

**TOWNSHIP OF UPPER**  
**REPORT OF AUDIT**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2013**



# TOWNSHIP OF UPPER

## TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page No.</u>
	<b><u>PART I</u></b>	
	Independent Auditor's Report	1 - 3
	<b><u>CURRENT FUND</u></b>	
A	Comparative Balance Sheet - Regulatory Basis	4 - 5
A - 1	Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis	6 - 7
A - 2	Statement of Revenues - Regulatory Basis	8 - 10
A - 3	Statement of Expenditures - Regulatory Basis	11 - 16
	<b><u>TRUST FUND</u></b>	
B	Comparative Balance Sheet - Regulatory Basis	17 - 18
	<b><u>GENERAL CAPITAL FUND</u></b>	
C	Comparative Balance Sheet - Regulatory Basis	19
C - 1	Statement of Fund Balance - Regulatory Basis	20
	<b><u>GENERAL FIXED ASSETS ACCOUNT GROUP</u></b>	
G	Comparative Balance Sheet - Regulatory Basis	21
	<b>NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS</b>	22 - 35
	<b><u>SUPPLEMENTARY INFORMATION</u></b>	
	Independent Auditors Report - Governmental Auditing Standards	36 - 37
	Schedule of Expenditures of Federal Awards	38
	Schedule of Expenditures of State Financial Assistance	39
	Notes to Schedule of State and Federal Assistance	40
	Audit Findings and Responses	41 - 42
	Status of Prior Year Recommendations	42
	<b><u>CURRENT FUND</u></b>	
A - 4	Schedule of Cash - Treasurer	43
A - 5	Schedule of Cash - Collector	N/A
A - 6	Schedule of Taxes Receivable and Analysis of Property Tax Levy	44
A - 7	Schedule of Tax Title Liens	45
A - 8	Schedule of Revenue Accounts Receivable	46
A - 9	Schedule of Appropriation Reserves - Prior Year	47 - 50
A - 10	Schedule of Local District School Tax	51
A - 11	Schedule of Federal and State Grants Receivable	52
A - 12	Schedule of Appropriated Reserves for Federal and State Grants	53
A - 13	Schedule of Reserves for Federal and State Grants - Unappropriated	54

**TOWNSHIP OF UPPER  
TABLE OF CONTENTS**

<u>Exhibit</u>		<u>Page No.</u>
	<b><u>TRUST FUND</u></b>	
B - 1	Schedule of Animal Control Cash - Treasurer	55
B - 2	Schedule of Other Trust Cash - Treasurer	56
B - 3	Schedule of Reserve for Animal Control Expenditures	57
B - 4	Schedule of Due To (From) Current Fund	58
B - 5	Schedule of Amount Due To (From) State of New Jersey	N/A
	<b><u>GENERAL CAPITAL FUND</u></b>	
C - 2	Schedule of Cash - Treasurer	N/A
C - 3	Analysis of Cash	59
C - 4	Schedule of Capital Improvement Fund	60
C - 5	Schedule of Deferred Charges to Future Taxation - Funded	N/A
C - 6	Schedule of Deferred Charges to Future Taxation - Unfunded	61
C - 7	Schedule of Improvement Authorizations	62
C - 8	Schedule of General Serial Bonds	N/A
C - 9	Schedule of Bond Anticipation Notes	63
C - 10	Schedule of Bonds and Notes Authorized But Not Issued	64
	<b><u>PART II</u></b>	
	General Comments	65 - 68
	Findings and Recommendations	69

**TOWNSHIP OF UPPER**

**PART I**

**REPORT ON AUDIT OF**

**FINANCIAL STATEMENTS - REGULATORY BASIS**

**FOR THE YEAR ENDED**

**DECEMBER 31, 2013**





### Independent Auditor's Report

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

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

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Township of Upper, as of December 31, 2013 and 2012, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

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

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

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

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

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Township of Upper as of December 31, 2013 and 2012, or changes in financial position for the years then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis balance sheets and account group as of December 31, 2013 and 2012, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2013 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

***Other Matters***

*Other Information*

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

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



Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the financial statements. Because of the significance of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2014 on our consideration of the Township of Upper's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Upper's internal control over financial reporting and compliance.

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

*Leon P. Costello*

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

**May 30, 2014**

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

**EXHIBIT - A**  
**CURRENT FUND**



**CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
AS OF DECEMBER 31,**

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Regular Fund:		
Cash:		
Cash Treasurer	\$ 9,118,128.73	11,541,538.83
Cash - Change	900.00	900.00
Total Cash	<u>9,119,028.73</u>	<u>11,542,438.83</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	515,186.13	551,293.43
Tax Title and Other Liens	244,007.80	218,174.11
Property Acquired for Taxes - at Assessed Valuation	2,560,799.00	2,560,799.00
Revenue Accounts Receivable	4,856.68	4,961.40
Interfund Receivable:		
Trust - Other	172.02	5,469.33
Total Receivables and Other Assets	<u>3,325,021.63</u>	<u>3,340,697.27</u>
Deferred Charges:		
Special Emergency Appropriation	750,000.00	-
Total Deferred Charges	<u>750,000.00</u>	<u>-</u>
Total Regular Fund	<u>13,194,050.36</u>	<u>14,883,136.10</u>
Federal and State Grant Fund:		
Federal and State Grants Receivable	185,225.91	53,406.40
Due from Current Fund	<u>325,108.77</u>	<u>236,732.56</u>
Total Federal and State Grant Fund	<u>510,334.68</u>	<u>290,138.96</u>
Total Current Fund	<u>\$ 13,704,385.04</u>	<u>15,173,275.06</u>

**CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
AS OF DECEMBER 31,**

	<u>2013</u>	<u>2012</u>
<b><u>LIABILITIES, RESERVES AND FUND BALANCE</u></b>		
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 677,512.02	538,129.05
Reserve for Encumbrances/Accounts Payable	289,243.44	256,572.10
Payroll Taxes Payable	564.44	-
Prepaid Taxes	334,989.25	369,535.49
Overpaid Taxes	25,769.95	28,176.66
Local School Tax Payable	4,106,943.00	3,883,280.00
County Added Tax Payable	12,779.32	10,320.23
Due to State:		
Marriage Licenses	400.00	650.00
DCA Fees	2,819.00	1,690.00
Animal Control Fees	5.40	-
Other	28,294.99	28,011.42
Hunting Licenses	543.50	583.75
Interfund Payable:		
General Capital Fund	1,710,227.82	4,164,863.86
Federal and State Grant Fund	325,108.77	236,732.56
Animal Control Trust Fund	755.21	1,589.29
Other		
Reserve for Garden State Preservation Trust	-	132,171.00
Reserve for Capital Projects	528,628.52	527,728.52
Reserve for Revaluation	750,000.00	-
Reserve for State Tax Appeal	9,303.00	9,303.00
	<u>8,803,887.63</u>	<u>10,189,336.93</u>
Reserve for Receivables and Other Assets	3,325,021.63	3,340,697.27
Fund Balance	<u>1,065,141.10</u>	<u>1,353,101.90</u>
Total Regular Fund	<u>13,194,050.36</u>	<u>14,883,136.10</u>
Federal and State Grant Fund:		
Unappropriated Reserves	15,000.00	10,000.00
Appropriated Reserves	57,815.53	40,712.19
Encumbrances Payable	208,924.07	10,831.69
Due to Trust Other	<u>228,595.08</u>	<u>228,595.08</u>
Total Federal and State Grant Fund	<u>510,334.68</u>	<u>290,138.96</u>
Total Current Fund	<u>\$ 13,704,385.04</u>	<u>15,173,275.06</u>

**CURRENT FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES  
IN FUND BALANCE - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31,**

	<u>2013</u>	<u>2012</u>
Revenue and Other Income Realized		
Fund Balance	\$ 1,175,000.00	1,166,000.00
Miscellaneous Revenue Anticipated	8,101,744.99	7,763,023.28
Receipts from Delinquent Taxes	542,760.65	647,769.93
Receipts from Current Taxes	30,448,767.53	30,043,429.93
Non Budget Revenue	269,226.11	280,986.57
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	345,750.74	617,202.48
Interfund Returned	5,447.93	229.89
Total Income	<u>40,888,697.95</u>	<u>40,518,642.08</u>
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	4,373,136.00	4,227,866.00
Other Expenses	4,680,524.00	4,663,640.00
Public and Private Programs Offset by Revenues	161,073.36	72,782.45
Deferred Charges & Statutory Expenditures	774,449.00	858,491.00
Appropriations Excluded from "CAPS"		
Operations:		
Capital Improvements	205,000.00	50,000.00
Debt Service	566,847.77	585,690.00
Deferred Charges	47,500.00	66,000.00
Local District School Tax	22,813,891.00	22,366,560.00
County Tax	4,836,019.14	4,885,868.00
County Share of Added Tax	12,779.32	10,320.23
Interfund Created	150.62	3,382.47
Refund of Prior Year's Revenue	2,619.54	4,250.00
Other:		
Special District Tax	1,527,669.00	1,507,653.00
Total Expenditures	<u>40,001,658.75</u>	<u>39,302,503.15</u>
Excess in Revenue	<u>887,039.20</u>	<u>1,216,138.93</u>

**CURRENT FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES  
IN FUND BALANCE - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31,**

	<u>2013</u>	<u>2012</u>
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year	-	-
Total Adjustments	<u>-</u>	<u>-</u>
Statutory Excess to Fund Balance	<u>887,039.20</u>	<u>1,216,138.93</u>
Fund Balance January 1	<u>1,353,101.90</u>	<u>1,302,962.97</u>
	2,240,141.10	2,519,101.90
Decreased by:		
Utilization as Anticipated Revenue	<u>1,175,000.00</u>	<u>1,166,000.00</u>
Fund Balance December 31	<u>\$ 1,065,141.10</u>	<u>1,353,101.90</u>



**CURRENT FUND**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budget	Anticipated N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Fund Balance Anticipated	\$ 1,175,000.00		1,175,000.00	-
Total Fund Balance Anticipated	1,175,000.00	-	1,175,000.00	-
Miscellaneous Revenues:				
Section A: Local Revenues				
Licenses:				
Alcoholic Beverages	5,000.00		5,300.00	300.00
Fines and Costs:				
Municipal Court	135,000.00		60,491.49	(74,508.51)
Interest and Costs on Taxes	120,000.00		114,855.02	(5,144.98)
Interest Earned on Investments	40,000.00		21,946.78	(18,053.22)
EMS Ambulance Fees	240,000.00		274,250.88	34,250.88
Host Community Benefits	420,000.00		523,121.87	103,121.87
Cable TV Fees	50,000.00		105,675.41	55,675.41
Cell Tower Fees	40,000.00		42,663.86	2,663.86
Total Section A: Local Revenues	1,050,000.00	-	1,148,305.31	98,305.31
Section B: State Aid Without Offsetting Appropriations				
Energy Receipts Tax	6,191,482.00		6,191,482.00	-
Garden State Preservation Trust Fund	132,171.00		132,171.00	-
Total Section B: State Aid Without Offsetting Appropriations	6,323,653.00	-	6,323,653.00	-
Section C: Uniform Construction Code Fees				
Uniform Construction Code Fees	139,000.00		162,785.00	23,785.00
Total Section C: Uniform Construction Code Fees	139,000.00	-	162,785.00	23,785.00

**CURRENT FUND**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budget	Anticipated N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations				
N.J. Transportation Trust Fund Authority Act	150,000.00		150,000.00	-
Municipal Alliance on Alcoholism and Drug Abuse	25,531.00		25,531.00	-
Hazardous Site Remediation	94,935.00		94,935.00	-
Clean Communities		34,224.36	34,224.36	-
Total Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations	270,466.00	34,224.36	304,690.36	-
Section G: Other Special Items				
Dennis Township & Corbin City - Municipal Court	117,000.00		162,311.32	45,311.32
Total Section G: Other Special Items	117,000.00	-	162,311.32	45,311.32
Total Miscellaneous Revenues:	7,900,119.00	34,224.36	8,101,744.99	167,401.63
Receipts from Delinquent Taxes	560,000.00		542,760.65	(17,239.35)
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes	2,051,327.50		2,170,497.57	119,170.07
Total Amount to be Raised by Taxes for Support of Municipal Budget	2,051,327.50	-	2,170,497.57	119,170.07
Budget Totals	11,686,446.50	34,224.36	11,990,003.21	269,332.35
Non- Budget Revenues:				
Other Non- Budget Revenues:			269,226.11	269,226.11
\$	11,686,446.50	34,224.36	12,259,229.32	538,558.46

**CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	30,448,767.53
--------------------------	---------------

Less: Reserve for Tax Appeals Pending	
---------------------------------------	--

Net Revenue from Collections	30,448,767.53
------------------------------	---------------

Allocated to:

School, County and Other Taxes	29,190,358.46
--------------------------------	---------------

Balance for Support of Municipal Budget Appropriations	1,258,409.07
--	--------------

Increased by:

Appropriation "Reserved for Uncollected Taxes"	912,088.50
--	------------

Amount for Support of Municipal Budget Appropriations	2,170,497.57
---	--------------

Receipts from Delinquent Taxes:

Delinquent Tax Collection	533,482.99	
---------------------------	------------	--

Tax Title Lien Collections	9,277.66	
----------------------------	----------	--

Total Receipts from Delinquent Taxes	542,760.65
--------------------------------------	------------

Analysis of Non-Budget Revenue:

Miscellaneous Revenue Not Anticipated:

FEMA Reimbursement	60,897.74	
Township Facilities Use Fees	1,925.00	
Boat Ramp Fees	15,846.50	
Street Openings	23,850.90	
Mining Permits	20,000.00	
Planning and Zoning Board Deposits	6,372.50	
MAC Repayment	6,383.00	
MUA Permit Fees	9,351.34	
State Wildlife	349.50	
Property Lists	520.00	
County Fleet Maintenance	3,113.66	
Restitution	4,300.00	
Clerk's Receipts	7,721.88	
Engineer/Zoning Escrow Fees	8,470.00	
Passport Fees	5,568.40	
Lease Gandy/Railroad Property	10.00	
Tax Collector Receipts	270.81	
Cobra Insurance Repayment	10,332.08	
Fish and Game	8,888.00	
Land Sale Fees Non-Ref	50.00	
JIF Dividend	2,190.15	
Campground Fees/Mobile Park Fees	2,680.00	
Dog Park Receipts	907.50	
2% Administration Fee	3,022.61	
EHT Public Works Wash Bay	715.00	
Ambulance Fees Corbin City	25,201.00	
W/C Employee Reimbursement	16,582.39	
Miscellaneous	23,706.15	

Total Miscellaneous Revenue Not Anticipated:	269,226.11
--	------------

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved
<b>OPERATIONS WITHIN "CAPS"</b>					
<b>GENERAL GOVERNMENT:</b>					
Mayor and Committee					
Salaries and Wages	\$ 61,250.00	61,250.00	61,249.82		0.18
Other Expenses	18,625.00	18,625.00	12,328.16	2,633.25	3,663.59
Township Clerk					
Salaries and Wages	172,000.00	172,000.00	171,289.72		710.28
Other Expenses	40,000.00	40,000.00	33,976.77	4,098.72	1,924.51
Financial Administration					(0.00)
Salaries and Wages	113,200.00	113,200.00	112,591.36		0.00
Other Expenses					-
Audit Services	36,000.00	36,000.00	36,000.00		-
Computer Services	50,200.00	50,200.00	38,186.20	2,690.00	-
Miscellaneous Other Expenses	16,500.00	16,500.00	12,168.52	676.09	-
Assessment of Taxes					-
Revaluation	-	750,000.00	750,000.00		-
Assessment of Taxes					(0.00)
Salaries and Wages	103,000.00	104,500.00	102,351.02		2,148.98
Other Expenses	9,000.00	9,500.00	8,681.65		818.35
Collection of Taxes					-
Salaries and Wages	89,000.00	89,000.00	88,764.00		236.00
Other Expenses					-
Purchase of Tax Title Liens	1,000.00	1,000.00			-
Miscellaneous Other Expenses	6,000.00	6,000.00	3,732.20		1,000.00
Liquidation of Tax Title Liens					-
Other Expenses	1,000.00	1,000.00			1,000.00
Legal Services					-
Other Expenses	130,000.00	130,000.00	120,483.54		9,516.46
Special Litigation					-
Other Expenses	75,000.00	95,000.00	56,728.42	11,161.00	27,110.58
Engineering Services					-
Salaries and Wages	90,356.00	90,356.00	90,355.98		0.02
Other Expenses	53,500.00	53,500.00	27,390.64	35.00	26,074.36
Public Information					-
Other Expenses					-
UTTV2	4,300.00	4,300.00	4,300.00		-
Miscellaneous Other Expenses	1,000.00	1,000.00	83.57		916.43

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
<b>INSURANCE</b>						
General Liability	140,000.00	140,000.00	138,142.40	1,226.10	631.50	0.00
Workers Compensation Insurance	370,000.00	370,000.00	357,430.50	3,734.00	8,835.50	-
Employee Group Health	1,506,000.00	1,506,000.00	1,353,010.74	433.80	152,555.46	-
Health Benefit						
Salaries and Wages	14,000.00	14,000.00	12,613.64		1,386.36	-
<b>LAND USE ADMINISTRATION</b>						
Planning Board						
Salaries and Wages	39,500.00	39,500.00	38,508.66		991.34	(0.00)
Master Plan Review	2,000.00	2,000.00			2,000.00	-
Other Expenses	10,000.00	10,000.00	6,844.57	30.67	3,124.76	-
Zoning Board of Adjustment						
Salaries and Wages	39,500.00	39,500.00	38,409.18		1,090.82	-
Other Expenses	10,000.00	10,000.00	8,378.99	1,471.48	149.53	-
<b>PUBLIC SAFETY</b>						
First Aid Organization						
Salaries and Wages	603,000.00	583,000.00	541,683.44		41,316.56	(0.00)
Other Expenses	102,710.00	102,710.00	93,507.09	7,433.51	1,769.40	(0.00)
Emergency Management Services						
Salaries and Wages	19,100.00	19,100.00	19,044.72		55.28	(0.00)
Other Expenses	71,200.00	71,200.00	43,929.31	27,259.05	11.64	0.00
Crossing Guard						
Salaries and Wages	6,000.00	5,300.00	4,420.00		880.00	-
Other Expenses	500.00	500.00	500.00		-	-
Regional Dispatch - Contractual	247,789.00	242,789.00	241,889.00		900.00	-
Municipal Court						
Salaries and Wages	179,000.00	179,000.00	175,925.86		3,074.14	0.00
Other Expenses	15,890.00	15,890.00	9,286.10	4,581.83	2,022.07	-
Public Defender						
Salaries and Wages	19,000.00	19,000.00	18,999.96		0.04	0.00
Municipal Prosecutor						
Salaries and Wages	39,000.00	39,000.00	39,000.00		-	-

