

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

**June 3, 2013**

**EXHIBIT - A  
CURRENT FUND**



**TOWNSHIP OF UPPER**  
**CURRENT FUND**  
**COMPARATIVE BALANCE SHEET - REGULATORY BASIS**

	<u>Ref.</u>	<u>Balance Dec. 31, 2012</u>	<u>Balance Dec. 31, 2011</u>
<u>Assets</u>			
Regular Fund:			
Cash:			
Treasurer	A-4	\$ 11,541,538.83	\$ 8,613,304.93
Change and Petty Cash Funds		900.00	900.00
		<u>11,542,438.83</u>	<u>8,614,204.93</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-7	551,293.43	662,878.01
Tax Title Liens Receivable	A-8	218,174.11	211,533.06
Property Acquired for Taxes at Assessed Valuation		2,560,799.00	2,560,799.00
Revenue Accounts Receivable	A-9	4,961.40	4,265.75
Interfunds:			
Due from Trust - Other	B	5,469.33	2,316.75
		<u>3,340,697.27</u>	<u>3,441,792.57</u>
		<u>14,883,136.10</u>	<u>12,055,997.50</u>
Federal and State Grant Fund:			
Grants Receivable	A-11	53,406.40	65,658.68
Due from Current Fund		236,732.56	249,642.46
		<u>290,138.96</u>	<u>315,301.14</u>
		<u>\$ 15,173,275.06</u>	<u>\$ 12,371,298.64</u>

**TOWNSHIP OF UPPER**  
**CURRENT FUND**  
**COMPARATIVE BALANCE SHEET - REGULATORY BASIS**

	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3:A-10	\$ 538,129.05	\$ 743,761.95
Reserve for Encumbrances	A-3	256,572.10	189,956.33
Prepaid Taxes		369,535.49	353,263.63
Tax Overpayments		28,176.66	27,595.44
Due to State of New Jersey		28,011.42	25,511.41
County Tax Payable		10,320.23	-
School Tax Payable		3,883,280.00	3,664,000.00
Due to State - DCA Fees		1,690.00	3,366.00
Due to State - Marriage & Civil Union Licenses		650.00	325.00
Due to State - Hunting Licenses		583.75	461.00
Due to State - Animal Control Fees		-	22.20
Due to General Capital Fund	C	4,164,863.86	1,387,814.48
Due to Federal and State Grant Fund		236,732.56	249,642.46
Due to Animal Control Trust Fund		1,589.29	7,105.48
Reserve for Garden State Preservation Trust		132,171.00	132,171.00
Reserve for Capital Projects		527,728.52	516,942.58
Reserve for State Tax Appeal		9,303.00	9,303.00
		<u>10,189,336.93</u>	<u>7,311,241.96</u>
Reserve for Receivables and Other Assets		3,340,697.27	3,441,792.57
Fund Balance	A-1	<u>1,353,101.90</u>	<u>1,302,962.97</u>
		<u>14,883,136.10</u>	<u>12,055,997.50</u>
Federal and State Grant Fund:			
Unappropriated Reserves	A-12	10,000.00	65,512.49
Appropriated Reserves	A-13	40,712.19	220,703.01
Due to Trust Other		228,595.08	-
Encumbrances Payable		10,831.69	29,085.64
		<u>290,138.96</u>	<u>315,301.14</u>
		<u>\$ 15,173,275.06</u>	<u>\$ 12,371,298.64</u>

**TOWNSHIP OF UPPER**  
**CURRENT FUND**  
**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE**  
**REGULATORY BASIS**

	<u>Ref.</u>	<u>Year 2012</u>	<u>Year 2011</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$	1,166,000.00	\$ 1,220,000.00
Miscellaneous Revenue Anticipated		7,763,023.28	7,715,572.99
Receipts from Delinquent Taxes		647,769.93	582,527.72
Receipts from Current Taxes		30,043,429.93	29,562,997.97
Non-Budget Revenue		280,986.57	442,338.27
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		617,202.48	551,777.14
Interfunds Returned		229.89	1,325.57
Cancellation of Prior Year Accounts Payable		-	3,511.30
		<u>40,518,642.08</u>	<u>40,080,050.96</u>
<u>Expenditures</u>			
Budget and Emergency Appropriations:			
Appropriations Within "CAP"			
Operations:			
Salaries and Wages		4,227,866.00	4,421,086.00
Other Expenses		4,663,640.00	4,568,990.00
Public and Private Programs Offset by Revenues		72,782.45	93,695.60
Deferred Charges & Statutory Expenditures		858,491.00	760,059.26
Appropriations Excluded from "CAP"			
Operations:			
Other Expenses		-	33,750.00
Capital Improvements		50,000.00	76,000.00
Debt Service		585,690.00	563,760.00
Deferred Charges & Statutory Expenditures		66,000.00	88,000.00
Special District Taxes		1,507,653.00	1,481,610.00
County Taxes		4,885,868.00	4,795,558.38
County Added and Omitted Taxes		10,320.23	12,178.85
Local District School Tax		22,366,560.00	21,928,000.00
Refund of Prior Year Revenue		4,250.00	2,000.00
Interfund Created		3,382.47	1,756.32
		<u>39,302,503.15</u>	<u>38,826,444.41</u>

**TOWNSHIP OF UPPER**  
**CURRENT FUND**  
**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE**  
**REGULATORY BASIS**

	Ref.	Year 2012	Year 2011
Excess In Revenue		\$ 1,216,138.93	\$ 1,253,606.55
Adjustments to Income before Fund Balance:			
Expenditures Included Above Which are by			
Statute Deferred Charges to Budget of			
Succeeding Year		-	-
		-	-
Statutory Excess to Fund Balance		1,216,138.93	1,253,606.55
Fund Balance January 1	A	1,302,962.97	1,269,356.42
		2,519,101.90	2,522,962.97
Decreased by:			
Utilization as Anticipated Revenue		1,166,000.00	1,220,000.00
Fund Balance December 31	A	\$ 1,353,101.90	\$ 1,302,962.97

**TOWNSHIP OF UPPER  
CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS**

	Ref.	Anticipated		Realized	Excess or (Deficit)
		Budget	N.J.S. 40A:4-87		
Fund Balance Anticipated		\$ 1,166,000.00	\$	1,166,000.00	\$ -
		1,166,000.00	-	1,166,000.00	-
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages		5,000.00		5,300.00	300.00
Interest and Costs on Taxes		106,000.00		128,749.43	22,749.43
Interest on Investments and Deposits		30,000.00		66,576.13	36,576.13
Energy Receipts Tax (P.L. 1997, Ch. 162 & 167)		6,191,482.00		6,191,482.00	-
Garden State Trust		132,171.00		132,171.00	-
Uniform Construction Code Fees		164,000.00		139,389.00	(24,611.00)
Host Community Benefits		415,000.00		421,676.87	6,676.87
Cable TV Fees		50,000.00		55,483.52	5,483.52
Cell Tower Fees		40,000.00		42,880.87	2,880.87
EMS Ambulance Fees		220,000.00		249,062.21	29,062.21
Dennis Twp & Corbin City - Municipal Court		117,000.00		188,143.23	71,143.23
Municipal Court Fines and Costs		135,000.00		76,193.57	(58,806.43)
Special Items:					
State and Federal Programs Off-Set by Revenues:					
Municipal Alliance on Alcoholism and Drug Abuse		27,469.00		27,469.00	-
Clean Communities Grant		29,446.45		29,446.45	-
NJ Office of Emergency Management		5,000.00		5,000.00	-
Main Street Market Assessment			4,000.00	4,000.00	-
Total Miscellaneous Revenues	A-1	7,667,568.45	4,000.00	7,763,023.28	91,454.83
Receipts from Delinquent Taxes	A-1:A-2	560,000.00	-	647,769.93	87,769.93

**TOWNSHIP OF UPPER**  
**CURRENT FUND**  
**STATEMENT OF REVENUES - REGULATORY BASIS**

	Ref.	Anticipated		Realized	Excess or (Deficit)
		Budget	N.J.S. 40A:4-87		
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal Purposes		\$ 2,074,444.33	\$	2,220,262.03	\$ 145,817.70
of Municipal Budget		2,074,444.33	-	2,220,262.03	145,817.70
Budget Totals		11,468,012.78	4,000.00	11,797,055.24	325,042.46
Non-Budget Revenues		-		280,986.57	280,986.57
		\$ 11,468,012.78	\$ 4,000.00	\$ 12,078,041.81	\$ 606,029.03

**TOWNSHIP OF UPPER**  
**CURRENT FUND**  
**STATEMENT OF REVENUES - REGULATORY BASIS**

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenues from Collections	\$	30,043,429.93
Allocated to:		
School, County and Other Taxes		28,770,401.23
Balance for Support of Municipal Budget Appropriations		1,273,028.70
Add: Appropriation		
"Reserve for Uncollected Taxes"		947,233.33
Less:		
Reserve for State Tax Appeal Pending		-
Amount for Support of Municipal Budget Appropriations	\$	2,220,262.03

Receipts from Delinquent Taxes:

Delinquent Tax Collections	\$	629,971.28
Tax Title Lien Collections		17,798.65
	\$	647,769.93

Analysis of Non-Budget Revenues:

<u>Miscellaneous Revenue Not Anticipated:</u>		
Atlanticare Lease	\$	5,400.00
Township Facilities Use Fees		2,000.00
Boat Ramp Fees		18,332.00
Street Openings		6,295.00
Mining Permits		25,000.00
Planning and Zoning Board Deposits		18,422.50
MAC Repayment		6,867.00
MUA Permit Fees		7,648.51
State Wildlife		373.50
Property Lists		680.00
County Fleet Maintenance		50,844.48
Restitution		8,276.11
Clerk's Receipts		13,409.92
Engineer/Zoning Escrow Fees		10,426.00
Passport Fees		5,149.60
Whitter Avenue Lease		5,000.00
Tax Collector Receipts		2,720.15
Cobra Insurance Repayment		6,284.88
Fish and Game		19,656.00
Land Sale Fees Non-Ref		87.80
JIF Dividend		2,118.01
Campground Fees/Mobile Park Fees		2,680.00
Dog Park Receipts		970.00
2% Administration Fee		3,170.73
EHT Public Works Wash Bay		1,135.00
Ambulance Fees Corbin City		10,193.00
W/C Employee Reimbursement		1,595.72
Miscellaneous		46,250.66
	\$	280,986.57

