

TOWNSHIP OF UPPER
REPORT OF AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2011

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TOWNSHIP OF UPPER

PART I

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS - STATUTORY BASIS

FOR THE YEAR ENDED

DECEMBER 31, 2011

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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

We have audited the accompanying balance sheets – statutory basis of the various funds and account groups of the Township of Upper, State of New Jersey (the “Township”), as of December 31, 2011 and 2010 and the related statements of operations and changes in fund balance – statutory basis for the years then ended and the related statement of revenues – statutory basis and statement of expenditures – statutory basis for the year ended December 31, 2011, as listed in the accompanying table of contents. These financial statements – statutory basis are the responsibility of the Township’s management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”). 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As described in Note 1, the Township, prepares its financial statements on a basis of accounting prescribed by the Division that demonstrates compliance with a modified accrual basis, with certain exceptions, and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the Township’s policy to prepare its financial statements on the prescribed basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the various funds and account groups of the Township, as of December 31, 2011 and 2010 and the results of operations and changes in fund balance of such funds for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Township, as of December 31, 2011 and 2010 and the results of operations and changes in fund balances of such funds for the years then ended and the statement of revenues and statement of expenditures of the various funds for the year ended December 31, 2011 on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 30, 2012 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedules as listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the financial statements of the Township. The supplemental schedules have been subjected to the auditing procedures applied to the audit of the financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

April 30, 2012

EXHIBIT - A
CURRENT FUND

TOWNSHIP OF UPPER
CURRENT FUND
COMPARATIVE BALANCE SHEET - STATUTORY BASIS

	<u>Ref.</u>	<u>Balance Dec. 31, 2011</u>	<u>Balance Dec. 31, 2010</u>
<u>Assets</u>			
Regular Fund:			
Cash:			
Treasurer	A-4	\$ 8,613,304.93	\$ 8,848,756.54
Change and Petty Cash Funds		900.00	800.00
		<u>8,614,204.93</u>	<u>8,849,556.54</u>
Receivables and Other Assets with			
Full Reserves:			
Delinquent Property Taxes Receivable	A-7	662,878.01	584,218.83
Tax Title Liens Receivable	A-8	211,533.06	206,381.20
Property Acquired for Taxes at Assessed Valuation		2,560,799.00	2,469,399.00
Revenue Accounts Receivable	A-9	4,265.75	4,648.65
Interfunds:			
Due from Trust - Other	B	2,316.75	1,886.00
		<u>3,441,792.57</u>	<u>3,266,533.68</u>
Deferred Charges:			
Overexpenditure of Appropriations		0.03	2,506.29
		<u>0.03</u>	<u>2,506.29</u>
		<u>12,055,997.53</u>	<u>12,118,596.51</u>
Federal and State Grant Fund:			
Grants Receivable	A-11	65,658.68	505,375.90
Due from Current Fund		249,642.46	325,917.01
		<u>315,301.14</u>	<u>831,292.91</u>
		<u>\$ 12,371,298.67</u>	<u>\$ 12,949,889.42</u>

TOWNSHIP OF UPPER
CURRENT FUND
COMPARATIVE BALANCE SHEET - STATUTORY BASIS

	Ref.	Balance Dec. 31, 2011	Balance Dec. 31, 2010
<u>Liabilities, Reserves and Fund Balance</u>			
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3:A-10	\$ 743,761.95	\$ 712,656.99
Reserve for Encumbrances	A-3	189,956.33	409,014.75
Accounts Payable		-	4,073.80
Prepaid Taxes		353,263.63	323,988.09
Tax Overpayments		27,595.44	21,310.62
Due to State of New Jersey		25,511.41	27,011.41
County Tax Payable		-	13,386.80
School Tax Payable		3,664,000.00	3,847,079.00
Payroll Taxes Payable		-	8,074.56
Due to State - DCA Fees		3,366.00	3,962.00
Due to State - Marriage & Civil Union Licenses		325.00	225.00
Due to State - Hunting Licenses		461.00	208.25
Due to State - Animal Control Fees		22.20	6.00
Due to General Capital Fund	C	1,387,814.48	1,215,635.92
Due to Federal and State Grant Fund		249,642.46	325,917.01
Due to Animal Control Trust Fund		7,105.48	9,159.90
Reserve for Garden State Preservation Trust		132,171.00	132,171.00
Reserve for Capital Projects		516,942.58	519,522.28
Reserve for State Tax Appeal		9,303.00	9,303.00
		<u>7,311,241.96</u>	<u>7,582,706.38</u>
Reserve for Receivables and Other Assets		3,441,792.57	3,266,533.68
Fund Balance	A-1	<u>1,302,963.00</u>	<u>1,269,356.45</u>
		<u>12,055,997.53</u>	<u>12,118,596.51</u>
Federal and State Grant Fund:			
Unappropriated Reserves	A-12	65,512.49	60,512.49
Appropriated Reserves	A-13	220,703.01	758,556.02
Encumbrances Payable		29,085.64	12,224.40
		<u>315,301.14</u>	<u>831,292.91</u>
		<u>\$ 12,371,298.67</u>	<u>\$ 12,949,889.42</u>

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

	<u>Ref.</u>	<u>Year 2011</u>	<u>Year 2010</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$	1,220,000.00	\$ 3,250,000.00
Miscellaneous Revenue Anticipated		7,715,572.99	7,608,059.68
Receipts from Delinquent Taxes		582,527.72	571,522.39
Receipts from Current Taxes		29,562,997.97	27,878,034.89
Non-Budget Revenue		442,338.27	334,181.09
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		551,777.14	427,085.84
Interfunds Returned		1,325.57	4,074.00
Cancellation of Prior Year Accounts Payable		3,511.30	-
Total Income		<u>40,080,050.96</u>	<u>40,072,957.89</u>
<u>Expenditures</u>			
Budget and Emergency Appropriations:			
Appropriations Within "CAP"			
Operations:			
Salaries and Wages		4,421,086.00	4,521,750.00
Other Expenses		4,568,990.00	4,640,305.00
Public and Private Programs Offset by Revenues		93,695.60	63,150.98
Deferred Charges & Statutory Expenditures		760,059.26	666,928.00
Appropriations Excluded from "CAP"			
Operations:			
Other Expenses		33,750.00	-
Capital Improvements		76,000.00	275,960.00
Debt Service		563,760.00	-
Deferred Charges & Statutory Expenditures		88,000.00	88,000.00
Special District Taxes		1,481,610.00	1,458,418.00
County Taxes		4,795,558.38	4,657,890.92
County Added and Omitted Taxes		12,178.85	13,386.80
Local District School Tax		21,928,000.00	22,391,071.00
Refund of Prior Year Revenue		2,000.00	86,045.00
Interfund Created		1,756.32	1,886.00
Overexpenditure of Appropriations Reserves		-	2,506.29
Total Expenditures		<u>38,826,444.41</u>	<u>38,867,297.99</u>

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

	<u>Ref.</u>	<u>Year 2011</u>	<u>Year 2010</u>
Excess In Revenue		\$ 1,253,606.55	\$ 1,205,659.90
Adjustments to Income before Fund Balance:			
Expenditures Included Above Which are by			
Statute Deferred Charges to Budget of			
Succeeding Year		-	2,506.29
		-	2,506.29
Statutory Excess to Fund Balance		1,253,606.55	1,208,166.19
Fund Balance January 1	A	1,269,356.45	3,311,190.26
		2,522,963.00	4,519,356.45
Decreased by:			
Utilization as Anticipated Revenue		1,220,000.00	3,250,000.00
Fund Balance December 31	A	\$ 1,302,963.00	\$ 1,269,356.45

TOWNSHIP OF UPPER
CURRENT FUND
STATEMENT OF REVENUES - STATUTORY BASIS

	Ref.	Anticipated		Realized	Excess or (Deficit)
		Budget	N.J.S. 40A:4-87		
Fund Balance Anticipated		\$ 1,220,000.00	\$	\$ 1,220,000.00	\$ -
		<u>1,220,000.00</u>	<u>-</u>	<u>1,220,000.00</u>	<u>-</u>
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages		5,000.00		5,300.00	300.00
Interest and Costs on Taxes		113,000.00		106,066.24	(6,933.76)
Interest on Investments and Deposits		24,000.00		37,245.55	13,245.55
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		164,849.60	849.60
Host Community Benefits		425,000.00		420,408.53	(4,591.47)
Cable TV Fees		40,000.00		53,269.04	13,269.04
Cell Tower Fees		40,000.00		41,789.40	1,789.40
EMS Ambulance Fees		225,000.00		220,206.15	(4,793.85)
Dennis Twp & Corbin City - Municipal Court		117,000.00		195,860.31	78,860.31
Municipal Court Fines and Costs		133,000.00		60,096.57	(72,903.43)
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			29,359.60	29,359.60	-
Petsmart Charities			15,000.00	15,000.00	-
Main Street Market Assessment			15,000.00	15,000.00	-
Total Miscellaneous Revenues	A-1	<u>7,637,122.00</u>	<u>59,359.60</u>	<u>7,715,572.99</u>	<u>19,091.39</u>
Receipts from Delinquent Taxes	A-1:A-2	<u>560,000.00</u>	<u>-</u>	<u>582,527.72</u>	<u>22,527.72</u>