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved
<b>PUBLIC WORKS</b>					
Road Repairs and Maintenance	1,420,000.00	1,400,000.00	1,357,691.85		42,308.15
Salaries and Wages					(0.00)
Other Expenses					-
Surfacing of Roads	15,000.00	15,000.00		14,733.40	266.60
Miscellaneous Other Expenses	274,000.00	274,000.00	255,089.99	15,628.56	3,281.45
Recycling					0.00
Salaries and Wages	592,680.00	582,680.00	561,932.82	800.54	20,747.18
Other Expenses	71,000.00	71,000.00	70,195.62		3.84
Garbage and Trash					0.00
Salaries and Wages	304,000.00	304,000.00	293,184.62		10,815.38
Other Expenses					-
Tipping Fees	425,000.00	412,400.00	323,279.27	29,182.33	59,938.40
Miscellaneous Other Expenses	95,000.00	95,000.00	27,840.18	17,623.72	49,536.10
Public Buildings and Grounds					-
Salaries and Wages	89,000.00	89,000.00	86,846.75		2,153.25
Other Expenses	171,500.00	171,500.00	151,850.30	14,502.13	5,147.57
<b>HEALTH AND WELFARE</b>					
Board of Health					
Salaries and Wages	550.00	550.00	549.90		0.10
Other Expenses	5,000.00	5,000.00	7.00		4,993.00
Dog Regulation					-
Other Expenses	85,810.00	89,510.00	86,260.00		3,250.00
<b>PARK AND RECREATION</b>					
Emergency Shore Protection					-
Other Expenses	107,000.00	107,000.00	4,863.98	65,724.78	36,411.24
Beach Protection					0.00
Salaries and Wages	222,000.00	202,000.00	201,909.83		90.17
Other Expenses	21,250.00	41,250.00	12,371.55	11,398.68	17,479.77
Community Center					-
Other Expenses	47,150.00	47,150.00	24,216.52	2,789.24	20,144.24
Affordable Housing					-
Salaries and Wages	2,500.00	2,500.00	2,499.90		0.10
Other Expenses	7,500.00	7,500.00	1,048.00	40.00	6,412.00
Sports and Recreation					(0.00)
Salaries and Wages	16,000.00	16,000.00	14,295.86		1,704.14
Other Expenses	199,000.00	199,000.00	181,336.09	4,771.30	12,892.61

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
<b>UNIFORM CONSTRUCTION CODE</b>					
State Uniform Construction Code					
Construction Official	163,600.00	163,600.00	160,625.26		
Salaries and Wages	6,000.00	6,000.00	3,599.81	898.82	2,974.74 (0.00)
Other Expenses					1,501.37 -
Zoning/Code Official	15,000.00	15,000.00	14,999.92		0.08 (0.00)
Salaries and Wages	2,000.00	2,000.00	105.00		1,895.00 -
Other Expenses					
<b>UNCLASSIFIED</b>					
Celebration of Public Events	10,000.00	10,000.00	9,438.75		561.25 -
Compensation for Accumulated Absence	100.00	30,100.00		30,100.00	- -
Drug and Alcohol Testing	9,500.00	9,500.00	9,306.00		194.00 -
<b>UTILITY EXPENSES AND BULK PURCHASES</b>					
Street Lighting	172,000.00	184,000.00	158,254.13	13,543.42	12,202.45 -
	<u>9,054,260.00</u>	<u>9,803,660.00</u>	<u>8,885,784.63</u>	<u>289,201.42</u>	<u>628,673.95</u> <u>(0.00)</u>
TOTAL OPERATIONS WITHIN "CAPS"					
Contingent	-	-	-	-	- -
	<u>9,054,260.00</u>	<u>9,803,660.00</u>	<u>8,885,784.63</u>	<u>289,201.42</u>	<u>628,673.95</u> <u>(0.00)</u>
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"					
Detail:					
Salaries and Wages	4,412,336.00	4,373,136.00	4,209,744.07	30,100.00	133,291.93 (0.00)
Other Expenses	4,641,924.00	4,680,524.00	3,926,040.56	259,101.42	495,382.02 0.00
<b>DEFERRED CHARGES AND STATUTORY EXPENDITURES:</b>					
Deferred Charges:					
None	-	-	-	-	- -
<b>Statutory Expenditures:</b>					
Contributions to:					
Public Employees' Retirement System	407,149.00	407,149.00	407,149.00		- -
Social Security System (O.A.S.I.)	350,000.00	350,000.00	325,090.63		24,909.37 -
Unemployment Compensation Insurance	13,200.00	13,200.00	2,720.00		10,480.00 -
Defined Contribution Retirement Program	3,500.00	4,100.00	3,873.48	42.02	184.50 -
	<u>773,849.00</u>	<u>774,449.00</u>	<u>738,833.11</u>	<u>42.02</u>	<u>35,573.87</u> <u>-</u>
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:					