**TOWNSHIP OF UPPER  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Budget After Modification	Paid or Charged	Expended		(Overexpended) Unexpended Balance Cancelled
	Budget				Encumbered	Reserved	
<b>OPERATIONS WITHIN "CAPS"</b>							
<b>GENERAL GOVERNMENT FUNCTIONS:</b>							
Mayor and Committee	\$ 61,250.00	\$	61,250.00	60,817.13	\$	432.87	\$
Salaries and Wages	21,625.00		23,125.00	10,732.98	30.28		12,361.74
Other Expenses							
Township Clerk							
Salaries and Wages	171,000.00		171,000.00	167,776.80		3,223.20	
Other Expenses	45,000.00		45,000.00	31,566.39	4,529.03	8,904.58	
Financial Administration							
Salaries and Wages	108,500.00		108,500.00	104,514.57		3,985.43	
Audit Services	35,500.00		35,500.00	35,500.00			
Computer Services	41,300.00		41,300.00	34,183.46	4,206.64	2,909.90	
Miscellaneous Other Expenses	16,500.00		18,500.00	13,630.40	1,732.54	3,137.06	
Collection of Taxes							
Salaries and Wages	85,500.00		85,500.00	85,458.17		41.83	
Purchase of Tax Title Liens	1,000.00		1,000.00	-		1,000.00	
Miscellaneous Other Expenses	7,200.00		5,200.00	3,150.55	127.90	1,921.55	
Assessment of Taxes							
Salaries and Wages	97,700.00		101,700.00	101,103.33		596.67	
Other Expenses	11,000.00		11,000.00	7,715.59		3,284.41	
Liquidation of Tax Title Liens							
Other Expenses	1,000.00		1,000.00	-		1,000.00	
Legal Services							
Other Expenses	125,000.00		130,000.00	118,397.70		11,602.30	
Special Litigation							
Other Expenses	100,000.00		100,000.00	40,155.61	4,919.70	54,924.69	
Engineering Services							
Salaries and Wages	87,656.00		87,816.00	87,809.76		6.24	
Other Expenses	53,500.00		33,000.00	21,816.95	2,681.59	8,501.46	
Public Information							
UTTV2	4,300.00		4,300.00	2,950.00		1,350.00	
Miscellaneous Other Expenses	1,000.00		1,000.00			1,000.00	
<b>INSURANCE:</b>							
General Liability	150,000.00		150,000.00	120,468.01		29,531.99	
Workers Compensation Insurance	350,000.00		370,000.00	366,754.19		3,245.81	
Employee Group Health	1,548,000.00		1,548,000.00	1,477,254.34	1,620.12	69,125.54	



**TOWNSHIP OF UPPER  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Budget After Modification	Paid or Charged	Expended		Reserved	(Overexpended) Unexpended Balance Cancelled
	Budget				Encumbered			
<b>LAND USE ADMINISTRATION:</b>								
Planning Board	\$	\$	\$	\$	\$	\$	\$	\$
Salaries and Wages	39,000.00		39,000.00	37,558.72			1,441.28	
Master Plan Review	2,000.00		2,000.00	-			2,000.00	
Other Expenses	14,000.00		14,000.00	7,134.02	360.00		6,505.98	
Zoning Board of Adjustment								
Salaries and Wages	39,000.00		39,000.00	37,559.24			1,440.76	
Other Expenses	18,000.00		14,000.00	2,672.00	202.50		11,125.50	
<b>PUBLIC SAFETY:</b>								
First Aid Organization								
Salaries and Wages	586,500.00		561,500.00	557,189.65			4,310.35	
Other Expenses	100,035.00		100,035.00	85,868.41	8,699.52		5,467.07	
Emergency Management Services								
Salaries and Wages	19,500.00		19,500.00	19,044.72			455.28	
Other Expenses	71,200.00		61,200.00	46,047.78	7,037.03		8,115.19	
Crossing Guard								
Salaries and Wages	7,500.00		6,500.00	5,937.50			562.50	
Other Expenses	500.00		500.00	71.86			428.14	
Regional Dispatch								
Contractual	255,000.00		255,000.00	214,220.00	33,868.87		6,911.13	
Municipal Court								
Salaries and Wages	175,400.00		175,400.00	173,726.04			1,673.96	
Other Expenses	16,890.00		16,890.00	8,415.06	842.04		7,632.90	
Municipal Prosecutor								
Salaries and Wages	39,000.00		39,000.00	39,000.00			-	
Public Defender								
Salaries and Wages	19,000.00		19,000.00	18,999.96			0.04	
<b>PUBLIC WORKS FUNCTIONS:</b>								
Road Repairs and Maintenance								
Salaries and Wages	1,422,500.00		1,377,500.00	1,366,389.24			11,110.76	
Surfacing of Roads	15,000.00		7,000.00	4,243.52	2,755.00		1.48	
Miscellaneous Other Expenses	254,200.00		262,200.00	231,933.88	25,258.23		5,007.89	
Recycling								
Salaries and Wages	530,000.00		525,000.00	509,740.32			15,259.68	
Other Expenses	70,300.00		70,300.00	70,300.00			-	
Garbage and Trash								
Salaries and Wages	287,000.00		287,000.00	283,435.43			3,564.57	
Tipping Fees	425,000.00		390,000.00	308,952.62	59,940.47		21,106.91	
Miscellaneous Other Expenses	93,100.00		93,100.00	63,707.92	1,956.07		27,436.01	
Public Buildings and Grounds								
Salaries and Wages	87,500.00		87,500.00	86,267.08			1,232.92	
Other Expenses	171,500.00		171,500.00	138,803.09	8,738.25		23,958.66	

**TOWNSHIP OF UPPER  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Budget After Modification	Paid or Charged	Expended		Reserved	(Overexpended) Unexpended Balance Cancelled
	Budget				Encumbered			
<b>HEALTH AND WELFARE:</b>								
Board of Health	\$ 550.00	\$ 550.00	\$ 547.79	\$ -			\$ 2.21	\$ 5,000.00
Salaries and Wages	20,000.00	5,000.00						
Other Expenses								
Dog Regulation	84,100.00	84,100.00	81,309.86					2,790.14
Other Expenses								
<b>PARK AND RECREATION FUNCTIONS:</b>								
Sports & Recreation	51,000.00	51,000.00	48,980.90		6,133.63		2,019.10	1,177.74
Salaries and Wages	190,000.00	195,000.00	187,688.63					
Other Expenses								
Community Center	51,750.00	43,250.00	34,257.35		2,860.28		6,132.37	
Other Expenses	79,000.00	104,000.00	36,870.72		41,091.98		26,037.30	
Emergency Shore Protection	200,000.00	202,150.00	202,140.93				9.07	
Beach Protection	26,850.00	23,040.00	15,602.68		6,177.95		1,259.37	
Salaries and Wages	2,500.00	2,500.00	2,499.90				0.10	
Other Expenses	10,000.00	-						
<b>UNCLASSIFIED:</b>								
Celebration of Public Events	10,000.00	10,000.00	9,179.69		302.48		517.83	
Compensation for Accumulated Absences	100.00	30,100.00			30,100.00			
Drug and Alcohol Testing	9,500.00	9,500.00	9,398.00				102.00	
<b>UNIFORM CONSTRUCTION CODE:</b>								
State Uniform Construction Code								
Construction Official	165,000.00	165,000.00	159,408.16				5,591.84	
Salaries and Wages	6,000.00	6,000.00	4,083.62		400.00		1,516.38	
Other Expenses								
Zoning/Code Official	15,000.00	15,000.00	14,999.92				0.08	
Salaries and Wages	3,000.00	3,000.00	102.00				2,898.00	
Other Expenses								
<b>UTILITY EXPENSES AND BULK PURCHASES:</b>								
Street Lighting	172,000.00	175,000.00	157,519.28				17,480.72	
<b>TOTAL OPERATIONS WITHIN "CAPS"</b>	<b>8,978,506.00</b>	<b>8,891,506.00</b>	<b>8,173,563.42</b>		<b>256,572.10</b>		<b>461,370.48</b>	<b>-</b>
Contingent								
<b>TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"</b>	<b>8,978,506.00</b>	<b>8,891,506.00</b>	<b>8,173,563.42</b>		<b>256,572.10</b>		<b>461,370.48</b>	<b>-</b>
Detail:								
Salaries and Wages	4,297,556.00	4,227,866.00	4,170,905.26		-		56,960.74	
Other Expenses	4,680,950.00	4,663,640.00	4,002,658.16		256,572.10		404,409.74	

**TOWNSHIP OF UPPER  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Budget After Modification	Expended		Reserved	(Overexpended) Unexpended Balance Cancelled
	Budget			Paid or Charged	Encumbered		
<b>DEFERRED CHARGES:</b>							
None	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>STATUTORY EXPENDITURES:</b>							
Contributions to:							
Public Employees' Retirement System	416,491.00	503,491.00	463,191.16		40,299.84		
Social Security System (O.A.S.I.)	350,000.00	350,000.00	328,541.27		21,458.73		
Unemployment Compensation Insurance	5,000.00	5,000.00			5,000.00		
<b>TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES WITHIN "CAPS"</b>	<b>771,491.00</b>	<b>858,491.00</b>	<b>791,732.43</b>	<b>-</b>	<b>66,758.57</b>	<b>-</b>	<b>-</b>
<b>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"</b>	<b>9,749,997.00</b>	<b>9,749,997.00</b>	<b>8,965,295.85</b>	<b>256,572.10</b>	<b>528,129.05</b>	<b>-</b>	<b>-</b>
<b>OPERATIONS EXCLUDED FROM "CAPS"</b>							
None	-	-	-	-	-	-	-
<b>TOTAL OTHER OPERATIONS EXCLUDED FROM "CAPS"</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</b>							
Municipal Alliance Grant	27,469.00	27,469.00	27,469.00		-		
Municipal Alliance Grant - Local Match	6,867.00	6,867.00	6,867.00		-		
Clean Communities Grant	29,446.45	29,446.45	29,446.45		-		
NJ Office of Emergency Management	5,000.00	5,000.00	5,000.00		-		
Main Street Market Assessment		4,000.00	4,000.00		-		
<b>TOTAL PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</b>	<b>68,782.45</b>	<b>72,782.45</b>	<b>72,782.45</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CAPITAL IMPROVEMENTS</b>							
Capital Improvement Fund	40,000.00	40,000.00	40,000.00		-		
Repairs to Municipal Building	10,000.00	10,000.00			10,000.00		
<b>TOTAL CAPITAL IMPROVEMENTS</b>	<b>50,000.00</b>	<b>50,000.00</b>	<b>40,000.00</b>	<b>-</b>	<b>10,000.00</b>	<b>-</b>	<b>-</b>
<b>DEBT SERVICE</b>							
Payment of Bond Anticipation Notes and Capital Notes	540,000.00	540,000.00	540,000.00		-		310.00
Interest on Notes	46,000.00	46,000.00	45,690.00		-		
<b>TOTAL DEBT SERVICE</b>	<b>586,000.00</b>	<b>586,000.00</b>	<b>585,690.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>310.00</b>