TOWNSHIP OF UPPER
CURRENT FUND
STATEMENT OF REVENUES - STATUTORY 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	\$	2,092,428.32	\$	2,309,219.80	\$ 216,791.48
of Municipal Budget		2,092,428.32	-	2,309,219.80	216,791.48
Budget Totals		11,509,550.32	59,359.60	11,827,320.51	258,410.59
Non-Budget Revenues		-		442,338.27	442,338.27
	\$	<u>11,509,550.32</u>	\$ <u>59,359.60</u>	<u>\$ 12,269,658.78</u>	<u>\$ 700,748.86</u>

TOWNSHIP OF UPPER
CURRENT FUND
STATEMENT OF REVENUES - STATUTORY BASIS

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenues from Collections	\$ 29,562,997.97
Allocated to:	
School, County and Other Taxes	<u>28,217,347.23</u>
Balance for Support of Municipal Budget Appropriations	1,345,650.74
Add: Appropriation	
"Reserve for Uncollected Taxes"	963,569.06
Less:	
Reserve for State Tax Appeal Pending	<u>-</u>
Amount for Support of Municipal	
Budget Appropriations	<u><u>\$ 2,309,219.80</u></u>

Receipts from Delinquent Taxes:

Delinquent Tax Collections	\$ 581,622.72
Tax Title Lien Collections	<u>905.00</u>
	<u><u>\$ 582,527.72</u></u>

Analysis of Non-Budget Revenues:

Miscellaneous Revenue Not Anticipated:	
Atlanticare Lease	\$ 900.00
Township Facilities Use Fees	700.00
Boat Ramp Fees	18,501.00
Street Openings	30,336.70
Mining Permits	5,000.00
Planning and Zoning Board Deposits	3,150.00
MAC Repayment	4,120.20
MUA Permit Fees	9,501.03
State Wildlife	18,343.00
Property Lists	550.00
County Fleet Maintenance	47,418.39
Restitution	4,900.00
Clerk's Receipts	7,855.67
Engineer/Zoning Escrow Fees	13,132.46
Passport Fees	5,150.00
Whitter Avenue Lease	5,000.00
Tax Collector Receipts	1,187.60
Cobra Insurance Repayment	1,057.36
Reimbursement	87,306.30
Sale of Assets/Land Sale Fees Non-Ref	19,859.99
JIF Dividend	3,057.88
Campground Fees/Mobile Park Fees	2,650.00
Dog Park Receipts	910.00
2% Administration Fee	3,282.51
Township Portion of Hunting & Fishing Licenses	305.15
Cancellation of Grants	97,007.57
Miscellaneous	<u>51,155.46</u>
	<u><u>\$ 442,338.27</u></u>

TOWNSHIP OF UPPER
CURRENT FUND
STATEMENT OF EXPENDITURES - STATUTORY BASIS

	Appropriations		Expended			(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT FUNCTIONS:						
Mayor and Committee						
Salaries and Wages	\$ 61,250.00	\$ 61,250.00	\$ 61,250.00	\$	-	\$
Other Expenses	19,000.00	19,000.00	8,139.18	2,683.04	8,177.78	
Township Clerk						
Salaries and Wages	173,200.00	173,200.00	167,994.10		5,205.90	
Other Expenses	60,000.00	60,000.00	29,537.27	5,824.62	24,638.11	
Financial Administration						
Salaries and Wages	108,500.00	108,500.00	105,685.61		2,814.39	
Audit Services	36,000.00	36,000.00	36,000.00		-	
Computer Services	41,250.00	41,250.00	39,032.93	2,217.07	-	
Miscellaneous Other Expenses	17,500.00	17,500.00	9,096.96	3,006.68	5,396.36	
Collection of Taxes						
Salaries and Wages	85,000.00	85,000.00	84,052.52		947.48	
Purchase of Tax Title Liens	1,000.00	1,000.00	-		1,000.00	
Miscellaneous Other Expenses	9,200.00	9,200.00	7,206.54	81.00	1,912.46	
Assessment of Taxes						
Salaries and Wages	95,000.00	97,500.00	94,801.97		2,698.03	
Other Expenses	10,000.00	10,000.00	6,665.91	11.23	3,322.86	
Liquidation of Tax Title Liens						
Other Expenses	1,000.00	1,000.00			1,000.00	
Legal Services						
Other Expenses	128,000.00	138,000.00	134,934.14		3,065.86	
Special Litigation						
Other Expenses	100,000.00	100,000.00	45,008.68	1,989.80	53,001.52	
Engineering Services						
Salaries and Wages	87,656.00	87,656.00	86,948.80		707.20	
Other Expenses	56,700.00	49,200.00	15,420.23	18,755.40	15,024.37	
Public Information						
Salaries and Wages	5,000.00	5,000.00	4,153.79		846.21	
UTTV2	2,000.00	2,000.00	-		2,000.00	
Miscellaneous Other Expenses	1,000.00	1,000.00	-		1,000.00	
INSURANCE:						
General Liability	150,000.00	150,000.00	117,948.56		32,051.44	
Workers Compensation Insurance	350,000.00	350,000.00	297,809.64		52,190.36	
Employee Group Health	1,404,400.00	1,404,400.00	1,368,019.60	9,554.98	26,825.42	

TOWNSHIP OF UPPER
CURRENT FUND
STATEMENT OF EXPENDITURES - STATUTORY BASIS

	Appropriations		Expended			(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
LAND USE ADMINISTRATION:						
Planning Board						
Salaries and Wages	\$ 39,000.00	\$ 39,000.00	\$ 37,408.72		\$ 1,591.28	\$
Master Plan Review	5,000.00	5,000.00	-		5,000.00	
Other Expenses	4,000.00	4,000.00	571.00	112.50	3,316.50	
Zoning Board of Adjustment						
Salaries and Wages	39,000.00	39,000.00	37,409.24		1,590.76	
Other Expenses	4,000.00	4,000.00	1,074.64		2,925.36	
PUBLIC SAFETY:						
First Aid Organization						
Salaries and Wages	586,500.00	586,500.00	560,142.92		26,357.08	
Other Expenses	82,250.00	87,250.00	73,667.39	10,396.58	3,186.03	
Emergency Management Services						
Salaries and Wages	19,500.00	19,500.00	19,044.72		455.28	
Other Expenses	71,200.00	71,200.00	42,973.49	21,276.26	6,950.25	
Crossing Guard						
Salaries and Wages	7,500.00	7,500.00	5,656.25		1,843.75	
Other Expenses	500.00	500.00		500.00	-	
Regional Dispatch						
Contractual	241,000.00	231,000.00	230,166.00		834.00	
Municipal Court						
Salaries and Wages	176,500.00	176,200.00	174,926.04		1,273.96	
Other Expenses	18,140.00	18,140.00	10,832.53	16.30	7,291.17	
Municipal Prosecutor						
Salaries and Wages	39,000.00	39,300.00	39,300.00		-	
Public Defender						
Salaries and Wages	19,000.00	19,000.00	18,999.96		0.04	
PUBLIC WORKS FUNCTIONS:						
Road Repairs and Maintenance						
Salaries and Wages	1,423,950.00	1,418,950.00	1,381,384.87		37,565.13	
Surfacing of Roads	15,000.00	15,000.00	9,490.18	4,782.20	727.62	
Miscellaneous Other Expenses	249,300.00	249,300.00	225,904.19	17,658.37	5,737.44	
Recycling						
Salaries and Wages	571,680.00	566,680.00	529,055.60		37,624.40	
Other Expenses	69,000.00	69,000.00	41,310.87	2,113.11	25,576.02	
Garbage and Trash						
Salaries and Wages	347,000.00	333,000.00	304,094.93		28,905.07	
Tipping Fees	425,000.00	425,000.00	352,594.75		72,405.25	
Miscellaneous Other Expenses	91,300.00	91,300.00	77,844.36	5,767.13	7,688.51	
Public Buildings and Grounds						
Salaries and Wages	87,500.00	87,500.00	86,339.21		1,160.79	
Other Expenses	191,500.00	191,500.00	139,416.43	7,099.67	44,983.90	