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	9,828,109.00	10,578,109.00	9,624,617.74	289,243.44	664,247.82 (0.00)
OPERATIONS - EXCLUDED FROM "CAPS"					
(A) Operations - Excluded from "CAPS"	-	-	-	-	-
None	-	-	-	-	-
(A) Public and Private Programs Off-Set by Revenues					
Municipal Alliance Grant	25,531.00	25,531.00	25,531.00		-
Municipal Alliance Grant - Match	6,383.00	6,383.00	6,383.00		-
Hazardous Site Remediation	94,935.00	94,935.00	94,935.00		-
Clean Communities		34,224.36	34,224.36		-
Total Public and Private Programs Off-Set by Revenues	126,849.00	161,073.36	161,073.36	-	-
Total Operations - Excluded from "CAPS"	126,849.00	161,073.36	161,073.36	-	-
Detail:					
Salaries and Wages	-	-	-	-	-
Other Expenses	126,849.00	161,073.36	161,073.36	-	-
(C) Capital Improvements					
Capital Improvement Fund	40,000.00	40,000.00	40,000.00		-
Repairs to Municipal Buildings	10,000.00	10,000.00	1,735.80		-
Strathmere Projects	5,000.00	5,000.00			-
Public and Private Programs Offset by Revenue					
New Jersey Transportation Trust Fund Authority Act	150,000.00	150,000.00	150,000.00		-
Total Capital Improvements	205,000.00	205,000.00	191,735.80	-	13,264.20
(D) Debt Service					
Payment of Bond Anticipation Notes	540,000.00	540,000.00	540,000.00		-
Interest on Notes	26,900.00	26,900.00	26,847.77		52.23
Total Debt Service	566,900.00	566,900.00	566,847.77	-	52.23
(E) Deferred Charges					
Ordinance #016-2009	47,500.00	47,500.00	47,500.00		-
Total Deferred Charges	47,500.00	47,500.00	47,500.00	-	-



**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	946,249.00	980,473.36	967,156.93	13,264.20	52.23
SUBTOTAL GENERAL APPROPRIATIONS	10,774,358.00	11,558,582.36	10,591,774.67	677,512.02	52.23
(M) Reserve for Uncollected Taxes	912,088.50	912,088.50	912,088.50		-
TOTAL GENERAL APPROPRIATIONS	\$ 11,686,446.50	12,470,670.86	11,503,863.17	677,512.02	52.23
Budget		11,686,446.50		Cancelled	52.23
Appropriations by 40A:4-87		34,224.36		Overexpended	(0.00)
Special Emergency Appropriations		750,000.00			52.23
		<u>12,470,670.86</u>			
Reserve for Uncollected Taxes		912,088.50			
Reserve for Revaluation		750,000.00			
Federal and State Grants		311,073.36			
Deferred Charges		47,500.00			
Capital Improvement Fund		40,000.00			
Disbursements		9,443,201.31			
		<u>11,503,863.17</u>			

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

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



**TRUST FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
AS OF DECEMBER 31,**

	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
<u>Animal Control Fund</u>		
Cash and Investments	\$ 8,526.31	8,888.23
Due from Current Fund	755.21	1,589.29
	<u>9,281.52</u>	<u>10,477.52</u>
<u>Other Funds</u>		
Cash and Investments - Treasurer	1,633,802.27	1,601,580.05
Due from Grant Fund	228,595.08	228,595.08
	<u>1,862,397.35</u>	<u>1,830,175.13</u>
	<u>\$ 1,871,678.87</u>	<u>1,840,652.65</u>

**TRUST FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
AS OF DECEMBER 31,**

	<u>2013</u>	<u>2012</u>
<u>Liabilities, Reserves and Fund Balance</u>		
<u>Animal Control Fund</u>		
Reserve for Animal Control Expenditures	\$ 9,281.52	10,477.52
	<u>9,281.52</u>	<u>10,477.52</u>
<u>Other Funds</u>		
Deposits for Tax Title Lien Certificates	-	352.20
Premiums Received at Tax Sale	100,800.00	27,000.00
Due to Current Fund	172.02	5,469.33
Reserve for Fire Safety	12,114.40	12,114.40
Reserve for Unemployment Compensation	63,547.31	58,738.09
Reserve for Developers' Escrow	43,940.28	43,940.28
Reserve for Client Funds Escrow	98,806.16	193,362.42
Reserve for Landfill Closure Fund	33,142.53	32,994.24
Reserve for Planning Board Escrow	14,602.41	33,499.91
Reserve for Recycling	679,417.90	607,801.89
Reserve for Recreation Fund	21,172.84	21,172.84
Reserve for Municipal Alliance	12,215.09	10,027.65
Reserve for Sick Pay	427,540.68	410,911.93
Reserve for Affordable Housing Trust	354,468.15	371,831.57
Reserve for UT Cafeteria Fund	457.58	958.38
	<u>1,862,397.35</u>	<u>1,830,175.13</u>
	<u>\$ 1,871,678.87</u>	<u>1,840,652.65</u>

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





**GENERAL CAPITAL FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
AS OF DECEMBER 31,**

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Deferred Charges to Future Taxation - Unfunded	\$ 6,518,100.00	6,045,000.00
Interfunds and Receivables Due from Current Fund	1,710,227.82	4,164,863.86
	<u>8,228,327.82</u>	<u>10,209,863.86</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Encumbrances Payable	1,944,667.27	54,187.68
Bond Anticipation Notes Payable	2,080,000.00	5,120,000.00
Improvement Authorizations:		
Funded	717,493.61	815,269.89
Unfunded	2,623,667.65	885,725.00
Reserve for PW Equipment	50,000.00	50,000.00
Reserve for Beach Replenishment	345,000.00	345,000.00
Reserve for Capital Projects	195,218.00	-
Reserve for Debt Service	72,090.50	2,572,090.50
Capital Improvement Fund	147,268.45	314,668.45
Fund Balance	52,922.34	52,922.34
	<u>\$ 8,228,327.82</u>	<u>10,209,863.86</u>

There were bonds and notes authorized but not issued at December 31,

2012	925,000.00
2013	4,438,100.00

**GENERAL CAPITAL FUND  
COMPARATIVE STATEMENT OF FUND BALANCE -  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31,**

	<u>2013</u>	<u>2012</u>
Beginning Balance January 1	\$ 52,922.34	52,922.34
Increased by:		
None	-	-
Decreased by:		
None	-	-
Ending Balance December 31	<u>\$ 52,922.34</u>	<u>52,922.34</u>