**TOWNSHIP OF UPPER  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS**

	Appropriations		Budget After Modification	Expended			(Overexpended) Unexpended Balance Cancelled
	Budget	Paid or Charged		Encumbered	Reserved		
<b>DEFERRED CHARGES EXCLUDED FROM "CAPS"</b>							
Ordinance #012-2007	\$ 18,500.00	\$ 18,500.00	\$	\$	-	\$	
Ordinance #016-2009	47,500.00	47,500.00			-		
<b>TOTAL DEFERRED CHARGES EXCLUDED FROM "CAPS"</b>	<u>66,000.00</u>	<u>66,000.00</u>			-		-
<b>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"</b>	<u>770,782.45</u>	<u>774,782.45</u>			-		<u>310.00</u>
<b>SUBTOTAL GENERAL APPROPRIATIONS</b>	<u>10,520,779.45</u>	<u>9,729,768.30</u>	<u>10,524,779.45</u>	<u>256,572.10</u>	<u>538,129.05</u>		<u>310.00</u>
Reserve for Uncollected Taxes	947,233.33	947,233.33			-		
<b>TOTAL GENERAL APPROPRIATIONS</b>	<u>\$ 11,468,012.78</u>	<u>\$ 11,472,012.78</u>	<u>\$</u>	<u>10,677,001.63</u>	<u>\$ 256,572.10</u>	<u>\$</u>	<u>310.00</u>

Budget  
Appropriation by 40A:4-87

\$ 11,468,012.78  
4,000.00  
\$ 11,472,012.78

Cash Disbursed \$ 9,550,985.85  
Reserve for Uncollected Taxes 947,233.33  
Federal and State Grants 72,782.45  
Deferred Charges 66,000.00  
Capital Improvement Fund 40,000.00  
\$ 10,677,001.63

**EXHIBIT - B**  
**TRUST FUND**

**TOWNSHIP OF UPPER**  
**TRUST FUND**  
**COMPARATIVE BALANCE SHEET - REGULATORY BASIS**

<u>Assets</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2012</u>	<u>Balance Dec. 31, 2011</u>
<u>Animal Control Fund</u>			
Cash and Investments	B-1	\$ 8,888.23	\$ 6,512.96
Due from Current Fund		1,589.29	7,105.48
		<u>10,477.52</u>	<u>13,618.44</u>
<u>Other Funds</u>			
Cash and Investments - Treasurer	B-2	1,601,580.05	1,670,854.48
Due from Grant Fund		228,595.08	-
		<u>1,830,175.13</u>	<u>1,670,854.48</u>
		<u>\$ 1,840,652.65</u>	<u>\$ 1,684,472.92</u>

**TOWNSHIP OF UPPER**  
**TRUST FUND**  
**COMPARATIVE BALANCE SHEET - REGULATORY BASIS**

<u>Liabilities, Reserves and Fund Balance</u>	<u>Ref.</u>	<u>Balance Dec. 31, 2012</u>	<u>Balance Dec. 31, 2011</u>
<u>Animal Control Fund</u>			
Reserve for Animal Control Expenditures	B-3	\$ 10,477.52	\$ 13,618.44
		<u>10,477.52</u>	<u>13,618.44</u>
<u>Other Funds</u>			
Deposits for Tax Title Lien Certificates		352.20	17,124.74
Premiums Received at Tax Sale		27,000.00	62,600.00
Due to Current Fund	A	5,469.33	2,316.75
Due to State of NJ - Dept. of Labor		-	3,204.60
Reserve for Fire Safety		12,114.40	27,223.75
Reserve for Unemployment Compensation		58,738.09	64,035.61
Reserve for Developers' Escrow		43,940.28	40,940.28
Reserve for Client Funds Escrow		193,362.42	177,256.65
Reserve for Landfill Closure Fund		32,994.24	32,716.37
Reserve for Planning Board Escrow		33,499.91	18,178.91
Reserve for Recycling		607,801.89	234,009.09
Reserve for Recreation Fund		21,172.84	115,944.08
Reserve for Municipal Alliance		10,027.65	9,008.47
Reserve for Sick Pay		410,911.93	485,131.96
Reserve for Affordable Housing Trust		371,831.57	381,163.22
Reserve for UT Cafeteria Fund		958.38	-
		<u>1,830,175.13</u>	<u>1,670,854.48</u>
		<u>\$ 1,840,652.65</u>	<u>\$ 1,684,472.92</u>

**EXHIBIT - C**  
**GENERAL CAPITAL FUND**



**TOWNSHIP OF UPPER**  
**GENERAL CAPITAL FUND**  
**COMPARATIVE BALANCE SHEET - REGULATORY BASIS**

	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2012</u>		<u>Balance</u> <u>Dec. 31, 2011</u>
<u>Assets</u>				
Due from Current Fund	C-3	\$ 4,164,863.86	\$	1,387,814.48
Deferred Charges to Future Taxation: Unfunded	C-6	6,045,000.00		6,651,000.00
		<u>\$ 10,209,863.86</u>	<u>\$</u>	<u>8,038,814.48</u>
 <u>Liabilities, Reserves and Fund Balance</u>				
Improvement Authorizations:				
Funded	C-7	\$ 815,269.89	\$	421,797.70
Unfunded	C-7	885,725.00		900,452.73
Encumbrances Payable		54,187.68		78,973.26
Bond Anticipation Notes	C-9	5,120,000.00		5,660,000.00
Capital Improvement Fund	C-4	314,668.45		324,668.45
Reserve for PW Equipment		50,000.00		50,000.00
Reserve for Beach Replenishment		345,000.00		550,000.00
Reserve to Pay Debt Service		2,572,090.50		-
Fund Balance	C-1	52,922.34		52,922.34
		<u>\$ 10,209,863.86</u>	<u>\$</u>	<u>8,038,814.48</u>

**TOWNSHIP OF UPPER**  
**GENERAL CAPITAL FUND**  
**STATEMENT OF FUND BALANCE - REGULATORY BASIS**

Balance December 31, 2011	<u>Ref.</u> C		\$	52,922.34
Increased By:				
None		\$		-
				-
				52,922.34
Decreased By:				
None				-
				-
Balance December 31, 2012	C		\$	52,922.34

**EXHIBIT - D**  
**GENERAL FIXED ASSETS ACCOUNT GROUP**

**TOWNSHIP OF UPPER**  
**GENERAL FIXED ASSETS ACCOUNT GROUP**  
**COMPARATIVE BALANCE SHEET - REGULATORY BASIS**

<u>General Fixed Assets</u>	<u>Ref.</u>	Balance <u>Dec. 31, 2012</u>	Balance <u>Dec. 31, 2011</u>
Land		\$ 305,136.67	\$ 305,136.67
Buildings		2,940,661.89	2,940,661.89
Machinery and Equipment		4,880,518.85	4,870,554.85
		<u>\$ 8,126,317.41</u>	<u>\$ 8,116,353.41</u>
 <u>Liabilities, Reserves and Fund Balance</u>			
Investment in General Fixed Assets		\$ 8,126,317.41	\$ 8,116,353.41
		<u>\$ 8,126,317.41</u>	<u>\$ 8,116,353.41</u>

**TOWNSHIP OF UPPER**  
**NOTES TO FINANCIAL STATEMENTS –**  
**REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The financial statements – regulatory basis have been prepared on the regulatory basis established by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. This basis of accounting differs from Accounting Principles Generally Accepted in the United States of America (GAAP). The more significant of the Township's accounting policies are described below.

**Description of Financial Reporting Entity**

The Township of Upper is an offshore community located in the County of Cape May, State of New Jersey. The population according to the 2010 census is 12,373.

The Township of Upper is incorporated and operates under a Mayor and Committee form of government. The Mayor is the chief executive officer of the Township. The Township Committee is the law making body and passes all resolutions and ordinances.

**Component Units**

The primary criterion for including activities within the Township's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- The organization is legally separate (can sue or be sued in their own name)
- The Township holds the corporate powers of the organization
- The Township appoints a voting majority of the organization's board
- The Township is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the Township
- There is a fiscal dependency by the organization on the Township

The financial statements of the component units of the Township of Upper are not presented in accordance with Governmental Accounting Standards Board Statement (GASB) No. 14. If the provisions of GASB 14 had been complied with, the other entity's financial statements would have to be either blended or discretely presented with the financial statements – regulatory basis of the Township of Upper, the primary government.

**Basis of Presentation, Fund Accounting**

The financial statements – regulatory basis of the Township of Upper contain all funds and account groups in accordance with the "Requirements of Audit" as promulgated by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Township of Upper accounts for its financial transactions through the following separate funds that differ from the funds required by GAAP.

**Current Fund**

The Current Fund accounts for resources and expenditures for governmental operations of a general nature, including Federal and State Grant Funds.

**TOWNSHIP OF UPPER**  
**NOTES TO FINANCIAL STATEMENTS –**  
**REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**  
**(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Trust Funds**

The various Trust Funds account for receipts, custodianship and disbursement of funds in accordance with the purpose for which each fund was created.

**General Capital Funds**

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

**Budgets and Budgetary Accounting**

The Township of Upper must adopt an annual budget in accordance with N.J.S.A. 40A:4 et al. State statutes require the governing body to introduce and approve the annual municipal budget no later than February 10<sup>th</sup> 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 of introduction. 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.

An extension of the statutory due dates for introduction, approval and adoption of the municipal budget may be granted by the Director of the Division of Local Government Services.

Budgets are adopted on the same basis of accounting utilized for the preparation of the Township's financial statements – regulatory basis.

**Cash and Investments**

New Jersey municipal units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank approved by the State Department of Banking and Insurance and organized under laws of the United States or the State of New Jersey or the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey municipal units.

The cash management plan adopted by the Township of Upper requires it to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-42 requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

Public funds are defined as the funds of any governmental unit. Public depositories include banks (both state and federal), savings and loan institutions and savings banks, the deposits of which are federally insured. All public depositories pledge collateral, having a market value of 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 in the collateral pool, is available to pay the full amount of their deposits to the governmental units.

All certificates of deposit are recorded as cash regardless of date of maturity.

**TOWNSHIP OF UPPER**  
**NOTES TO FINANCIAL STATEMENTS –**  
**REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**  
**(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Interfunds**

Interfund receivables and payables that arise 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 Fund Balance. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve.

**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.

Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, differs in certain respects from GAAP. The following is a 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”) 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.

No depreciation on general fixed assets is recorded in the financial statements – regulatory basis.

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.