TOWNSHIP OF UPPER
CURRENT FUND
STATEMENT OF EXPENDITURES - STATUTORY BASIS

	Appropriations		Expended			(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
HEALTH AND WELFARE:						
Board of Health						
Salaries and Wages	\$ 550.00	\$ 550.00	\$ 550.00	\$ -	\$ -	
Other Expenses	40,000.00	29,400.00	6,939.75	861.25	21,599.00	
Dog Regulation						
Other Expenses	80,400.00	81,000.00	78,194.00	559.00	2,247.00	
PARK AND RECREATION FUNCTIONS:						
Sports & Recreation						
Salaries and Wages	75,000.00	75,000.00	67,228.36		7,771.64	
Other Expenses	215,900.00	215,900.00	159,865.82	22,399.29	33,634.89	
Community Center						
Salaries and Wages	6,800.00	6,800.00	-		6,800.00	
Other Expenses	43,250.00	48,250.00	29,242.48	5,378.98	13,628.54	
Emergency Shore Protection						
Other Expenses	87,000.00	87,000.00	45,486.73	40,510.18	1,003.09	
Beach Protection						
Salaries and Wages	206,000.00	206,000.00	196,505.19		9,494.81	
Other Expenses	20,600.00	20,600.00	14,477.95	5,971.76	150.29	
Affordable Housing						
Salaries and Wages	2,500.00	2,500.00	2,500.00		-	
Other Expenses	17,500.00	17,500.00	-		17,500.00	
UNCLASSIFIED:						
Celebration of Public Events	10,000.00	10,000.00	9,969.02		30.98	
Compensation for Accumulated Absences	100.00	20,100.00	20,100.00		-	
Drug and Alcohol Testing	9,500.00	9,500.00	7,270.00		2,230.00	
UNIFORM CONSTRUCTION CODE:						
State Uniform Construction Code						
Construction Official						
Salaries and Wages	165,000.00	165,000.00	161,128.36		3,871.64	
Other Expenses	6,000.00	6,000.00	2,321.39	429.93	3,248.68	
Zoning/Code Official						
Salaries and Wages	15,000.00	15,000.00	15,000.00		-	
Other Expenses	3,000.00	3,000.00	858.27		2,141.73	

TOWNSHIP OF UPPER
CURRENT FUND
STATEMENT OF EXPENDITURES - STATUTORY BASIS

	Appropriations		Expended			(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
UTILITY EXPENSES AND BULK PURCHASES:						
Street Lighting	\$ 160,000.00	\$ 169,000.00	\$ 153,999.17	\$	\$ 15,000.83	\$
TOTAL OPERATIONS WITHIN "CAPS"	8,990,076.00	8,990,076.00	8,090,951.21	189,956.33	709,168.46	-
Contingent	-	-				
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	8,990,076.00	8,990,076.00	8,090,951.21	189,956.33	709,168.46	-
Detail:						
Salaries and Wages	4,442,586.00	4,421,086.00	4,241,561.16	-	179,524.84	
Other Expenses	4,547,490.00	4,568,990.00	3,849,390.05	189,956.33	529,643.62	-
DEFERRED CHARGES:						
Overexpenditure of Appropriation Reserve	2,506.26	2,506.26	2,506.26	-	-	
STATUTORY EXPENDITURES:						
Contributions to:						
Public Employees' Retirement System	400,553.00	400,553.00	400,553.00		-	
Social Security System (O.A.S.I.)	350,000.00	350,000.00	326,181.10		23,818.90	
Unemployment Compensation Insurance	7,000.00	7,000.00	2,780.13		4,219.87	
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES WITHIN "CAPS"	760,059.26	760,059.26	732,020.49	-	28,038.77	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	9,750,135.26	9,750,135.26	8,822,971.70	189,956.33	737,207.23	-
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>						
INSURANCE:						
Other Insurance Premiums	33,750.00	33,750.00	33,750.00		-	
TOTAL OTHER OPERATIONS EXCLUDED FROM "CAPS"	33,750.00	33,750.00	33,750.00	-	-	-
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES						
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		29,359.60	29,359.60		-	
Petsmart Charties		15,000.00	15,000.00		-	
Main Street Assessment		15,000.00	15,000.00		-	
TOTAL PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES	34,336.00	93,695.60	93,695.60	-	-	-

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

	Appropriations		Expended			(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved	
CAPITAL IMPROVEMENTS						
Capital Improvement Fund	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00		\$ -	\$ -
Reconstruction of Historic Building	3,000.00	3,000.00	300.28		2,699.72	
Repairs to Municipal Building	33,000.00	33,000.00	29,145.00		3,855.00	
TOTAL CAPITAL IMPROVEMENTS	<u>76,000.00</u>	<u>76,000.00</u>	<u>69,445.28</u>	<u>-</u>	<u>6,554.72</u>	<u>-</u>
DEBT SERVICE						
Payment of Bond Anticipation Notes and Capital Notes	540,000.00	540,000.00	540,000.00		-	
Interest on Notes	23,760.00	23,760.00	23,760.00		-	
TOTAL DEBT SERVICE	<u>563,760.00</u>	<u>563,760.00</u>	<u>563,760.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED CHARGES EXCLUDED FROM "CAPS"						
Ordinance #012-2007	40,500.00	40,500.00	40,500.00		-	
Ordinance #106-2009	47,500.00	47,500.00	47,500.00		-	
TOTAL DEFERRED CHARGES EXCLUDED FROM "CAPS"	<u>88,000.00</u>	<u>88,000.00</u>	<u>88,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	<u>795,846.00</u>	<u>855,205.60</u>	<u>848,650.88</u>	<u>-</u>	<u>6,554.72</u>	<u>-</u>
SUBTOTAL GENERAL APPROPRIATIONS	<u>10,545,981.26</u>	<u>10,605,340.86</u>	<u>9,671,622.58</u>	<u>189,956.33</u>	<u>743,761.95</u>	<u>-</u>
Reserve for Uncollected Taxes	<u>963,569.06</u>	<u>963,569.06</u>	<u>963,569.06</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL APPROPRIATIONS	<u>\$ 11,509,550.32</u>	<u>\$ 11,568,909.92</u>	<u>\$ 10,635,191.64</u>	<u>\$ 189,956.33</u>	<u>\$ 743,761.95</u>	<u>\$ -</u>

Budget	\$ 11,509,550.32
Appropriation by 40A:4-87	59,359.60
	<u>\$ 11,568,909.92</u>

Cash Disbursed	\$ 9,447,420.72
Reserve for Uncollected Taxes	963,569.06
Federal and State Grants	93,695.60
Deferred Charges	90,506.26
Capital Improvement Fund	40,000.00
	<u>\$ 10,635,191.64</u>

EXHIBIT - B
TRUST FUND

TOWNSHIP OF UPPER
TRUST FUND
COMPARATIVE BALANCE SHEET - STATUTORY BASIS

	<u>Ref.</u>	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Balance</u> <u>Dec. 31, 2010</u>
<u>Assets</u>			
<u>Animal Control Fund</u>			
Cash and Investments	B-1	\$ 6,512.96	\$ 3,929.36
Due from Current Fund		7,105.48	9,159.90
		<u>13,618.44</u>	<u>13,089.26</u>
<u>Other Funds</u>			
Cash and Investments - Treasurer	B-2	1,670,854.48	1,358,498.42
		<u>1,670,854.48</u>	<u>1,358,498.42</u>
		<u>\$ 1,684,472.92</u>	<u>\$ 1,371,587.68</u>