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



**GENERAL FIXED ASSETS ACCOUNT GROUP**  
**STATEMENT OF GENERAL FIXED ASSETS - REGULATORY BASIS**  
**AS OF DECEMBER 31,**

	<u>2013</u>	<u>2012</u>
General Fixed Assets:		
Land	\$ 305,136.67	305,136.67
Buildings	2,940,661.89	2,940,661.89
Machinery and Equipment	<u>4,962,636.57</u>	<u>4,880,518.85</u>
Total General Fixed Assets	<u><u>8,208,435.13</u></u>	<u><u>8,126,317.41</u></u>
Investment in General Fixed Assets	\$ <u><u>8,208,435.13</u></u>	<u><u>8,126,317.41</u></u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN  
INTEGRAL PART OF THIS STATEMENT

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

**A. Reporting Entity**

Except as noted below, the financial statements of the Township of Upper include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the Township of Upper, as required by N.J.S. 40A:5-5.

Component units are legally separate organizations for which the entity is financially accountable. The entity is financially accountable for an organization if the entity appoints a voting majority of the organization's governing board and (1) the entity is able to significantly influence the programs or services performed or provided by the organization; or (2) the entity is legally entitled to or can otherwise access the organization's resources; the entity is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the entity is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the entity in that the entity approves the budget, the issuance of debt or the levying of taxes. The Township of Upper has component units consisting of four fire districts as defined by Governmental Accounting Standards Board (GASB).

**B. Description of Funds**

The accounting policies of the Township of Upper conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with the respect to public funds. Under this method of accounting, the Township of Upper accounts for its financial transactions through the following separate funds:

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

Trust Funds -- receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

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

General Fixed Assets Account Group -- All fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds.

**C. Basis of Accounting**

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local governmental units. The more significant policies in New Jersey follow.

A modified accrual basis of accounting is followed with minor exceptions.

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

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

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 Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements. Appropriation reserves covering unencumbered appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled by the Governing Body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis. Compensated absences are treated on a pay as you go basis. The Township charges appropriations in their annual budget and transfers these funds to a dedicated trust fund for Sick Pay.

Foreclosed Property -- Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

Interfunds -- Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories is not included on the various balance sheets.

General Fixed Assets -- The entity has developed a fixed assets accounting and reporting system, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles.

As required by New Jersey Statutes, foreclosed property is reported in the current operating fund of the municipality.

Fixed assets used in governmental operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value on the date of acquisition. Expenditures for long lived assets with an original cost in excess of \$2,000 are capitalized.

No depreciation has been provided for in the financial statements.

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

Levy of Taxes -- The County Board of Taxation certifies the tax levy of the municipality each year. The tax levy is based on the assessed valuation of taxable property within the municipality. Taxes are payable on the first day of February, May, August, and November. Any taxes that have not been paid by 11th day of the 11th month in the fiscal year levied are subject to being included in the tax sale and the lien enforced by selling the property in accordance with NJSA 54:5 et. seq.

## **NOTES TO FINANCIAL STATEMENTS**

### **YEARS ENDED DECEMBER 31, 2013 AND 2012**

The municipality is responsible for remitting 100% of the school and county taxes to the respective agency. The loss for delinquent or uncollectible accounts is borne by the municipality and not the school district or county.

Interest on Delinquent Taxes – It is the policy of the Township of Upper to collect interest for the nonpayment of taxes or assessments on or before the date when they would become delinquent. The Tax Collector is authorized to charge eight percent (8%) per annum on the first \$1,500.00 of taxes becoming delinquent after due date and eighteen percent (18%) per annum on any amount of taxes in excess of \$1,500.00 becoming delinquent after due date and if a delinquency is in excess of \$10,000.00 and remains in arrears beyond December 31st, an additional penalty of six percent (6%) shall be charged against the delinquency. There is a ten day grace period.

Capitalization of Interest -- It is the policy of the Township of Upper to treat interest on projects as a current expense and the interest is included in the current operating budget.

Use of Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles or the statutory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **D. Required Financial Statements**

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

#### **E. Comparative Data**

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

#### **F. Recent Accounting Pronouncements Not Yet Effective**

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

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68 "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27". This statement, which is effective for fiscal periods beginning after June 15, 2014, will not have any effect on the entity's financial reporting. However, the provisions of this statement will require significant modifications to the disclosure requirements related to the entity's proportionate share of the cost-sharing defined benefit plans reported at the State of New Jersey level.

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



**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

In April 2013, the Governmental Accounting Standards Board (GASB) issued Statement No. 70 "Accounting and Financial Reporting for Nonexchange Financial Guarantees". This statement, which is effective for fiscal years beginning after June 15, 2013, will not have any impact on the entity's financial statements.

In November 2013, Governmental Accounting Standards Board (GASB) issued Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68". The provisions of this statement are required to be applied simultaneously with the provisions of Statement 68 which is effective for periods beginning after June 15, 2014. However, the provisions of this statement will require significant modifications to the disclosure statements related to the entity's proportionate share of the cost-sharing defined benefit plans reported at the State of New Jersey level.

**NOTE 2: BUDGETARY INFORMATION**

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2013 and 2012 statutory budgets included a reserve for uncollected taxes in the amount of \$912,088.50 and \$947,233.33. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2013 and 2012 statutory budgets was \$1,175,000.00 and \$1,166,000.00.