**Foreclosed Property**

Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. Ordinarily, it is the intention of the municipality to resell foreclosed property in order to recover all or a portion of the delinquent taxes or assessments by returning the property to a taxpaying basis. For this reason, the value of foreclosed property has not been included in the General Fixed Assets Account Group. If such property is converted to municipal use, it will be capitalized in the General Fixed Assets Account Group. GAAP requires property to be recorded in the General Fixed Assets Account Group at the market value at the time of acquisition.

**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 made in accordance with N.J.S.A. 40A:4-46 et al. Deferred charges are subsequently raised as items of appropriation in budgets of succeeding years.

**TOWNSHIP OF UPPER**  
**NOTES TO FINANCIAL STATEMENTS –**  
**REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**  
**(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 fiscal year. Lapsed appropriation reserves are recorded as income. Appropriation Reserves are not established under GAAP.

**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 other governmental unit net of costs of the sale. The related costs of sale are recognized as revenue when received.

**Fund Balance**

Fund Balances included in the Current Fund represent amounts available for anticipation as revenue in future years' budgets, with certain restrictions.

**Revenues**

Revenues are recorded as received in cash except for certain amounts that are due from other governmental units. Revenue from Federal and State Grants is realized as revenue when anticipated as such in the Township's budget. 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. GAAP generally requires that grant revenue be recognized when actual expenditures financed by the grant are made.

**Property Tax Revenues**

Property tax revenues are collected in quarterly installments due February 1<sup>st</sup>, May 1<sup>st</sup>, August 1<sup>st</sup>, and November 1<sup>st</sup>. Property taxes unpaid on April 1, of the year following their final due date are subject to tax sale in accordance with statutes. 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 entities that follow. 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. GAAP requires such revenues to be recognized when they are available and measurable reduced by an allowance for doubtful accounts.



**TOWNSHIP OF UPPER**  
**NOTES TO FINANCIAL STATEMENTS –**  
**REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**  
**(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**School Taxes**

The Township is responsible for levying, collecting and remitting school taxes for the Township of Upper School District. Fund Balance is charged for the full amount required to be raised from taxation to operate the local school district from July 1 through June 30, increased by the amount deferred at December 31, 2011, and decreased by the amount deferred at December 31, 2012. GAAP would require the recording of deferred revenue. The following schedule illustrates school taxes payable and school taxes deferred at December 31<sup>st</sup> for the last two years:

	December 31, 2012		December 31, 2011
School Tax Payable	\$ 3,883,280.00	\$	3,664,000.00
School Tax Deferred	7,300,000.00		7,300,000.00
	\$ 11,183,280.00	\$	10,964,000.00

**County Taxes**

The Township is responsible for levying, collecting and remitting county taxes for the County of Cape May. Fund Balance 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<sup>th</sup> of the current year. In addition Fund Balance is charged for the County Share of Added and Omitted Taxes certified to the County Board of Taxation by October 10<sup>th</sup> of the current year and due to be paid to the County by February 15<sup>th</sup> of the following year.

**Reserve for Uncollected Taxes**

The inclusion of the “Reserve for Uncollected Taxes” appropriation in the Township’s annual budget protects the Township from taxes not paid currently. The minimum amount of the reserve, determined by the percentage of collections experienced in the preceding year, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations. A Reserve for Uncollected Taxes is not established under GAAP.

**Expenditures**

Expenditures are recorded on the “budgetary” basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the encumbrance system. Outstanding encumbrances at December 31<sup>st</sup> are recorded as a cash liability. Appropriations for principal payments on outstanding General Capital and Utility Capital Fund bonds and notes are provided on the cash basis; interest on General Capital Fund indebtedness is on the cash basis, whereas interest on Utility Fund indebtedness is on the accrual basis. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on long – term debt, which is recognized when due.

**Required Financial Statements**

The State of New Jersey requires the following financial statements to be presented for each fund on the regulatory basis of accounting: Balance Sheet, Statement of Operations and Changes in Fund Balance, Statement of Revenue and Statement of Expenditures. These statements differ from those presented under Generally Accepted Accounting Principles, which requires a Statement of Net Assets and Statement of Activities.

**TOWNSHIP OF UPPER**  
**NOTES TO FINANCIAL STATEMENTS –**  
**REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**  
**(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Comparative Data**

Comparative total data for the prior year has been presented in the accompanying Balance Sheets and Statement of Operations in order to provide an understanding of changes in the City's financial position. However, comparative data has not been presented in the Statement of Revenue-Regulatory Basis and the Statement of Expenditures-Regulatory Basis since their inclusion would make the statements unduly complex and difficult to read.

**Recent Accounting Pronouncements Not Yet Effective**

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 61 "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The purpose of the statement is to amend the criteria for reporting and including component units with the primary government. This statement, which is effective for fiscal periods beginning after June 15, 2012, is not anticipated to have any effect on the Township's financial reporting.

In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65 "Items Previously Reported as Assets and Liabilities". This statement, which clarifies the reporting requirements related to deferred assets and liabilities, is effective for fiscal periods beginning after December 15, 2012, is not anticipated to have any effect on the Township's financial reporting.

In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 66 "Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62". This statement, which resolves conflicts between Statements No. 10 and No. 54 provides more flexibility in fund classifications for risk based activities, is effective for fiscal periods beginning after December 15, 2012, is not anticipated to have any effect on the Township's financial reporting.

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 67 "Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25". This statement, which is effective for fiscal periods beginning after June 15, 2013, will not have any effect on the Township's financial reporting.

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68 "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27". This statement, which is effective for fiscal periods beginning after June 15, 2014, will not have any effect on the Township's financial reporting.

In January 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 69 "Government Combinations and Disposals of Government Operations". This statement, which is effective for fiscal periods beginning after December 15, 2013, will not have any effect on the Township's financial reporting.

**TOWNSHIP OF UPPER**  
**NOTES TO FINANCIAL STATEMENTS –**  
**REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**  
**(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 a “pay as you go” basis. GAAP requires that the amount that would normally be liquidated with expendable financial resources be recorded as expenditure in the operating funds and the remaining obligations be recorded as long – term obligations.

**NOTE 2: LONG-TERM DEBT**

**Summary of Municipal Debt**

	<u>Year 2012</u>	<u>Year 2011</u>	<u>Year 2010</u>
Issued:			
General:			
Bonds and Notes	\$ 5,120,000.00	\$ 5,660,000.00	\$ 2,700,000.00
Total Issued	<u>5,120,000.00</u>	<u>5,660,000.00</u>	<u>2,700,000.00</u>
Less:			
Funds Temporarily Held to Pay Bonds and Notes:			
General	2,572,090.50	-	-
Net Debt Issued	<u>2,547,909.50</u>	<u>5,660,000.00</u>	<u>2,700,000.00</u>
Authorized But Not Issued:			
General:			
Bonds and Notes	925,000.00	991,000.00	399,000.00
Total Authorized But Not Issued	<u>925,000.00</u>	<u>991,000.00</u>	<u>399,000.00</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 3,472,909.50</u>	<u>\$ 6,651,000.00</u>	<u>\$ 3,099,000.00</u>

**TOWNSHIP OF UPPER**  
**NOTES TO FINANCIAL STATEMENTS –**  
**REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**  
**(CONTINUED)**

**NOTE 2: LONG-TERM DEBT (Continued)**

**Summary of Statutory Debt Condition – Annual Debt Statement**

The summarized statement of debt condition that follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.164%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School Debt	\$ -	\$ -	\$ -
General Debt	6,045,000.00	2,572,090.50	3,472,909.50
	<u>\$ 6,045,000.00</u>	<u>\$ 2,572,090.50</u>	<u>\$ 3,472,909.50</u>

Net debt \$6,045,000.00 divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$2,111,320,154 = 0.164%.

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

3-1/2% of Equalized Valuation Basis	\$	73,896,205.39
Net Debt		<u>(6,045,000.00)</u>
Remaining Borrowing Power	\$	<u>67,851,205.39</u>

**NOTE 3: COMPENSATED ABSENCES**

The Township has permitted employees to accrue unused vacation, personal and sick time, which may be taken as time off or paid at a later date at an agreed upon rate. The monetary value of those earned and unused employee benefits has not been accrued by either charges to fund balance or to budgets of prior years, although in some cases they might be material, since the realization of this liability may be affected by conditions which preclude an employee from receiving full payment of the accrual. At December 31, 2012, the Township estimates this liability to approximate \$702,749.68 based on 2012 pay rates and compensated absence balances.

**NOTE 4: DEFERRED COMPENSATION ACCOUNT**

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. In 1999, the Township amended the plan by resolution to comply with a private letter ruling of the Internal Revenue Service that requires assets of deferred compensation plans be held in trust under the beneficial ownership of the Trustee, (Township of Upper) serving as Trustee, for the exclusive benefit of the plan participants and their beneficiaries, and that the assets shall not be diverted to any other purpose.

The plans are administered by Nationwide and Hartford Life Insurance Company.

**TOWNSHIP OF UPPER**  
**NOTES TO FINANCIAL STATEMENTS –**  
**REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**  
**(CONTINUED)**

**NOTE 5: TAXES COLLECTED IN ADVANCE**

Taxes collected in advance include amounts set forth as cash liabilities in the financial statements as follows:

	Balance December 31, 2012		Balance December 31, 2011
Prepaid Taxes - Cash Liability	\$ 369,535.49	\$	353,263.63

**NOTE 6: RETIREMENT PLANS**

**Plan Descriptions**

All eligible employees participate in the Public Employees' Retirement System, which is administered by the New Jersey Division of Pensions and Benefits. The plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey  
Division of Pensions and Benefits  
P.O. Box 295  
Trenton, New Jersey 08625-0295

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

Defined Contribution Retirement Program (DCRP) - The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et seq.). The DCRP is a cost sharing multiple employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N. J.S.A. 43:15C-1 et. seq. For the DCRP, members contribute at a uniform rate of 5.5% of their base salary. Employers are required to contribute at a set rate of 3.0% of base salary.

**Vesting and Benefit Provisions**

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:3B. All benefits vest after eight to ten years of service, except for medical benefits, which vest after 25 years of service. Retirement benefits for age and service are available at age 60 and, under recently enacted legislation are generally determined to be 1/55 of final average salary for each year of service credit. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit, or they may elect deferred retirement after achieving eight to ten years of service credit, in which case benefits would begin the first day of the month after the member attains normal retirement age.