TOWNSHIP OF UPPER
TRUST FUND
COMPARATIVE BALANCE SHEET - STATUTORY BASIS

	Ref.	Balance Dec. 31, 2011	Balance Dec. 31, 2010
<u>Liabilities, Reserves and Fund Balance</u>			
<u>Animal Control Fund</u>			
Reserve for Animal Control Expenditures	B-3	\$ 13,618.44	\$ 13,089.26
		<u>13,618.44</u>	<u>13,089.26</u>
<u>Other Funds</u>			
Deposits for Tax Title Lien Certificates		17,124.74	-
Premiums Received at Tax Sale		62,600.00	39,400.00
Due to Current Fund	A	2,316.75	1,886.00
Due to State of NJ - Dept. of Labor		3,204.60	5,767.80
Reserve for Fire Safety		27,223.75	27,223.75
Reserve for Unemployment Compensation		64,035.61	74,436.50
Reserve for Developers' Escrow		40,940.28	69,994.25
Reserve for Client Funds Escrow		177,256.65	85,182.30
Reserve for Landfill Closure Fund		32,716.37	32,567.95
Reserve for Planning Board Escrow		18,178.91	19,249.75
Reserve for Recycling		234,009.09	161,465.57
Reserve for Recreation Fund		115,944.08	116,840.32
Reserve for Municipal Alliance		9,008.47	5,445.03
Reserve for Sick Pay		485,131.96	468,412.03
Reserve for Affordable Housing Trust		381,163.22	250,627.17
		<u>1,670,854.48</u>	<u>1,358,498.42</u>
		\$ <u>1,684,472.92</u>	\$ <u>1,371,587.68</u>

EXHIBIT - C
GENERAL CAPITAL FUND

TOWNSHIP OF UPPER
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - STATUTORY BASIS

	Ref.	Balance Dec. 31, 2011	Balance Dec. 31, 2010
<u>Assets</u>			
Due from Current Fund	C-3	\$ 1,387,814.48	\$ 1,215,635.92
Deferred Charges to Future Taxation:			
Unfunded	C-6	6,651,000.00	3,099,000.00
		<u>\$ 8,038,814.48</u>	<u>\$ 4,314,635.92</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Improvement Authorizations:			
Funded	C-7	\$ 432,715.20	\$ 194,773.41
Unfunded	C-7	889,535.23	209,535.23
Encumbrances Payable		78,973.26	52,736.49
Bond Anticipation Notes	C-9	5,660,000.00	2,700,000.00
Capital Improvement Fund	C-4	324,668.45	504,668.45
Reserve for PW Equipment		50,000.00	50,000.00
Reserve for Beach Replenishment		550,000.00	550,000.00
Fund Balance	C-1	52,922.34	52,922.34
		<u>\$ 8,038,814.48</u>	<u>\$ 4,314,635.92</u>

TOWNSHIP OF UPPER
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - STATUTORY BASIS

Balance December 31, 2010	<u>Ref.</u> C	\$	52,922.34
Increased By:			
None		\$	-
			<u>-</u>
			52,922.34
Decreased By:			
None			-
			<u>-</u>
Balance December 31, 2011	C	\$	<u><u>52,922.34</u></u>

EXHIBIT - D
GENERAL FIXED ASSETS ACCOUNT GROUP

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

	<u>Ref.</u>	<u>Balance Dec. 31, 2011</u>	<u>Balance Dec. 31, 2010</u>
<u>General Fixed Assets</u>			
Land		\$ 305,136.67	\$ 305,136.67
Buildings		2,940,661.89	2,940,661.89
Machinery and Equipment		4,870,554.85	4,813,988.16
		<u>\$ 8,116,353.41</u>	<u>\$ 8,059,786.72</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Investment in General Fixed Assets		\$ 8,116,353.41	\$ 8,059,786.72
		<u>\$ 8,116,353.41</u>	<u>\$ 8,059,786.72</u>

TOWNSHIP OF UPPER
NOTES TO FINANCIAL STATEMENTS –
STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements – statutory basis of the Township of Upper have been prepared in conformity with an “Other Comprehensive Basis of Accounting” (OCBOA) as 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 2000 census is 12,115.

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 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 – statutory basis of the Township of Upper, the primary government.

Basis of Presentation, Fund Accounting

The financial statements – statutory 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.

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.

TOWNSHIP OF UPPER
NOTES TO FINANCIAL STATEMENTS –
STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 10th of each year. At introduction, the governing body shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper published and circulating in the municipality. The public hearing must not be held less than twenty-eight days after the date 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 – statutory 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 –
STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(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 Technical Accounting Directive No. 2 as issued 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 – statutory 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 –
STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Appropriation Reserves

Appropriation Reserves covering unexpended appropriation balance 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 1st, May 1st, August 1st, and November 1st. 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 –
STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(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, 2010, and decreased by the amount deferred at December 31, 2011. GAAP would require the recording of deferred revenue. The following schedule illustrates school taxes payable and school taxes deferred at December 31st for the last two years:

	December 31, 2011	December 31, 2010
School Tax Payable	\$ 3,664,000.00	\$ 3,847,079.00
School Tax Deferred	<u>7,300,000.00</u>	<u>7,300,000.00</u>
	<u>\$ 10,964,000.00</u>	<u>\$ 11,147,079.00</u>

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 10th 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 10th of the current year and due to be paid to the County by February 15th 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 31st 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.

TOWNSHIP OF UPPER
NOTES TO FINANCIAL STATEMENTS –
STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(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 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 0.31%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School Debt	\$ -	\$ -	\$ -
General Debt	6,651,000.00		6,651,000.00
	<u>\$ 6,651,000.00</u>	<u>\$ -</u>	<u>\$ 6,651,000.00</u>

Net debt \$6,651,000.00 divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$2,178,736,270 = 0.31%.

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

3-1/2% of Equalized Valuation Basis	\$ 76,255,769.45
Net Debt	<u>(6,651,000.00)</u>
Remaining Borrowing Power	<u>\$ 69,604,769.45</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, 2011, the Township estimates this liability to approximate \$768,793.12 based on 2011 pay rates and compensated absence balances.

TOWNSHIP OF UPPER
NOTES TO FINANCIAL STATEMENTS –
STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

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.

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, 2011	Balance December 31, 2010
Prepaid Taxes - Cash Liability	\$ 353,263.63	\$ 323,988.09

NOTE 6: RETIREMENT PLANS

Plan Descriptions

All eligible employees participate in the Public Employees' Retirement System (PERS) or the Police and Firemen's Retirement System (PFRS) contributory defined benefit public employee retirement systems that have been established by State Statute. These systems are sponsored and administered by the State of New Jersey.

The Public Employees' Retirement System was established in January 1955 under the provisions of N.J.S.A. 43:14A to provide coverage including post-retirement health care to substantially all full-time employees of the State or any County, Municipality, School district or public agency provided the employee is not a member of another state-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above – mentioned formula but at a reduced rate (one-quarter of one percent for each month the member lacks of attaining the age 55).

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

Significant Legislation

During the year ended June 30, 1997, legislation was enacted authorizing the New Jersey Economic Development Authority (the "Authority") to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the un-funded accrued liability under the State of New Jersey retirement systems. On June 30, 1997, the Authority issued bonds pursuant to this legislation and \$241,106,642 from the proceeds of the Bonds were deposited into the investment accounts of PERS.

TOWNSHIP OF UPPER
NOTES TO FINANCIAL STATEMENTS –
STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(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 5.5% of employees' annual compensation (increased to 6.5% effective 10/1/11). 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.

For the Public Employees' Retirement System, the Township's contribution was \$400,553.00 for 2011 and \$306,428.00 for 2010.

Three Year Trend Information for PERS			
Funding Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2011	\$ 400,553.00	100%	\$ -
12/31/2010	306,428.00	100%	-
12/31/2009	271,191.00	100%	-

NOTE 7: CASH AND INVESTMENTS

Cash

Operating cash, in the form of checking, savings and certificates of deposit are held in the Township's name by commercial banking institutions. At December 31, 2011, the carrying amount of the Township's deposits was \$10,290,671.80 and the bank balance was \$10,377,233.64. Of the bank balance, \$250,000.00 was insured with Federal Deposit Insurance Corporation, \$10,127,233.64 was insured under the Governmental Unit Deposit Protection Act (GUDPA), and \$68,614.42 was uninsured.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the Township's bank accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the Township would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. The Township does not have a policy for custodial credit risk.

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 Borough may approve. It invests pooled monies from various State and non-State agencies in primarily short-term investments.

As of December 31, 2011, the Township did not have any investments.

TOWNSHIP OF UPPER
NOTES TO FINANCIAL STATEMENTS –
STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

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.

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.