{This space intentionally left blank}

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1 these transfers can be made in the form of a resolution and approved by the Township Committee. The following significant budget transfers were approved in the 2013 and 2012 calendar years:

<u>Budget Category</u>	<u>2013</u>	<u>2012</u>
<u>Current Fund:</u>		
Insurance		
Workers Compensation Insurance		20,000.00
First Aid Organization		
Salaries and Wages	(20,000.00)	(25,000.00)
Emergency Management		
Other Expenses		(10,000.00)
Roads Repair and Maintenance		
Salaries and Wages	(20,000.00)	(45,000.00)
Recycling		
Salaries and Wages	(10,000.00)	
Garbage and Trash		
Tipping Fees	(12,600.00)	(35,000.00)
Board of Health		
Other Expenses		(15,000.00)
Emergency Shore Protection		
Other Expenses		25,000.00
Beach Protection		
Salaries and Wages	(20,000.00)	
Other Expenses	20,000.00	
Compensation for Accumulated Absences	30,000.00	30,000.00
Street Lighting	12,000.00	
Special Litigation	20,000.00	
Public Employees' Retirement System		87,000.00

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During 2013 and 2012, the following significant budget insertions were approved:

<u>Budget Category</u>	<u>2013</u>	<u>2012</u>
Clean Communities Program	\$ 34,224.36	
Main Street Market Assessment		4,000.00

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

The entity may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. The entity approved a special emergency appropriation in 2013 for \$750,000.00. The emergency was for a revaluation in the entity. The unfunded balance as of December 31, 2013 was \$750,000.00.

**NOTE 3: INVESTMENTS**

As of December 31, 2013 and 2012, the municipality held certificates of deposit in the amount of \$33,142.53 and \$32,994.24 respectively with Ocean City Home Bank. The certificates matured in 2013 and were rolled over for one year with an interest rate of .449%.

**Interest Rate Risk.** The municipality does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

**Credit Risk.** New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the local unit or school districts of which the local unit is a part of: obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

**Concentration of Credit Risk.** The municipality places no limit on the amount the entity can invest in any one issuer.

**NOTE 4: CASH**

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The municipality's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds or fund that may pass to the municipality relative to the happening of a future condition. As of December 31, 2013, \$0 of the government's bank balance of \$10,812,322.75 was exposed to custodial credit risk. As of December 31, 2012, \$0 of the government's bank balance of \$13,251,813.48 was exposed to custodial credit risk.

{This space intentionally left blank}

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 5: FIXED ASSETS**

The following schedules are a summarization of the changes in general fixed assets for the calendar years ended December 31, 2013 and 2012:

	Balance 12/31/2011	Additions	Retirements/ Adjustments	Balance 12/31/2012
Land	\$ 305,136.67			305,136.67
Building	2,940,661.89			2,940,661.89
Machinery and Equipment	4,870,554.85	13,858.00	(3,894.00)	4,880,518.85
	<u>\$ 8,116,353.41</u>	<u>13,858.00</u>	<u>(3,894.00)</u>	<u>8,126,317.41</u>

	Balance 12/31/2012	Additions	Retirements/ Adjustments	Balance 12/31/2013
Land	\$ 305,136.67			305,136.67
Building	2,940,661.89			2,940,661.89
Machinery and Equipment	4,880,518.85	80,822.72	1,295.00	4,962,636.57
	<u>\$ 8,126,317.41</u>	<u>80,822.72</u>	<u>1,295.00</u>	<u>8,208,435.13</u>

**NOTE 6: SHORT-TERM OBLIGATIONS**

	Balance 12/31/11	Issued	Retired	Balance 12/31/12
Bond Anticipation				
Notes payable:				
General	<u>\$5,660,000.00</u>	<u>5,120,000.00</u>	<u>5,660,000.00</u>	<u>5,120,000.00</u>
	\$5,660,000.00	5,120,000.00	5,660,000.00	5,120,000.00

	Balance 12/31/12	Issued	Retired	Balance 12/31/13
Bond Anticipation				
Notes payable:				
General	<u>\$5,120,000.00</u>	<u>2,080,000.00</u>	<u>5,120,000.00</u>	<u>2,080,000.00</u>
	\$5,120,000.00	2,080,000.00	5,120,000.00	2,080,000.00

The note was issued on January 31, 2013 and is due and payable on January 31, 2014 with interest at 0.88%. On January 30, 2014, the Township issued \$3,480,000.00 in bond anticipation notes. The new note includes \$2,000,000.00 of new money and \$1,480,000.00 of notes rolled over. The note matures January 30, 2015 with a 0.82% interest rate. As of December 31, 2013 the entity has authorized but not issued bonds in the amount of \$4,438,100.00 in the General Capital Fund.

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 7: LONG TERM DEBT**

Long-term debt as of December 31, 2013 and 2012 consisted of the following:

	Balance 12/31/11	Issued	Retired	Balance 12/31/12	Amounts Due Within One Year
Other liabilities:					
Compensated					
Absences Payable	\$ 768,793.12		66,043.44	702,749.68	-
Total long-term liabilities	<u>\$ 768,793.12</u>	<u>-</u>	<u>66,043.44</u>	<u>702,749.68</u>	<u>-</u>
	Balance 12/31/12	Issued	Retired	Balance 12/31/13	Amounts Due Within One Year
Other liabilities:					
Compensated					
Absences Payable	\$ 702,749.68	9,002.99		711,752.67	-
Total long-term liabilities	<u>\$ 702,749.68</u>	<u>9,002.99</u>	<u>-</u>	<u>711,752.67</u>	<u>-</u>

<u>Summary of Municipal Debt</u>	<u>Year 2013</u>	<u>Year 2012</u>	<u>Year 2011</u>
<u>Issued:</u>			
General - Bonds and Notes	\$ 2,080,000.00	5,120,000.00	5,660,000.00
Total Issued	<u>2,080,000.00</u>	<u>5,120,000.00</u>	<u>5,660,000.00</u>
<u>Authorized but not issued:</u>			
General - Bonds and Notes	4,438,100.00	925,000.00	991,000.00
Total Authorized But Not Issued	<u>4,438,100.00</u>	<u>925,000.00</u>	<u>991,000.00</u>
Total Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 6,518,100.00</u>	<u>6,045,000.00</u>	<u>6,651,000.00</u>

{This space intentionally left blank}

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.318%.

	Gross Debt	Deductions	Net Debt
Local School District Debt	\$ -		-
General Debt	6,518,100.00	72,090.50	6,446,009.50
	<u>\$ 6,518,100.00</u>	<u>72,090.50</u>	<u>6,446,009.50</u>

Net Debt \$6,446,009.50 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$2,025,296,173.33 = 0.318%.