**TOWNSHIP OF UPPER**  
**NOTES TO FINANCIAL STATEMENTS –**  
**REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**  
**(CONTINUED)**

**NOTE 6: RETIREMENT PLANS (Continued)**

**Funding Policy**

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan members and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 6.5% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The Township's contributions, equal to the required contribution for each fiscal year, as follows:

Fiscal Year	Normal Contribution	Life Insurance	Accrued Liability	Total Liability	Funded by Excess Pension Asset Credit	Paid by Township
2012	\$ 130,452.00	\$ 24,934.00	\$ 260,905.00	\$ 416,291.00	\$	\$ 416,291.00
2011	143,547.00	28,274.00	228,732.00	400,553.00		400,553.00
2010	117,778.00	37,319.00	151,331.00	306,428.00		306,428.00

**NOTE 7: CASH AND CASH EQUIVALENTS AND INVESTMENTS**

**Custodial Credit Risk Related to Deposits** - Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits might not be recovered. Although the Township does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. Of the Township's bank balance of \$13,251,813.48 as of December 31, 2012, \$0 was uninsured and uncollateralized.

**Investments**

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

As of December 31, 2012, the Township did not have any investments.

**NOTE 8: PROPERTY TAXES**

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners, but it often results in a divergence of the assessment ratio to true value.

Upon the filing of certified adopted budgets by the municipality, the local and regional school districts, and the county, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof is set forth in N.J.S.A. 54:4 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

**TOWNSHIP OF UPPER**  
**NOTES TO FINANCIAL STATEMENTS –**  
**REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**  
**(CONTINUED)**

**NOTE 8: PROPERTY TAXES (Continued)**

Tax bills are mailed annually in June. The taxes are due February 1 and May 1 respectively, and are adjusted to reflect the current fiscal year's total tax liability. The preliminary taxes, due August 1 and November 1 of the succeeding fiscal year, are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500 of the delinquency and 18% per annum on any amount in excess of \$1,500. Pursuant to P.L. 1991, c. 75, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed 6% of the amount of the delinquency. The interest and penalties are the highest permitted under New Jersey Statutes. Delinquent taxes open for one year or more are annually included in the tax sale in accordance with New Jersey statutes.

The New Jersey statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 of each year, the municipality 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 April 1 for review. Due to errors or delinquencies in notices sent to property owners, the April 1 deadline to file an appeal petition may be extended. 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 the County Board of Taxation unsatisfactorily reviewed the petition, appeal may be made to the Tax Court of New Jersey for further hearing. Some Tax Court appeals may take several years prior to settlement and any losses in tax collection from prior years are charged to a reserve set aside for this purpose or directly charged to Fund Balance.

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.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Tax Rate	\$ 1.325	\$ 1.289	\$ 1.207
Apportionment of Tax Rate:			
Municipal	0.094	0.094	-
County	0.222	0.216	0.209
Local School	1.009	0.979	0.998

<u>Assessed Valuation</u>	
2012	\$ 2,217,582,198
2011	2,239,992,764
2010	2,244,998,592

**TOWNSHIP OF UPPER**  
**NOTES TO FINANCIAL STATEMENTS –**  
**REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**  
**(CONTINUED)**

**NOTE 8: PROPERTY TAXES (Continued)**

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2012	\$ 30,954,582.16	\$ 30,043,429.93	97.06%
2011	30,430,452.88	29,562,997.97	97.15%
2010	28,636,991.85	27,878,034.89	97.35%

**Delinquent Taxes and Tax Title Liens**

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2012	\$ 218,174.11	\$ 551,293.44	\$ 769,467.55	2.53%
2011	211,533.06	662,878.01	874,411.07	3.05%
2010	206,381.20	584,218.83	790,600.03	2.82%

**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, was as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 2,560,799.00
2011	2,560,799.00
2010	2,469,399.00

**NOTE 9: ECONOMIC DEPENDENCY**

The Township of Upper has a major source of revenue from the State of New Jersey in the form of the Energy Receipts Tax and Garden State Trust. For 2012, the Township received \$6,323,653.00, which represents approximately 55% of budgeted revenues. Any significant reduction in this State aid would have a negative impact on the Township, specifically in the form of a significant effect on the local tax levy.



**TOWNSHIP OF UPPER**  
**NOTES TO FINANCIAL STATEMENTS –**  
**REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**  
**(CONTINUED)**

**NOTE 10: FUND BALANCES APPROPRIATED**

The following schedule details the amount of Fund Balances available at the end of each year and the amounts utilized in the subsequent year's budgets.

	<u>Year</u>	<u>Balance December 31st</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percent Utilized</u>
Current Fund	2012	\$ 1,353,101.90	\$ 1,170,000.00	86.47%
	2011	1,302,962.97	1,166,000.00	89.49%
	2010	1,269,356.45	1,220,000.00	96.11%
	2009	3,311,190.26	3,250,000.00	98.15%
	2008	3,684,952.04	3,100,000.00	84.13%

**NOTE 11: RECEIVABLES AND PAYABLES WITHIN THE REPORTING ENTITY**

Receivables and payables at December 31, 2012 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current	\$ 5,469.33	\$ 4,403,185.71
Federal and State Grant	236,732.56	228,595.08
General Capital Fund	4,164,863.86	
Trust	228,595.08	5,469.33
Animal Control	1,589.29	
Total	<u>\$ 4,637,250.12</u>	<u>\$ 4,637,250.12</u>

**NOTE 12: BUDGETARY DATA**

Annually, the Township Committee adopts the annual appropriation budgets for the Current Fund and the Capital Improvement Plan. Once approved, the Township Committee may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Supplemental appropriations per N.J.S.A. 40A:4-46 and 54, Emergencies and Special Emergencies, become charges against the budget of the following year per N.J.S.A. 40A:4-47 except when financing is provided for by bonding ordinances.

Budget transfers between appropriation accounts are prohibited until the last two months of the year. The Township Committee approves the transfers by Resolution. Budgetary transfers during the year were not significant.

**TOWNSHIP OF UPPER**  
**NOTES TO FINANCIAL STATEMENTS –**  
**REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**  
**(CONTINUED)**

**NOTE 13: FEDERAL AND STATE GRANTS**

In the normal course of operations, the Township receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

**NOTE 14: GENERAL FIXED ASSETS**

The following schedule is a summarization of the changes in General Fixed Assets for the year ended December 31, 2012:

	<b>Balance as of December 31, 2011</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance as of December 31, 2012</b>
Land & Improvements	\$ 305,136.67	\$	\$	\$ 305,136.67
Buildings	2,940,661.89			2,940,661.89
Machinery & Equipment	4,870,554.85	13,858.00	(3,894.00)	4,880,518.85
<b>Total</b>	<b>\$ 8,116,353.41</b>	<b>\$ 13,858.00</b>	<b>\$ (3,894.00)</b>	<b>\$ 8,126,317.41</b>

**NOTE 15: JOINT INSURANCE POOL**

The Township of Upper is a member of the Atlantic County Municipal Joint Insurance Fund. The Fund provides its members with the following coverage:

- Workers' Compensation
- General Liability, Law Enforcement Liability
- Employee Benefits Liability
- Public Official Liability
- Property, Real and Personal
- Automobile Liability
- Boiler and Machinery
- Crime, Fidelity

Contributions to the Fund, including a reserve for contingencies, are payable in two installments and are based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations.

**TOWNSHIP OF UPPER**  
**NOTES TO FINANCIAL STATEMENTS –**  
**REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**  
**(CONTINUED)**

**NOTE 16: 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 17: POST-RETIREMENT HEALTH BENEFITS**

The Township participated in New Jersey State Health Benefits Program (“the SHBP”) until April 2012, which qualifies as a cost-sharing, multiple –employer plan in accordance with GASB Statement 45 “Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions” (“OPEB”). The SHBP is administered by the State of New Jersey, Department of Treasury, Division of Pension and Benefits. Resolution 104-2012 authorized a group agreement with Horizon Blue Cross Blue Shield of NJ for medical and prescription insurance effective in April 2012.

Under the SHBP, retirees may continue the health benefits programs in which they are enrolled at the time of retirement, provided the retiree pays the costs of the benefits (at group rates) for themselves and their eligible dependents.

The SHBP is established under the authority of N.J.S.A. 52:14-17.25 et seq. and regulations adopted by the State Health Benefits Commission. The required contribution rate is determined on an annual pay as you go basis. During 2012, the Township provided post-employment health care benefits of \$195,490.12 to thirteen (13) retired employees.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the SHBP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

**NOTE 18: DEFINED CONTRIBUTION RETIREMENT PROGRAM**

**Plan Description**

The Defined Contribution Retirement Program (DCRP) was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, and expanded under the provisions of Chapter 89, P.L. 2008. The DCRP provides eligible employees and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance coverage and disability coverage.

**Vesting and Benefits Provisions**

Newly elected or appointed officials that have an existing DCRP account, or are a member of another State-administered retirement system are immediately invested in the DCRP. For newly elected or appointed officials that do not qualify for immediate vesting in the DCRP, employee and employer contributions are held during the initial year of membership. Upon commencing the second year of DCRP membership, the member is fully invested. However, if a member is not eligible to continue in the DCRP for a second year of membership, the member may apply for a refund of the employee contributions from the DCRP, while the employer contributions will revert back to the employer.

**TOWNSHIP OF UPPER**  
**NOTES TO FINANCIAL STATEMENTS –**  
**REGULATORY BASIS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**  
**(CONTINUED)**

**NOTE 18: DEFINED CONTRIBUTION RETIREMENT PROGRAM (Continued)**

**Vesting and Benefits Provisions (Continued)**

Retirement benefits for members are determined according to the applicable Tier level:

Tier 1 Membership: The retirement age is 60 for a Service or Deferred Retirement. For an Early Retirement, a member must have at least 25 years of service credit; however, if a member is under the age of 55 at the time of retirement, the retirement allowance is reduced 3 percent per year (1/4 of 1 percent per month) for each year the member is under age 55.

Tier 2 Membership: The retirement age is 60 for a Service or Deferred Retirement. For an Early Retirement a member must have at least 25 years of service credit; however, if a member is under the age of 60 at the time of retirement, the retirement allowance is reduced 1 percent per year (1/12 of 1 percent per month) for each year the member is under age 60 but over age 55, and 3 percent per year (1/4 of 1 percent per month) for each year the member is under age 55.

Tier 3 Membership: The retirement age is 62 for a Service or Deferred Retirement. For an Early Retirement a member must have at least 25 years of service credit; however, if a member is under the age of 62 at the time of retirement, the retirement allowance is reduced 1 percent per year (1/12 of 1 percent per month) for each year the member is under age 62 but over age 55, and 3 percent per year (1/4 of 1 percent per month) for each year the member is under age 55.

**Funding Policy**

Members contribute at a uniform rate of 5.5% of their base salary. Employers are required to contribute at a set rate of 3.0% of base salary. There were nine employees enrolled in the DCRP for the year ended December 31, 2012.