Comparative Schedule of Tax Rates			
	2011	2010	2009
Tax Rate	\$ 1.289	\$ 1.207	\$ 1.172
Apportionment of Tax Rate:			
Municipal	0.094	-	-
County	0.216	0.209	0.199
Local School	0.979	0.998	0.973

TOWNSHIP OF UPPER
NOTES TO FINANCIAL STATEMENTS –
STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 8: PROPERTY TAXES (Continued)

<u>Assessed Valuation</u>		
2011	\$	2,239,992,764
2010		2,244,998,592
2009		2,259,038,347

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2011	\$ 30,430,452.88	\$ 29,562,997.97	97.15%
2010	28,636,991.85	27,878,034.89	97.35%
2009	27,992,157.91	27,117,523.11	96.88%

<u>Delinquent Taxes and Tax Title Liens</u>					
<u>Year</u>		<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2011	\$	211,533.06	\$ 662,876.78	\$ 874,409.84	2.87%
2010		206,381.20	584,218.83	790,600.03	2.76%
2009		190,225.89	599,714.60	789,940.49	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>
2011	\$ 2,560,799.00
2010	2,469,399.00
2009	2,420,699.00

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; this revenue allows the Township to exist without a local purpose tax levy. For 2011, 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 –
STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(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	2011	\$ 1,302,963.00	\$ 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%
	2007	4,007,131.33	3,081,415.00	76.90%

NOTE 11: RECEIVABLES AND PAYABLES WITHIN THE REPORTING ENTITY

Receivables and payables at December 31, 2011 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current	\$ 2,316.75	\$ 1,644,562.42
Federal and State Grant	249,642.46	
General Capital Fund	1,387,814.48	
Trust		2,316.75
Animal Control	7,105.48	
Total	\$ <u>1,646,879.17</u>	\$ <u>1,646,879.17</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 –
STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(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, 2011:

	Balance as of December 31, 2010		Additions		Disposals		Balance as of December 31, 2011
Land & Improvements	\$ 305,136.67	\$		\$	-	\$	305,136.67
Buildings	2,940,661.89		-		-		2,940,661.89
Machinery & Equipment	4,813,988.16		70,057.04		(13,490.35)		4,870,554.85
Total	\$ <u>8,059,786.72</u>	\$	<u>70,057.04</u>	\$	<u>(13,490.35)</u>	\$	<u>8,116,353.41</u>

NOTE 15: RISK MANAGEMENT

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

Property and Liability Insurance

The Township maintains commercial insurance coverage for property, liability and surety bonds.

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.

TOWNSHIP OF UPPER
NOTES TO FINANCIAL STATEMENTS –
STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 17: POST-RETIREMENT HEALTH BENEFITS

The Township participates in New Jersey State Health Benefits Program (“the SHBP”), 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.

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 2011, the Township provided post-employment health care benefits of \$144,837.50 to eleven (11) retired employee.

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.

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.

TOWNSHIP OF UPPER
NOTES TO FINANCIAL STATEMENTS –
STATUTORY BASIS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)

NOTE 18: DEFINED CONTRIBUTION RETIREMENT PROGRAM (Continued)

Vesting and Benefits Provisions (Continued)

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 was one employee enrolled in the DCRP for the year ended December 31, 2011.

NOTE 19: SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2011 through April 30, 2012 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, 2010		\$ 8,848,756.54
Increased By Receipts:		
Collector	\$	29,667,288.38
Prepaid Taxes		353,156.02
Due from State - Veterans and Senior Citizens		164,125.34
Revenue Accounts Receivable		7,825,559.80
Accrued Payroll Taxes		5,032,177.63
Due from Federal and State Grant Fund		76,731.99
Reserve for Garden State Preservation Trust		132,171.00
Reserve for Capital Projects		8,970.00
Marriage & Civil Union License Fees Due to State		1,600.00
Hunting and Fishing License Fees Due to State		8,128.00
Dog License Fees Due to State		2,038.20
DCA Training Fees Due to State		11,478.00
Due from General Capital		3,555,323.77
Due from TTL Trust		1,325.57
Due from Animal Control		5,080.50
		<u>46,845,154.20</u>
		55,693,910.74
Decreased By Disbursements:		
2011 Appropriations		9,447,420.72
2010 Appropriation Reserves		160,879.85
Reserve for Encumbrances		409,014.75
County Taxes		4,821,124.03
Local District School Tax		22,111,079.00
Special District Taxes		1,481,610.00
Refund of Tax Overpayments		6,983.69
Due from Federal and State Grant Fund		62,865.97
Payroll Taxes and Deductions		5,027,812.64
Due State For Marriage Licenses & Civil Unions		1,500.00
Due State for Hunting and Fishing Licenses		7,875.25
Due to State for Dog Licenses		2,022.00
Due State for DCA Training Fees		12,074.00
Reserve for Capital Projects		11,549.70
Accounts Payable		562.50
Due to General Capital		3,511,145.21
Due from Animal Control		5,086.50
		<u>47,080,605.81</u>
Balance December 31, 2011		\$ <u><u>8,613,304.93</u></u>

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

Year	Balance Dec. 31, 2010	2011 Levy	Added Taxes	Collections		Adjustments	Transferred To Tax Title Liens	Balance Dec. 31, 2011
				2010	2011			
Arrears	\$ 15,768.30	\$	\$	\$	\$ 15,768.30	\$	\$	\$ -
2010	568,450.53				565,854.42	2,053.63	541.25	1.23
	584,218.83	-	-	-	581,622.72	2,053.63	541.25	1.23
2011		30,430,452.88		323,880.48	29,239,117.49	178,958.74	25,619.39	662,876.78
	\$ 584,218.83	\$ 30,430,452.88	\$ -	\$ 323,880.48	\$ 29,820,740.21	\$ 181,012.37	\$ 26,160.64	\$ 662,878.01
Ref.	A							A

\$ 29,666,383.38 Taxes Receivable
167,625.34 Senior Citizens and Veterans
(13,268.51) Overpayments
\$ 29,820,740.21

Analysis of 2011 Property Tax Levy

Tax Yield:

General Property Tax

Special District Taxes

Added Taxes (54:4-63.1 et. seq.)

\$ 28,948,842.88
1,481,610.00

\$ 30,430,452.88

Tax Levy:

Local District School Tax:

Levy

Addition to Local District School Tax

\$ 21,928,000.00

21,928,000.00

County Taxes

County Taxes Added and Omitted

Special District Tax

Local Tax for Municipal Purposes

Add: Additional Tax Levied

4,795,558.38

12,178.85

1,481,610.00

2,213,105.65

2,213,105.65

\$ 30,430,452.88

TOWNSHIP OF UPPER
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS

Balance December 31, 2010	<u>Ref.</u> A	\$	206,381.20
Increased By:			
Transfers from Taxes Receivable		\$	26,160.64
Interest and Costs from Sale of October 18, 2011			107.04
			<hr/>
			26,267.68
			<hr/>
			232,648.88
Decreased By:			
Collections			905.00
Foreclosures			20,210.82
			<hr/>
			21,115.82
Balance December 31, 2011	A	\$	<u><u>211,533.06</u></u>

TOWNSHIP OF UPPER
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Ref.	Balance Dec. 31, 2010	Accrued In 2011	Collected	Balance Dec. 31, 2011
<u>Miscellaneous Revenue Anticipated:</u>					
Licenses:					
Alcoholic Beverages		\$ -	\$ 5,300.00	\$ 5,300.00	\$ -
Interest and Costs on Taxes		-	106,066.24	106,066.24	-
Interest on Investments and Deposits		-	37,245.55	37,245.55	-
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		-	220,206.15	220,206.15	-
Host Community Benefits		-	420,408.53	420,408.53	-
Cable TV Fees		-	53,269.04	53,269.04	-
Cell Tower Fees		-	41,789.40	41,789.40	-
Municipal Court Fines and Costs		4,648.65	59,713.67	60,096.57	4,265.75
Dennis Twp & Corbin City - Municipal Court		-	195,860.31	195,860.31	-
Uniform Construction Code Fees		-	164,849.60	164,849.60	-
<u>Miscellaneous Revenue Not Anticipated:</u>					
Miscellaneous Non-Budgeted Revenue		-	442,338.27	442,338.27	-
TOTALS		\$ <u>4,648.65</u>	\$ <u>8,070,699.76</u>	\$ <u>8,071,082.66</u>	\$ <u>4,265.75</u>
	Ref.	A			A
Cash Received				\$ 7,825,559.80	A-4
Non-Cash Miscellaneous Non-Budgeted Revenue				109,557.30	
Due from Trust Fund				3,794.56	A
Reserve for Garden State Preservation Trust				132,171.00	A
				\$ <u>8,071,082.66</u>	

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

	Balance Dec. 31, 2010	Balance After Transfers	Paid or Charged	Balance Lapsed	Overexpended
Mayor and Committee					
Other Expenses	\$ 10,207.61	\$ 10,207.61	\$ 4,211.89	\$ 5,995.72	\$
Municipal Clerk					
Salaries and Wages	7,325.73	325.73	-	325.73	
Other Expenses	23,910.81	23,910.81	5,153.16	18,757.65	
Financial Administration					
Salaries and Wages	5,080.18	2,080.18	-	2,080.18	
Computer Expenses	6,560.60	6,560.60	5,586.99	973.61	
Other Expenses	1,846.94	3,346.94	3,200.73	146.21	
Revenue Administration (Tax Collector)					
Salaries and Wages	3,147.10	3,147.10	-	3,147.10	
Purchase of Tax Title Liens	1,000.00	1,000.00	-	1,000.00	
Other Expenses	1,111.06	1,111.06	156.24	954.82	
Tax Assessment Administration					
Salaries and Wages	7,578.99	2,578.99	-	2,578.99	
Other Expenses	2,656.04	2,656.04	31.36	2,624.68	
Liquidation of Tax Title Liens					
Other Expenses	1,000.00	1,000.00	-	1,000.00	
Legal Services					
Other Expenses	21,617.62	21,617.62	12,731.19	8,886.43	
Special Litigation					
Other Expenses	42,691.97	142,691.97	63,471.42	79,220.55	
Engineering Services and Costs					
Other Expenses	42,206.25	32,206.25	5,465.40	26,740.85	
Public Information					
Other Expenses	10,931.50	10,931.50	-	10,931.50	
Planning Board					
Salaries and Wages	1,275.12	1,275.12	-	1,275.12	
Master Plan Review	2,347.34	2,347.34	2,191.25	156.09	
Other Expenses	1,324.50	1,324.50	435.00	889.50	

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

	<u>Balance Dec. 31, 2010</u>	<u>Balance After Transfers</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>	<u>Overexpended</u>
Zoning Board of Adjustment					
Salaries and Wages	\$ 1,274.86	\$ 1,274.86	\$ -	\$ 1,274.86	\$
Other Expenses	935.30	935.30	-	935.30	
First Aid Organization					
Salaries and Wages	12,169.77	2,169.77	-	2,169.77	
Other Expenses	5,647.60	5,647.60	3,612.87	2,034.73	
Emergency Management					
Salaries and Wages	455.28	455.28	-	455.28	
Other Expenses	40,203.67	40,203.67	32,156.07	8,047.60	
Crossing Guards					
Salaries and Wages	593.75	593.75	-	593.75	
Other Expenses	500.00	500.00	500.00	-	
Regional Dispatch					
Contractual	5,341.00	2,341.00	-	2,341.00	
Municipal Court					
Salaries and Wages	5,350.04	5,350.04	-	5,350.04	
Other Expenses	1,388.28	1,388.28	705.99	682.29	
Public Defender					
Salaries and Wages	0.04	0.04	-	0.04	
Streets and Road Maintenance					
Salaries and Wages	34,396.96	30,396.96	-	30,396.96	
Surfacing of Roads	6,859.48	6,859.48	6,795.00	64.48	
Other Expenses	90,072.54	90,072.54	36,185.15	53,887.39	
Garbage and Trash Removal					
Salaries and Wages	23,117.35	3,117.35	-	3,117.35	
Tipping Fees	29,881.17	29,881.17	29,881.17	-	
Miscellaneous Other Expenses	17,646.89	17,646.89	10,290.10	7,356.79	
Recycling Program					
Salaries and Wages	12,227.78	2,227.78	-	2,227.78	
Other Expenses	6,321.09	6,321.09	2,619.03	3,702.06	
Building and Grounds					
Salaries and Wages	1,603.35	1,603.35	-	1,603.35	
Other Expenses	55,253.09	75,253.09	19,849.51	55,403.58	
Board of Health					
Other Expenses	33,079.00	13,079.00	2,491.00	10,588.00	

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

	Balance Dec. 31, 2010	Balance After Transfers	Paid or Charged	Balance Lapsed	Overexpended
Dog Regulation					
Other Expenses	\$ 3,402.00	\$ 3,402.00	\$ 2,889.00	\$ 513.00	\$
Recreation					
Salaries and Wages	8,174.54	8,174.54	-	8,174.54	
Other Expenses	7,138.48	7,138.48	1,852.86	5,285.62	
Sports & Recreation					
Salaries and Wages	1,431.23	1,431.23	-	1,431.23	
Other Expenses	71,969.44	71,969.44	45,650.08	26,319.36	
Community Center					
Salaries and Wages	1,241.12	1,241.12	-	1,241.12	
Other Expenses	4,057.41	4,057.41	2,296.82	1,760.59	
Emergency Shore Protection					
Other Expenses	57,122.12	57,122.12	44,807.44	12,314.68	
Beach Protection					
Salaries and Wages	2,006.58	2,006.58	-	2,006.58	
Other Expenses	24,117.81	24,117.81	19,512.58	4,605.23	
Affordable Housing					
Other Expenses	10,000.00	10,000.00	-	10,000.00	
Celebration of Public Events	2,199.77	2,199.77	806.98	1,392.79	
Compensation for Accumulated Absences	20,100.00	20,100.00	20,100.00	-	
Alcohol and Drug Testing					
Other Expenses	990.00	990.00	266.00	724.00	
Construction Code Officials					
Salaries and Wages	2,941.00	2,941.00	-	2,941.00	
Other Expenses	286.08	786.08	198.48	587.60	
Zoning/Code Official					
Other Expenses	235.78	235.78	-	235.78	
Street Lighting	32,900.43	32,900.43	12,314.87	20,585.56	
Insurance					
General Liability	50,969.08	30,969.08	-	30,969.08	
Workers Compensation Insurance	4,600.02	4,600.02	-	4,600.02	
Group Insurance for Employees	23,022.68	13,022.68	9,853.60	3,169.08	
Contributions to:					
Social Security System (O.A.S.I)	165.83	165.83	-	165.83	
Unemployment Compensation Insurance	16,206.57	16,206.57	-	16,206.57	

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

	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Balance</u> <u>After</u> <u>Transfers</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>	<u>Overexpended</u>
Capital Improvements:					
Construction of Recreational Facilities	\$ 50,367.73	\$ 50,367.73	\$ 43,726.00	\$ 6,641.73	\$
Reconstruction of Historic Building	6,500.00	6,500.00	6,466.88	33.12	
Purchase of Road Equipment	10,000.00	10,000.00	9,912.13	87.87	
Repairs to Municipal Building	10,995.89	10,995.89	6,895.89	4,100.00	
Purchase Safety Equipment	4,120.00	4,120.00	2,500.00	1,620.00	
Communications Equipment 911	20,000.00	20,000.00	19,127.87	872.13	
Strathmere Projects	79,400.00	79,400.00	72,996.60	6,403.40	
Community Center Equipment	3,566.50	3,566.50	-	3,566.50	
Purchase of Office Equipment	13,306.00	13,306.00	-	13,306.00	
 TOTALS	 \$ <u>1,121,671.74</u>	 \$ <u>1,121,671.74</u>	 \$ <u>569,894.60</u>	 \$ <u>551,777.14</u>	 \$ <u>-</u>
Ref.	A				
Appropriation Reserves	\$ 712,656.99				
Encumbrances Payable	<u>409,014.75</u>				
	\$ <u>1,121,671.74</u>				
		Cash Disbursements	\$ 569,894.60	A-4	
			<u>\$ 569,894.60</u>		

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

<u>Purpose</u>	<u>Balance Dec. 31, 2010</u>	<u>Anticipated Revenues</u>	<u>Received</u>	<u>Cancelled</u>	<u>Balance Dec. 31, 2011</u>
State:					
Municipal Alliance	\$ 50,378.33	\$ 27,469.00	\$ 27,188.65	\$	\$ 50,658.68
DEP Site Remediation - Construct Water Service	43,144.50			43,144.50	-
NJ Redevelopment Grant - Site Remediation	500.00			500.00	-
Municipal Stormwater	2,552.00			2,552.00	-
Clean Communities	-	29,359.60	29,359.60		-
Hazardous Discharge Site Remediation	142,980.00			142,980.00	-
New Jersey Transportation Trust - Perry Road - 2001	7,441.28			7,441.28	-
Gypsy Moth Aerial Suppression Program	8,379.79			8,379.79	-
Petsmart Charities Grant	-	15,000.00	15,000.00		-
Main Street Market Assessment	-	15,000.00			15,000.00
Other:					
NJDOT Bike Path Phase II	250,000.00			250,000.00	-
TOTALS	\$ 505,375.90	\$ 86,828.60	\$ 71,548.25	\$ 454,997.57	\$ 65,658.68
Ref.	A				A