**NOTE 19: SUBSEQUENT EVENTS**

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2012 through June 3, 2013 the date that the financial statements were issued for possible disclosure and recognition in the financial statements.

## **SUPPLEMENTARY SCHEDULES**

**TOWNSHIP OF UPPER**  
**CURRENT FUND**  
**SCHEDULE OF CASH - TREASURER**

	<u>Ref.</u>	<u>Current Fund</u>
Balance December 31, 2011		\$ 8,613,304.93
Increased By Receipts:		
Collector	\$	30,220,382.69
Prepaid Taxes		369,316.02
Due from State - Veterans and Senior Citizens		158,536.90
Revenue Accounts Receivable		7,837,185.75
Accrued Payroll Taxes		4,996,388.49
Due from Federal and State Grant Fund		78,167.73
Reserve for Garden State Preservation Trust		132,171.00
Reserve for Capital Projects		11,685.94
Marriage & Civil Union License Fees Due to State		1,800.00
Hunting and Fishing License Fees Due to State		7,874.75
Dog License Fees Due to State		1,707.60
DCA Training Fees Due to State		15,453.00
Due from General Capital		2,893,033.82
Due from TTL Trust		229.89
Due from Animal Control		4,107.90
		<u>46,728,041.48</u>
		55,341,346.41
Decreased By Disbursements:		
2011 Appropriations		9,550,985.85
2010 Appropriation Reserves		126,559.47
Reserve for Encumbrances		189,956.33
County Taxes		4,885,868.00
Local District School Tax		22,147,280.00
Special District Taxes		1,507,653.00
Refund of Tax Overpayments		41,932.66
Due from Federal and State Grant Fund		97,944.63
Payroll Taxes and Deductions		4,996,463.70
Due State For Marriage Licenses & Civil Unions		1,475.00
Due State for Hunting and Fishing Licenses		7,752.00
Due to State for Dog Licenses		1,729.80
Due State for DCA Training Fees		17,129.00
Reserve for Capital Projects		900.00
Due to General Capital		221,984.44
Due from Animal Control		4,193.70
		<u>43,799,807.58</u>
Balance December 31, 2012		\$ <u><u>11,541,538.83</u></u>

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

Year	Balance Dec. 31, 2011	2012 Levy	Added Taxes	2011	2012	Adjustments	Transferred To Tax Title Liens	Balance Dec. 31, 2012
Arrears \$	-	\$	\$	\$	2,738.40	\$ (6,963.46)	\$	4,225.06
2010	1.23						1.23	-
2011	662,876.78				627,232.88	34,223.71	1,170.19	250.00
	662,878.01				629,971.28	27,260.25	1,171.42	4,475.06
2012		30,954,582.16	3,405.20	353,044.16	29,690,385.77	344,774.27	22,964.79	546,818.37
	\$	\$	\$	\$	\$	\$	\$	\$
	662,878.01	30,954,582.16	3,405.20	353,044.16	30,320,357.05	372,034.52	24,136.21	551,293.43
Ref.	A							A

\$ 30,202,584.04 Taxes Receivable  
 160,286.89 Senior Citizens and Veterans  
 (8,222.14) Overpayments  
\$ 30,354,648.79

Analysis of 2012 Property Tax Levy  
 Tax Yield:  
 General Property Tax  
 Special District Taxes  
 Added Taxes (54:4-63.1 et. seq.)

Tax Levy:  
 Local District School Tax:  
 Levy  
 Addition to Local District School Tax

County Taxes  
 County Taxes Added and Omitted  
 Special District Tax  
 Local Tax for Municipal Purposes  
 Add: Additional Tax Levied

**TOWNSHIP OF UPPER**  
**CURRENT FUND**  
**SCHEDULE OF TAX TITLE LIENS**

Balance December 31, 2011	<u>Ref.</u> A		\$	211,533.06
Increased By:				
Transfers from Taxes Receivable		\$ 24,136.21		
Interest and Costs from Sale of October 23, 2012		303.49		
				24,439.70
				235,972.76
Decreased By:				
Collections		17,798.65		
				17,798.65
Balance December 31, 2012	A		\$	218,174.11



**TOWNSHIP OF UPPER  
CURRENT FUND  
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

Ref.	Balance Dec. 31, 2011	Accrued In 2012	Collected	Balance Dec. 31, 2012
<u>Miscellaneous Revenue Anticipated:</u>				
Licenses:				
Alcoholic Beverages	\$ -	\$ 5,300.00	\$ 5,300.00	-
Interest and Costs on Taxes	-	128,749.43	128,749.43	-
Interest on Investments and Deposits	-	66,576.13	66,576.13	-
Energy Receipts Tax	-	6,191,482.00	6,191,482.00	-
Garden State Preservation Trust Fund	-	132,171.00	132,171.00	-
EMS Ambulance Fees	-	249,062.21	249,062.21	-
Host Community Benefits	-	421,676.87	421,676.87	-
Cable TV Fees	-	55,483.52	55,483.52	-
Cell Tower Fees	-	42,880.87	42,880.87	-
Municipal Court Fines and Costs	4,265.75	76,889.22	76,193.57	4,961.40
Dennis Twp & Corbin City - Municipal Court	-	188,143.23	188,143.23	-
Uniform Construction Code Fees	-	139,389.00	139,389.00	-
<u>Miscellaneous Revenue Not Anticipated:</u>				
Miscellaneous Non-Budgeted Revenue	-	280,986.57	280,986.57	-
<b>TOTALS</b>	<b>\$ 4,265.75</b>	<b>\$ 7,978,790.05</b>	<b>\$ 7,978,094.40</b>	<b>\$ 4,961.40</b>
Ref.	A			A
Cash Received			\$ 7,837,185.75	A-4
Non-Cash Miscellaneous Non-Budgeted Revenue			5,355.18	
Due from Trust Fund			3,382.47	A
Reserve for Garden State Preservation Trust			132,171.00	A
			<u>\$ 7,978,094.40</u>	

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

	Balance Dec. 31, 2011	Balance After Transfers	Paid or Charged	Balance Lapsed	Overexpended
Mayor and Committee	\$ 10,860.82	\$ 10,860.82	\$ 2,783.04	\$ 8,077.78	\$
Other Expenses					
Municipal Clerk					
Salaries and Wages	5,205.90	5,205.90		5,205.90	
Other Expenses	30,462.73	20,462.73	7,328.70	13,134.03	
Financial Administration					
Salaries and Wages	2,814.39	2,814.39		2,814.39	
Computer Expenses	2,217.07	2,217.07	2,217.07	-	
Other Expenses	8,403.04	8,403.04	5,003.93	3,399.11	
Revenue Administration (Tax Collector)					
Salaries and Wages	947.48	947.48		947.48	
Purchase of Tax Title Liens	1,000.00	1,000.00		1,000.00	
Other Expenses	1,993.46	1,993.46	177.00	1,816.46	
Tax Assessment Administration					
Salaries and Wages	2,698.03	2,698.03		2,698.03	
Other Expenses	3,334.09	3,334.09	511.23	2,822.86	
Liquidation of Tax Title Liens					
Other Expenses	1,000.00	1,000.00		1,000.00	
Legal Services					
Other Expenses	3,065.86	13,065.86	12,464.02	601.84	
Special Litigation					
Other Expenses	54,991.32	104,991.32	48,284.65	56,706.67	
Engineering Services and Costs					
Salaries and Wages	707.20	707.20		707.20	
Other Expenses	33,779.77	33,779.77	13,559.15	20,220.62	
Public Information					
Salaries and Wages	846.21	846.21		846.21	
UTTV2	2,000.00	2,000.00		2,000.00	
Miscellaneous Other Expenses	1,000.00	1,000.00		1,000.00	
Planning Board					
Salaries and Wages	1,591.28	1,591.28		1,591.28	
Master Plan Review	5,000.00	5,000.00		5,000.00	
Other Expenses	3,429.00	3,429.00	112.50	3,316.50	

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

	Balance Dec. 31, 2011	Balance After Transfers	Paid or Charged	Balance Lapsed	Overexpended
Zoning Board of Adjustment					
Salaries and Wages	\$ 1,590.76	\$ 1,590.76		\$ 1,590.76	
Other Expenses	2,925.36	2,925.36		2,925.36	
First Aid Organization					
Salaries and Wages	26,357.08	16,357.08		16,357.08	
Other Expenses	13,582.61	13,582.61	8,166.00	5,416.61	
Emergency Management					
Salaries and Wages	455.28	455.28		455.28	
Other Expenses	28,226.51	28,226.51	20,348.81	7,877.70	
Crossing Guards					
Salaries and Wages	1,843.75	1,843.75		1,843.75	
Other Expenses	500.00	500.00	500.00	-	
Regional Dispatch					
Contractual					
Municipal Court	834.00	834.00		834.00	
Salaries and Wages	1,273.96	1,273.96		1,273.96	
Other Expenses	7,307.47	7,307.47	1,573.62	5,733.85	
Public Defender					
Salaries and Wages	0.04	0.04		0.04	
Streets and Road Maintenance					
Salaries and Wages	37,565.13	14,565.13		14,565.13	
Surfacing of Roads	5,509.82	5,509.82	4,796.60	713.22	
Other Expenses	23,395.81	23,395.81	19,437.34	3,958.47	
Garbage and Trash Removal					
Salaries and Wages	28,905.07	23,905.07		23,905.07	
Tipping Fees	72,405.25	72,405.25	28,978.09	43,427.16	
Miscellaneous Other Expenses	13,455.64	13,455.64	6,004.13	7,451.51	
Recycling Program					
Salaries and Wages	37,624.40	22,124.40		22,124.40	
Other Expenses	27,689.13	27,689.13	2,836.34	24,852.79	
Building and Grounds					
Salaries and Wages	1,160.79	1,160.79		1,160.79	
Other Expenses	52,083.57	52,083.57	8,764.17	43,319.40	
Board of Health					
Other Expenses	22,460.25	22,460.25		22,460.25	