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

<u>Purpose</u>	<u>Balance Dec. 31, 2010</u>	<u>Received</u>	<u>Anticipated Revenues</u>	<u>Balance Dec. 31, 2011</u>
State:				
Recycling Tonnage Grant	\$ 55,512.49	\$	\$	\$ 55,512.49
Emergency Management	5,000.00	5,000.00		10,000.00
TOTALS	\$ <u>60,512.49</u>	\$ <u>5,000.00</u>	\$ <u>-</u>	\$ <u>65,512.49</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, 2010</u>	<u>Budget Appropriations</u>	<u>Expended</u>	<u>Cancelled</u>	<u>Balance Dec. 31, 2011</u>
State:					
Municipal Alliance	\$ 23,844.75	\$ 34,336.00	\$ 33,307.04	\$	\$ 24,873.71
DEP Site Remediation - Water Service	40,981.50			40,981.50	-
NJ Redevelopment Grant - Site Remediation	250.00			250.00	-
Clean Communities	4,497.86	29,359.60	29,388.39		4,469.07
Alcohol Education and Rehabilitation	1,595.08			1,595.08	-
Municipal Stormwater	17,445.02			17,445.02	-
State and Local Hazards Emergency	2,405.72			2,405.72	-
Playground Safety Program					
Local Share	3,070.60			3,070.60	-
New Jersey Transportation Trust Fund -					
Perry Road	4,829.86			4,829.86	-
Perry Road - 2001	35,000.00			35,000.00	-
DCA - Smart Future Planning	6,424.50			6,424.50	-
Hazardous Discharge Site Remediation	156,320.50			156,320.50	-
Recycling Tonnage Grant	173,082.59				173,082.59
DCA - Smart Growth	4,205.00			4,205.00	-

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

<u>Purpose</u>	<u>Balance Dec. 31, 2010</u>	<u>Budget Appropriations</u>	<u>Expended</u>	<u>Cancelled</u>	<u>Balance Dec. 31, 2011</u>
Gypsy Moth Suppression Program	\$ 29,477.36	\$	\$	\$ 29,477.36	\$ -
Drunk Driving Enforcement	125.68				125.68
Petsmart Charities Grant	-	15,000.00	1,848.04		13,151.96
Main Street Market Assessment	-	15,000.00	15,000.00		-
Other:					
NJ Office of Emergency Management	5,000.00				5,000.00
NJDOT Bike Path Phase II	250,000.00			250,000.00	-
TOTALS	\$ 758,556.02	\$ 93,695.60	\$ 79,543.47	\$ 552,005.14	\$ 220,703.01
Ref.	A				A
				<u>Ref.</u>	
Cash Disbursements			\$ 62,682.23	A-4	
Encumbrances Payable			29,085.64		
Prior Year Encumbrances Cancelled			(12,224.40)	A	
			<u>\$ 79,543.47</u>		

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

Balance December 31, 2010	<u>Ref.</u> B	\$	3,929.36
Increased By Receipts:			
Dog License Fees		\$	5,086.50
Interest Earned			33.92
			<hr/>
			5,120.42
			<hr/>
			9,049.78
Decreased By Disbursements:			
Paid to Current Fund - Interest Earned			33.92
Paid to Current Fund			
Animal Control Expenditures			2,502.90
			<hr/>
			2,536.82
			<hr/>
Balance December 31, 2011	B	\$	<u><u>6,512.96</u></u>

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

Balance December 31, 2010	<u>Ref.</u> B	\$ 1,358,498.42
Increased By Receipts:		
Recycling	\$ 77,006.49	
Developers Escrow Deposits	1,800.00	
Sick Pay Reserve	40,200.00	
Affordable Housing Trust	130,697.05	
Client Funds Escrow Deposits	119,688.97	
Landfill Closure	148.42	
Planning Board Escrow Review Fees	21,257.50	
Municipal Alliance	7,161.50	
Recreation Developers Escrow Deposits	24,286.01	
Unemployment Compensation	30,590.77	
Tax Sale Premiums	99,400.00	
Redemption of Tax Sale Certificates	361,476.76	
Interest Earned on Deposits - Due to Current Fund	6,142.93	
		<u>919,856.40</u>
		2,278,354.82
Decreased By Disbursements:		
Recycling	4,462.97	
Developers Escrow	30,853.97	
Sick Pay Reserve	23,469.89	
Client Funds Escrow	27,614.62	
Planning Board Escrow	22,328.34	
Municipal Alliance	3,598.06	
Unemployment Compensation	43,554.86	
Refunds - Tax Sale Certificates	344,352.02	
Premiums Forfeited to Treasurer	76,200.00	
Recreation Developers Escrow Deposits	25,182.25	
Affordable Housing Trust	161.00	
Payments to Current Fund - Revenues	5,722.36	
		<u>607,500.34</u>
Balance December 31, 2011	B	\$ <u><u>1,670,854.48</u></u>

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

Balance December 31, 2010	<u>Ref.</u> B	\$	13,089.26
Increased By:			
Dog Licenses Fees	\$	3,403.00	
Interest on Deposits		33.92	
Duplicate & Late Fees Collected		1,683.50	
			<u>5,120.42</u>
			18,209.68
Decreased By Disbursements:			
Animal Control Expenditures		2,502.90	
Due to Current - Statutory Excess		2,054.42	
Interest Paid to Current Fund		33.92	
			<u>4,591.24</u>
Balance December 31, 2011	B	\$	<u><u>13,618.44</u></u>

License and Other Fees Collected	<u>Year</u>	
	2010	5,357.10
	2009	8,261.34
	\$	<u><u>13,618.44</u></u>

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

Balance December 31, 2010	<u>Ref.</u> B		\$	(9,159.90)
Increased By:				
Dog License Fees Collected In Current Fund		\$	5,080.50	
Interest Paid to Current Fund			33.92	
			<hr/>	<hr/>
				5,114.42
				<hr/>
				(4,045.48)
Decreased By:				
Dog License Fees Received from Current Fund			5,086.50	
Interest Earned			33.92	
Due to Current Fund - Statutory Excess			2,048.42	
			<hr/>	<hr/>
				7,168.84
			<hr/>	<hr/>
Balance December 31, 2011	B		\$	<u><u>(7,105.48)</u></u>

TOWNSHIP OF UPPER
GENERAL CAPITAL FUND
ANALYSIS OF CASH

	Balance Dec. 31, 2010	Receipts			Disbursements		Transfers		Balance Dec. 31, 2011
		Bonds Issued	Notes Issued	Misc.	Improvement Authorizations	Misc.	From	To	
Fund Balance	\$ 52,922.34	\$	\$	\$	\$	\$	\$	\$	\$ 52,922.34
Capital Improvement Fund	504,668.45						220,000.00	40,000.00	324,668.45
Due from Current Fund	(1,215,635.92)					44,178.56	128,000.00		(1,387,814.48)
Encumbrances Payable	52,736.49						52,736.49	78,973.26	78,973.26
Reserve for PW Equipment	50,000.00								50,000.00
Reserve for Beach Replenishment	550,000.00								550,000.00
<u>Improvement Authorizations</u>									
Ord.									
Number									
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	(55,189.77)							40,500.00	(14,689.77)
13-08 Beach Replenishment	179,141.75			34,746.08	23,828.58		52,736.49	52,736.49	190,059.25
16-09 Street Sweeper	(134,275.00)							47,500.00	(86,775.00)
09-10 Ambulance	5,122.20								5,122.20
11-10 Phone System	4,090.26								4,090.26
19-11 Beach Replenishment	-		3,500,000.00	20,577.69	3,487,316.63		26,236.77	220,000.00	227,024.29
	<u>\$ (0.00)</u>	<u>\$ -</u>	<u>\$ 3,500,000.00</u>	<u>\$ 55,323.77</u>	<u>\$ 3,511,145.21</u>	<u>\$ 44,178.56</u>	<u>\$ 479,709.75</u>	<u>\$ 479,709.75</u>	<u>\$ -</u>
Ref. C									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, 2010	<u>Ref.</u> C	\$	504,668.45
Increased By:			
Current Fund Budget Appropriation		\$	40,000.00
			<u>40,000.00</u>
			544,668.45
Decreased By:			
Down Payments on Improvement Authorizations			220,000.00
			<u>220,000.00</u>
Balance December 31, 2011	C	\$	<u><u>324,668.45</u></u>