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

	Balance Dec. 31, 2011	Balance After Transfers	Paid or Charged	Balance Lapsed	Overexpended
Dog Regulation	\$ 2,806.00	\$ 3,306.00	\$ 2,909.00	\$ 397.00	\$
Other Expenses					
Sports & Recreation	7,771.64	7,771.64		7,771.64	
Salaries and Wages					
Other Expenses	56,034.18	56,034.18	20,805.72	35,228.46	
Community Center					
Salaries and Wages	6,800.00	6,800.00		6,800.00	
Other Expenses	19,007.52	19,007.52	5,379.47	13,628.05	
Emergency Shore Protection					
Other Expenses	41,513.27	41,513.27	36,848.58	4,664.69	
Beach Protection					
Salaries and Wages	9,494.81	9,494.81		9,494.81	
Other Expenses	6,122.05	6,122.05	5,869.54	252.51	
Affordable Housing					
Other Expenses	17,500.00	17,500.00		17,500.00	
Celebration of Public Events	30.98	30.98		30.98	
Alcohol and Drug Testing					
Other Expenses	2,230.00	2,230.00		2,230.00	
Construction Code Officials					
Salaries and Wages	3,871.64	3,871.64		3,871.64	
Other Expenses	3,678.61	3,678.61	429.93	3,248.68	
Zoning/Code Official					
Other Expenses	2,141.73	2,141.73		2,141.73	
Street Lighting	15,000.83	18,000.83	17,074.90	925.93	
Insurance					
General Liability	32,051.44	32,051.44		8,304.85	
Workers Compensation Insurance	52,190.36	52,190.36	23,746.59	52,190.36	
Group Insurance for Employees	36,380.40	36,380.40	9,554.98	26,825.42	
Contributions to:					
Social Security System (O.A.S.I)	23,818.90	23,818.90		23,818.90	
Unemployment Compensation Insurance	4,219.87	4,219.87		4,219.87	



**TOWNSHIP OF UPPER**  
**FEDERAL AND STATE GRANT FUND**  
**SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE**

<u>Purpose</u>	<u>Balance</u> Dec. 31, 2011	<u>Anticipated</u> <u>Revenues</u>	<u>Received</u>	<u>Balance</u> Dec. 31, 2012
State:				
Municipal Alliance	\$ 50,658.68	\$ 27,469.00	\$ 25,103.81	\$ 53,023.87
Clean Communities	-	29,446.45	29,149.92	296.53
Main Street Market Assessment	15,000.00		14,914.00	86.00
<b>TOTALS</b>	<u>\$ 65,658.68</u>	<u>\$ 56,915.45</u>	<u>\$ 69,167.73</u>	<u>\$ 53,406.40</u>
Ref.	<u>A</u>			<u>A</u>

**TOWNSHIP OF UPPER  
FEDERAL AND STATE GRANT FUND  
SCHEDULE OF RESERVES FOR FEDERAL AND STATE GRANTS - UNAPPROPRIATED**

<u>Purpose</u>	<u>Balance Dec. 31, 2011</u>	<u>Received</u>	<u>Anticipated Revenues</u>	<u>Due to Trust</u>	<u>Balance Dec. 31, 2012</u>
State:					
Recycling Tonnage Grant	\$ 55,512.49	\$	\$	\$ 55,512.49	\$ -
Emergency Management	10,000.00	5,000.00	5,000.00		10,000.00
Main Street Market Assessment	-	4,000.00	4,000.00		-
<b>TOTALS</b>	<u>\$ 65,512.49</u>	<u>\$ 9,000.00</u>	<u>\$ 9,000.00</u>	<u>\$ 55,512.49</u>	<u>\$ 10,000.00</u>
Ref.	A				A

**TOWNSHIP OF UPPER  
FEDERAL AND STATE GRANT FUND  
SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS**

<u>Purpose</u>	<u>Balance Dec. 31, 2011</u>	<u>Budget Appropriations</u>	<u>Expended</u>	<u>Due to Trust</u>	<u>Balance Dec. 31, 2012</u>
State:					
Municipal Alliance	\$ 24,873.71	\$ 34,336.00	\$ 33,420.80	\$	\$ 25,788.91
Clean Communities	4,469.07	29,446.45	29,203.92		4,711.60
Recycling Tonnage Grant	173,082.59			173,082.59	-
Drunk Driving Enforcement	125.68				125.68
Petsmart Charities Grant	13,151.96		13,151.96		-
Main Street Market Assessment	-	4,000.00	3,914.00		86.00
Other:					
NJ Office of Emergency Management	5,000.00	5,000.00			10,000.00
<b>TOTALS</b>	<u>\$ 220,703.01</u>	<u>\$ 72,782.45</u>	<u>\$ 79,690.68</u>	<u>\$ 173,082.59</u>	<u>\$ 40,712.19</u>
Ref.	A				A
				Ref.	
		\$	\$	\$	\$
Cash Disbursements			97,944.63		A-4
Encumbrances Payable			10,831.69		
Prior Year Encumbrances Cancelled			(29,085.64)		A
		\$	<u>\$ 79,690.68</u>		



**TOWNSHIP OF UPPER**  
**TRUST FUND**  
**SCHEDULE OF ANIMAL CONTROL CASH - TREASURER**

Balance December 31, 2011	<u>Ref.</u> B		\$ 6,512.96
Increased By Receipts:			
Dog License Fees		\$ 4,193.70	
Interest Earned		53.20	
		<hr/>	<hr/>
			4,246.90
			10,759.86
Decreased By Disbursements:			
Paid to Current Fund - Interest Earned		53.20	
Animal Control Expenditures		1,818.43	
		<hr/>	<hr/>
			1,871.63
Balance December 31, 2012	B		\$ <u><u>8,888.23</u></u>

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

	<u>Ref.</u>		
	B		
Balance December 31, 2011		\$	1,670,854.48
Increased By Receipts:			
Recycling	\$	172,161.85	
Developers Escrow Deposits		3,000.00	
Fire Safety		9,080.65	
Sick Pay Reserve		2,773.55	
Affordable Housing Trust		105,036.85	
Client Funds Escrow Deposits		16,105.77	
Landfill Closure		277.87	
Planning Board Escrow Review Fees		35,585.50	
Municipal Alliance		6,071.81	
Recreation Developers Escrow Deposits		7,031.89	
Unemployment Compensation		30,488.59	
Tax Sale Premiums		455,996.79	
UT Cafeteria Fund		9,425.92	
Interest Earned on Deposits - Due to Current Fund		6,607.26	
		<hr/>	<hr/>
			859,644.30
			<hr/>
			2,530,498.78
Decreased By Disbursements:			
Recycling		26,964.13	
Fire Safety		24,190.00	
Sick Pay Reserve		76,993.58	
Planning Board Escrow		20,264.50	
Municipal Alliance		5,052.63	
Unemployment Compensation		35,786.11	
Refunds - Tax Sale Certificates		16,772.54	
Premiums Forfeited to Treasurer		491,596.79	
Recreation Developers Escrow Deposits		101,803.13	
Affordable Housing Trust		114,368.50	
UT Cafeteria Fund		8,467.54	
Payments to Department of Labor		3,204.60	
Payments to Current Fund - Revenues		3,454.68	
		<hr/>	<hr/>
			928,918.73
Balance December 31, 2012	B	\$	<hr/> <hr/> 1,601,580.05

**TOWNSHIP OF UPPER**  
**TRUST FUND**  
**SCHEDULE OF RESERVE FOR ANIMAL CONTROL EXPENDITURES**

Balance December 31, 2011	<u>Ref.</u> B		\$ 13,618.44
Increased By:			
Dog Licenses Fees		\$ 1,103.50	
Interest on Deposits		53.20	
Duplicate & Late Fees Collected		3,004.40	
			4,161.10
			17,779.54
Decreased By Disbursements:			
Animal Control Expenditures		1,818.43	
Due to Current - Statutory Excess		5,430.39	
Interest Paid to Current Fund		53.20	
			7,302.02
Balance December 31, 2012	B		\$ <u><u>10,477.52</u></u>

License and Other Fees Collected	<u>Year</u>		
	2011	5,120.42	
	2010	5,357.10	
			\$ <u><u>10,477.52</u></u>

**TOWNSHIP OF UPPER**  
**TRUST FUND**  
**SCHEDULE OF DUE TO (FROM) CURRENT FUND - ANIMAL CONTROL FUND**

	<u>Ref.</u>		
Balance December 31, 2011	B		\$ (7,105.48)
Increased By:			
Dog License Fees Collected In Current Fund		\$ 4,107.90	
Interest Paid to Current Fund		53.20	
			4,161.10
			(2,944.38)
Decreased By:			
Dog License Fees Received from Current Fund		4,193.70	
Interest Earned		53.20	
Due to Current Fund - Statutory Excess		5,430.39	
			9,677.29
Balance December 31, 2012	B		\$ <u><u>(1,589.29)</u></u>

**TOWNSHIP OF UPPER  
GENERAL CAPITAL FUND  
ANALYSIS OF CASH**

	Receipts		Disbursements			Transfers		Balance Dec. 31, 2012
	Bonds Issued	Notes Issued	Misc.	Improvement Authorizations	Misc.	From	To	
Fund Balance		\$ 52,922.34	\$	\$	\$	\$	\$	52,922.34
Capital Improvement Fund		324,668.45				50,000.00	40,000.00	314,668.45
Due from Current Fund		(1,387,814.48)			2,671,049.38	106,000.00		(4,164,863.86)
Encumbrances Payable		78,973.26				78,973.26	54,187.68	54,187.68
Reserve for PW Equipment		50,000.00						50,000.00
Reserve for Beach Replenishment		550,000.00				205,000.00		345,000.00
Reserve to Pay Debt Service		-	2,572,090.50					2,572,090.50
<b>Improvement Authorizations</b>								
Ord.								
1-00 Rescue Squad Improvements		2,511.45						2,511.45
7-00 Community Center		2,179.00						2,179.00
14-06 Imp to Recreation Fields		1,728.75						1,728.75
12-07 Purchase of Ambulance		(14,689.77)					18,500.00	3,810.23
13-08 Beach Replenishment		190,059.25		51,354.92		54,187.68	52,736.49	137,253.14
16-09 Street Sweeper		(86,775.00)					47,500.00	(39,275.00)
09-10 Ambulance		5,122.20						5,122.20
11-10 Phone System		4,090.26					26,236.77	4,090.26
19-11 Beach Replenishment		227,024.29		170,629.52				403,574.86
15-12 Sand Fence Replacement		-	320,943.32				255,000.00	255,000.00
		\$ 0.00	\$ 2,893,033.82	\$ 221,984.44	\$ 2,671,049.38	\$ 494,160.94	\$ 494,160.94	\$ 0.00
								C

All cash activity goes through the Current Fund. There is no separate Capital Fund bank account.