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

Ord. Number	Improvement Description	Analysis of Balance							
		Balance Dec. 31, 2010	2011 Authorizations	Raised in 2011 Budget	Bonds Issued	Balance Dec. 31, 2011	Bond Anticipation Note	Expenditures	Unexpended Improvement Authorization
12-07	Purchase of Ambulance	\$ 59,000.00	\$	\$ 40,500.00	\$	\$ 18,500.00	\$	\$ 14,689.77	\$ 3,810.23
13-08	Beach Replenishment	2,850,000.00		540,000.00		2,310,000.00	2,160,000.00		150,000.00
16-09	Street Sweeper	190,000.00		47,500.00		142,500.00		86,775.00	55,725.00
19-11	Beach Replenishment	-	4,180,000.00			4,180,000.00	3,500,000.00		680,000.00
		<u>\$ 3,099,000.00</u>	<u>\$ 4,180,000.00</u>	<u>\$ 628,000.00</u>	<u>\$ -</u>	<u>\$ 6,651,000.00</u>	<u>\$ 5,660,000.00</u>	<u>\$ 101,464.77</u>	<u>\$ 889,535.23</u>
Ref.		C							C

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TOWNSHIP OF UPPER
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. Number	Improvement Description	Ord. Date	Amount	Balance December 31, 2010		Capital Improvement Fund	2011 Authorizations		Paid or Charged	Balance December 31, 2011	
				Funded	Unfunded		Deferred Charges to Future Taxation	County Aid & Capital Fund Balance		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	179,141.75	150,000.00				(10,917.50)	190,059.25	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	-		220,000.00	4,180,000.00		3,492,975.71	227,024.29	680,000.00
				<u>\$ 194,773.41</u>	<u>\$ 209,535.23</u>	<u>\$ 220,000.00</u>	<u>\$ 4,180,000.00</u>	<u>\$ -</u>	<u>\$ 3,482,058.21</u>	<u>\$ 432,715.20</u>	<u>\$ 889,535.23</u>
Ref.				C	C					C	C

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, 2010	Increased	Decreased	Balance Dec. 31, 2011
13-2008	Beach Replenishment	2/4/2010	2/4/2010 2/4/2011	2/3/2011 2/3/2012	0.88% 0.90%	\$ 2,700,000.00 -	\$ 2,160,000.00	\$ 2,700,000.00	\$ - 2,160,000.00
19-2011	Beach Replenishment	9/8/2011	9/8/2011	9/7/2012	0.75%	-	3,500,000.00		3,500,000.00
						<u>\$ 2,700,000.00</u>	<u>\$ 5,660,000.00</u>	<u>\$ 2,700,000.00</u>	<u>\$ 5,660,000.00</u>
						Ref. C			C
						Cash Receipts C-2	\$ 3,500,000.00	\$ -	
						Notes Paid (Budget Appropriation)	-	540,000.00	
						Notes Rolled Over C-2	<u>2,160,000.00</u>	<u>2,160,000.00</u>	
							<u>\$ 5,660,000.00</u>	<u>\$ 2,700,000.00</u>	

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

Ord. Number	Improvement Description	Balance Dec. 31, 2010	2011 Authorizations	Bond, Notes or Grants Issued	Raised in 2011 Budget	Balance Dec. 31, 2011
12-07	Purchase of Ambulance	\$ 59,000.00	\$	\$	\$ 40,500.00	\$ 18,500.00
13-08	Beach Replenishment	150,000.00				150,000.00
16-09	Street Sweeper	190,000.00			47,500.00	142,500.00
19-11	Beach Replenishment	-	4,180,000.00	3,500,000.00		680,000.00
		<u>\$ 399,000.00</u>	<u>\$ 4,180,000.00</u>	<u>\$ 3,500,000.00</u>	<u>\$ 88,000.00</u>	<u>\$ 991,000.00</u>
Ref.		C				C

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TOWNSHIP OF UPPER

PART II

GENERAL COMMENTS AND RECOMMENDATIONS

FOR THE YEAR ENDED

DECEMBER 31, 2011

1535 HAVEN AVENUE • PO BOX 538
OCEAN CITY, NJ • 08226-0538
PHONE 609.399.6333 • FAX 609.399.3710



1409 CANTILLON BLVD. • PO BOX 548
MAYS LANDING, NJ 08330
PHONE 609.625.0999 • FAX 609.625.2421

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS – STATUTORY BASIS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements – statutory basis of the Township of Upper, State of New Jersey, as of and for the year ended December 31, 2011, and have issued our report thereon dated April 30, 2012. Our report disclosed that, as described in Note 1 to the financial statements, the Township of Upper prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”), that demonstrates compliance with a modified accrual basis of accounting and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements prescribed by the Division.

Internal Control Over Financial Reporting

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

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 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Upper's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division which are described in the accompanying schedule of findings and responses as item 2011-1.

We noted certain matters that we reported to the Township of Upper's management in a separate letter dated April 30, 2012.

This report is intended solely for the information and use of management, the Township Committee, others within the entity, and the Division as well as other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

April 30, 2012

TOWNSHIP OF UPPER
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDING DECEMBER 31, 2011

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unqualified Opinion issued on the Financial Statements – Statutory Basis, presented in accordance with an "Other Comprehensive Basis of Accounting" dated April 30, 2012.**

Internal control over financial reporting:

- | | |
|---|----------------------|
| 1) Material Weakness identified? | NO |
| 2) Significant Deficiencies identified that are not considered to be a Material Weakness? | NONE REPORTED |

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

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

In accordance with Government Auditing Standards, our audit disclosed one finding relating to the financial statements – statutory basis that are required to be reported. The finding is located on page 62 of this report. In addition, we have issued a Management Letter.

MANAGEMENT RESPONSES

The Township will adopt a Corrective Action Plan in response to the findings.

STATUS OF PRIOR YEAR FINDINGS

There were two prior year findings.

Finding No. 2010-1

Condition

Capital ordinance #009-2010 authorizing the purchase of an ambulance and Capital Ordinance #011-2010 authorizing the acquisition of a phone system were not properly recorded in the Township's accounting records.

Current Status

The Condition has been resolved for 2011.

TOWNSHIP OF UPPER
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDING DECEMBER 31, 2011

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

STATUS OF PRIOR YEAR FINDINGS (Continued)

Finding No. 2010-2

Condition

The Municipal Court General Account bank reconciliations were not accurately maintained for the months of August through December 2010. We also noted that the cash bail on account did not equal the reconciled book balance at year end.

Current Status

The Municipal Court General Account bank reconciliations improved during 2011. See finding 2011-1 for a related finding.

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 April 17, 2000, the bid threshold was \$17,500, as of July 1, 2005, the bid threshold was increased to \$21,000. Pursuant to subsection b. of section 9 of P.L. 1971, c. 198 (C.40A:11-9), the governing body has established the bid threshold at \$25,000 with the appointment of a qualified purchasing agent. Effective July 1, 2005, that threshold was increased from \$25,000 to \$29,000. Effective July 1, 2010, this threshold was again raised from \$29,000 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 Counsel's opinion should be sought before a commitment is made.

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

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

Materials and Supplies at the Amanda's Field Baseball Complex

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 2011.

This Resolution shall take effect January 1, 2011.

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

TOWNSHIP OF UPPER

GENERAL COMMENTS (Continued)

Delinquent Taxes and Tax Title Liens

The tax sale was held on October 18, 2011 and was complete.

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

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

<u>Year</u>	<u>Number</u>
2011	111
2010	116
2009	133

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 2011 and 2012 Taxes	25
Delinquent Taxes	25
Total	<u>50</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

Finding #2011-1:

During 2011, we noted that July and August POAA receipts were not turned over to the proper agency by the 15th of the following month. We also noted that in some instances credit card payments are being misapplied to the wrong municipal court. These errors are causing bank reconciliations to be incorrect and mistakes are not being identified timely.

Criteria:

Municipal Court general account receipts are required to be disbursed to the proper agency by the 15th of the following month. Cash receipt payments are required to be applied to the municipality in which the fine occurred.

Condition:

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

Cause:

Improper monthly bank reconciliation procedures and accounting of general account cash receipts including credit card payments by court personnel.

Effect:

Inaccurate cash balances, possible inaccurate payments to agencies, and lack of accurate supporting computerized reports. Monthly financial records are not accurately maintained.

Recommendation:

We recommend that cash receipt procedures for the municipal court be reviewed. To correct errors made during the year, we recommend that the Municipal Court of Upper remit \$160.00 to the Township of Dennis and \$12.00 to the Township of Upper. To ensure bank reconciliations are accurately maintained; we recommend that all discrepancies be investigated in a timely manner.

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.

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April 30, 2012