**TOWNSHIP OF UPPER**  
**GENERAL CAPITAL FUND**  
**SCHEDULE OF CAPITAL IMPROVEMENT FUND**

Balance December 31, 2011	<u>Ref.</u> C		\$	324,668.45
Increased By:				
Current Fund Budget Appropriation		\$ 40,000.00		
				40,000.00
				364,668.45
Decreased By:				
Down Payments on Improvement Authorizations		50,000.00		
				50,000.00
Balance December 31, 2012	C		\$	314,668.45

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

Ord. Number	Improvement Description	Balance Dec. 31, 2011	2012 Authorizations	Raised in 2012 Budget	Notes Paid by Budget Appropriation	Balance Dec. 31, 2012	Analysis of Balance		
							Bond Anticipation Note	Expenditures	Unexpended Improvement Authorization
12-07	Purchase of Ambulance	\$ 18,500.00	\$ -	\$ 18,500.00	\$ 540,000.00	\$ -	\$ -	\$ -	\$ -
13-08	Beach Replenishment	2,310,000.00				1,770,000.00	1,620,000.00		150,000.00
16-09	Street Sweeper	142,500.00		47,500.00		95,000.00		39,275.00	55,725.00
19-11	Beach Replenishment	4,180,000.00				4,180,000.00	3,500,000.00		680,000.00
		<u>\$ 6,651,000.00</u>	<u>\$ -</u>	<u>\$ 66,000.00</u>	<u>\$ 540,000.00</u>	<u>\$ 6,045,000.00</u>	<u>\$ 5,120,000.00</u>	<u>\$ 39,275.00</u>	<u>\$ 885,725.00</u>
		C					C-9	C-3	C

Ref.

**TOWNSHIP OF UPPER  
GENERAL CAPITAL FUND  
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ord. Number	Improvement Description	Ord. Date	Amount	Balance December 31, 2011		Capital Improvement Fund	2012 Authorizations		Paid or Charged	Balance December 31, 2012	
				Funded	Unfunded		Deferred Charges to Future Taxation	Reserve for Beach Replenishment		Funded	Unfunded
1-00	Improvements	04/10/00	\$ 16,000	\$ 2,511.45	\$ -	\$ -	\$ -	\$ -	\$ 2,511.45	\$ -	
7-00	Comm'y Center Improvements	09/11/00	11,000	2,179.00	-	-	-	-	2,179.00	-	
14-06	Imp to Recreation Fields	05/08/06	163,730	1,728.75	-	-	-	-	1,728.75	-	
12-07	Purchase of Ambulance	07/09/07	190,000	3,810.23	-	-	-	-	3,810.23	-	
13-08	Beach Replenishment	08/11/08	3,000,000	190,059.25	150,000.00	-	-	-	137,253.14	150,000.00	
16-09	Street Sweeper	07/13/09	250,000	55,725.00	-	-	-	-	-	55,725.00	
09-10	Ambulance	08/23/10	90,000	5,122.20	-	-	-	-	5,122.20	-	
11-10	Phone System	10/18/10	23,000	4,090.26	-	-	-	-	4,090.26	-	
19-11	Beach Replenishment	08/09/11	4,400,000	227,024.29	680,000.00	-	-	(176,550.57)	403,574.86	680,000.00	
15-12	Sand Fence Replacement	12/17/12	255,000	-	-	50,000.00	205,000.00	-	255,000.00	-	
				<u>\$ 432,715.20</u>	<u>\$ 889,535.23</u>	<u>\$ 50,000.00</u>	<u>\$ 205,000.00</u>	<u>\$ (123,744.46)</u>	<u>\$ 815,269.89</u>	<u>\$ 885,725.00</u>	
				C	C	C	C	C	C	C	

Ref.



**TOWNSHIP OF UPPER  
GENERAL CAPITAL FUND  
SCHEDULE OF BOND ANTICIPATION NOTES**

Ord. Number	Improvement Description	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2011	Increased	Decreased	Balance Dec. 31, 2012
13-2008	Beach Replenishment	2/4/2010	2/4/2011 2/2/2012	2/3/2012 2/1/2013	0.90% 1.00%	\$ 2,160,000.00	\$ 1,620,000.00	\$ 2,160,000.00	\$ - 1,620,000.00
19-2011	Beach Replenishment	9/8/2011	9/8/2011 9/6/2012	9/7/2012 2/1/2013	0.75% 0.74%	3,500,000.00	3,500,000.00	3,500,000.00	- 3,500,000.00
						<u>\$ 5,660,000.00</u>	<u>\$ 5,120,000.00</u>	<u>\$ 5,660,000.00</u>	<u>\$ 5,120,000.00</u>
					Ref.	C			C
	Notes Rolled Over						\$ 3,500,000.00	\$ 3,500,000.00	
							<u>\$ 3,500,000.00</u>	<u>\$ 3,500,000.00</u>	

**TOWNSHIP OF UPPER  
GENERAL CAPITAL FUND  
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED**

Ord. Number	Improvement Description	Balance Dec. 31, 2011	2012 Authorizations	Bond, Notes or Grants Issued	Raised in 2012 Budget	Balance Dec. 31, 2012
12-07	Purchase of Ambulance	\$ 18,500.00	\$	\$	18,500.00	\$ -
13-08	Beach Replenishment	150,000.00				150,000.00
16-09	Street Sweeper	142,500.00			47,500.00	95,000.00
19-11	Beach Replenishment	680,000.00				680,000.00
		<u>\$ 991,000.00</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,000.00</u>	<u>\$ 925,000.00</u>
		C				C

Ref.

**TOWNSHIP OF UPPER**

**PART II**

**GENERAL COMMENTS AND RECOMMENDATIONS**

**FOR THE YEAR ENDED**

**DECEMBER 31, 2012**



# FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditor's Report

To the Honorable Mayor and  
Members of the Township Committee  
Township of Upper  
2100 Tuckahoe Road  
Tuckahoe, New Jersey 08250

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the various funds and account group as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Township of Upper's basic financial statements, and have issued our report thereon dated June 3, 2013, which was adverse due to being presented in accordance with the New Jersey regulatory basis of accounting.

### **Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

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

*Leon P. Costello*

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

**June 3, 2013**

**TOWNSHIP OF UPPER**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDING DECEMBER 31, 2012**

**I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: **Unqualified Opinion issued on the Financial Statements – Regulatory Basis, presented in accordance with an “Other Comprehensive Basis of Accounting” dated June 3, 2013.**

Internal control over financial reporting:

- |                                        |           |
|----------------------------------------|-----------|
| 1) Material Weakness identified?       | <b>NO</b> |
| 2) Significant Deficiencies identified | <b>NO</b> |

Non-Compliance material to Financial Statements – Statutory Basis noted? **NONE**

**II. FINDINGS RELATING TO THE FINANCIAL STATEMENTS – REGULATORY BASIS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS**

In accordance with Government Auditing Standards, our audit did not disclose any findings relating to the financial statements – regulatory basis that are required to be reported. We did however note certain other findings that are reported to the governing body in the Management Letter.

**MANAGEMENT RESPONSES**

Management is required to respond to findings and recommendations in the audit report. A corrective action plan is required to be filed with the Division of Local Government Services, Department of Community Affairs, State of New Jersey within 45 days of the filing of this report.

**STATUS OF PRIOR YEAR FINDINGS**

There was one prior year finding.

**Finding No. 2011-1**

**Condition**

Municipal Court General account reconciliations were completed throughout the year however were not accurate. Discrepancies were not investigated until year end.

**Current Status**

The Condition has been resolved for 2012.

## TOWNSHIP OF UPPER

### GENERAL COMMENTS

#### **Contracts and Agreements Required to be Advertised for N.J.S.A. 40A:11-4**

N.J.S.A. 40A:11-4 states, "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law." Effective July 1, 2010, the bid threshold was \$26,000. The Township employs a Qualified Purchasing Agent which increases the threshold to \$36,000.

The governing body of the Township of Upper has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year. Where question arises as to whether any contract or agreement might result in a violation of the statute, the Township Committee's opinion should be sought before a commitment is made.

Our examination of expenditures did not reveal any payments in excess of the bid threshold for the provision or performance of any goods or services, other than those where bids had been previously sought by public advertisement, awarded under state or county cooperative purchasing agreements, or awarded in compliance with other provisions of the "Local Public Contracts Law," N.J.S.A. 40A:11

The minutes indicate that bids were sought by public advertising for the following items:

Irrigation materials for Amanda's Field  
Supply of fencing, building, and miscellaneous materials for Amanda's Field  
Seaville Plantation Subdivision Paving

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" as required by N.J.S. 40A:11-5.

#### **Collection of Interest on Delinquent Taxes and Assessments**

The statutes provide the method for authorizing interest and the maximum rates to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent.

The governing body adopted the following resolution authorizing interest to be charged on delinquent taxes:

**BE IT RESOLVED** by the Township Committee of the Township of Upper, in accordance with Chapter 75, New Jersey Laws of 1991, and N.J.S.A. 54:4-67, 54:5-32, 54:5-34 and 54:5-35, which authorizes the Governing Body inter alia to fix the rate of interest to be charged, in the Township of Upper, for the nonpayment of taxes, assessments and municipal charges, said rate of interest shall be and is hereby fixed at 8 per cent per annum on the first \$1,500 of delinquency and 18 per cent per annum on any amount in excess of \$1,500 to be calculated from the date when the taxes, assessments and charges become delinquent.

**BE IT FURTHER RESOLVED** by the Township Committee of the Township of Upper, in accordance with N.J.S.A. 54:4-67, Chapter 75, New Jersey Laws of 1991, and Chapter 32, New Jersey Laws of 1994, which permits a 6 per cent penalty on taxes and municipal charges greater than \$10,000 as of the close of the fiscal year, that said end-of-year penalty shall be fixed for the Year 2012.

This Resolution shall take effect January 1, 2012.

It appears from an examination of the collector's records that interest was charged in accordance with the foregoing resolution.

**TOWNSHIP OF UPPER**

**GENERAL COMMENTS (Continued)**

**Delinquent Taxes and Tax Title Liens**

The tax sale was held on October 23, 2012 and was complete.

Inspection of tax sale certificates on file revealed that all tax sale certificates were available for audit.

The following comparison is made of the number of tax title liens receivable on December 31<sup>st</sup> of the last three years:

<u>Year</u>	<u>Number</u>
2012	97
2011	111
2010	116

It is essential to good management that all means provided by the statutes be utilized to liquidate tax title liens in order to get such properties back on a tax-paying basis.

**Verification of Delinquent Taxes and Other Charges**

A test verification of delinquent taxes and charges as well as current payments was made in accordance with the regulations of the Division of Local Government Services, including the mailing of verification notices as follows:

<u>Type:</u>	<u>Number Mailed</u>
Payments of 2012 and 2013 Taxes	5
Delinquent Taxes	10
Total	<u>15</u>

**Deposit of Municipal Funds**

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

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

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

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



**TOWNSHIP OF UPPER**

**FINDINGS AND RECOMMENDATIONS**

None

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

*Ford, Scott & Associates, L.L.C.*  
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**June 3, 2013**