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

3 1/2 % of Equalized Valuation Basis ( Municipal)	\$ 70,885,366.00
Net Debt	6,518,100.00
Remaining Borrowing Power	<u>\$ 64,367,266.00</u>

**NOTE 8: FUND BALANCES APPROPRIATED**

Fund balances at December 31, 2013 and 2012, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2014 and 2013 were as follows:

	2014	2013
Current Fund	\$ 910,000.00	1,175,000.00

**NOTE 9: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS**

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2013, the following deferred charges are shown on the balance sheets of the various funds:

	Balance December 31, 2013	2014 Budget Appropriation	Balance to Succeeding
Current fund:			
Special Emergency Appropriation	\$ 750,000.00	150,000.00	600,000.00
	<u>750,000.00</u>	<u>150,000.00</u>	<u>600,000.00</u>

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 10: SCHOOL TAXES**

Local District School Taxes have been raised and a liability deferred by statute, resulting in the school tax payable set forth in the Current Fund liabilities as follows:

	12/31/2013	12/31/2012
Balance of Tax	\$ 11,406,943.00	11,183,280.00
Deferred	7,300,000.00	7,300,000.00
Tax Payable	<u>\$ 4,106,943.00</u>	<u>3,883,280.00</u>

**NOTE 11: TAXES COLLECTED IN ADVANCE**

Taxes collected in advance are recorded as cash liabilities in the financial statements. Following is a comparison of the liability for the previous two years:

	Balance 12/31/13	Balance 12/31/12
Prepaid Taxes	<u>\$ 334,989.25</u>	<u>369,535.49</u>
Cash Liability for Taxes Collected in Advance	<u>\$ 334,989.25</u>	<u>369,535.49</u>

**NOTE 12: PENSION FUNDS**

Description of Plans

Substantially all of the entity's employees participate in the Public Employees' Retirement System (PERS) cost sharing multiple-employer defined benefit pension plan which has been established by State Statute and is administered by the New Jersey Division of Pensions and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the system terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the systems. This report may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, New Jersey 08625 or the report can be accessed on the internet at -

<http://www.state.nj.us/treasury/pensions/annrpts.shtml>.

Public Employees' Retirement System

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

## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED DECEMBER 31, 2013 AND 2012

#### Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provided for employee contributions of 6.64% through June 30, 2013 and 6.78% thereafter of employee's annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The current PERS rate is 13.58% of covered payroll. The entity's contributions to PERS for the years ended December 31, 2013, 2012, and 2011 were \$407,149.00, \$416,291.00 and \$400,553.00.

The total payroll for the year ended December 31, 2013, 2012 and 2011 was \$4,016,262.82, \$3,913,425.45 and \$3,848,446.15. Payroll covered by PERS was \$3,610,632.00, \$3,583,754.00 and \$3,593,334.00.

#### Significant Legislation

Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) operates and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of  $\frac{1}{4}$  of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PERS active member rate increase from 8.5% to 10%. For fiscal year 2013, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.

The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.

- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Chapter 1, P.L. 2010, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS and employer contributions to the retirement systems.

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to  $\frac{1}{60}$ th from  $\frac{1}{55}$ th, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only.



## **NOTES TO FINANCIAL STATEMENTS**

### **YEARS ENDED DECEMBER 31, 2013 AND 2012**

This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined a 1/7<sup>th</sup> of the required amount, beginning in fiscal years 2012.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 92, P.L. 2007 implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform; established a DCRP for elected and certain appointed officials, effective July 1, 2007; the new pension loan interest rate became 4.69% per year, and an \$8.00 processing fee per loan was charged, effective January 1, 2008. The legislation also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the Funds and Systems when excess assets are available.

#### **NOTE 13: POST-RETIREMENT BENEFITS**

The Township utilizes Horizon Blue Cross Blue Shield of New Jersey to provide post-retirement benefits. These benefits are budgeted by the Township annually on a "pay as you go basis" and included in group insurance. During 2013, the Township provided post-employment health care benefits of \$187,054.28 to thirteen (13) retired employees. In accordance with GASB 45 and the State of New Jersey, the Township is required to obtain an actuarial valuation of the liability for providing these benefits. As of the date of this report, the Township has not obtained this valuation.

#### **NOTE 14: ACCRUED SICK AND VACATION BENEFITS**

The Township has permitted employees to accrue unused vacation, personal and sick time. It is the Township's policy that any unused vacation time may be carried forward into the next succeeding year only. Personal days must be taken during the current calendar year. Any unused personal time may not be carried forward into the next succeeding year. Employees will be paid for earned but unused sick days upon retirement at a rate of 50%, with a maximum of \$10,000.00. Department heads and supervisors are compensated at the rate of 75% of their unused sick time upon retirement. It is estimated that the cost for the most current calendar year of such unpaid compensation would approximate \$711,752.67 in 2013 and \$702,749.70 in 2012. This amount is not reported either as an expenditure or liability due to the likelihood of all employees terminating in one fiscal year being improbable. Effective January 1, 2002 the State of New Jersey is allowing municipalities to accrue a compensated absences liability. The entity does not accrue the liability.

#### **NOTE 15: ECONOMIC DEPENDENCY**

The Township of Upper has a major source of revenue from the State of New Jersey in the form of the Energy Receipts Tax and Garden State Trust. For 2013, the Township received \$6,323,653.00, which represents approximately 54% 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. The Township utilizes State Police protection. Any change in this would have a negative impact on the Township.

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 16: RISK MANAGEMENT**

The entity 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 entity maintains commercial insurance coverage for property, liability and surety bonds. During the year ended December 31, 2013 and 2012 the entity did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

The entity is a member of the Atlantic County Joint Insurance Fund (JIF) and the Municipal Excess Liability Fund (MEL) which also includes other municipalities throughout the region. The entity is obligated to remit insurance premiums into these funds for sufficient insurance coverage. There is an unknown contingent liability with the Atlantic County Municipal Joint Insurance Fund if there is a catastrophic insurance claim from any member of the fund. The entity has a general liability limit of \$100,000 under JIF, which increases to \$5,000,000 under MEL.

**New Jersey Unemployment Compensation Insurance** – The entity has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan, the entity is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The entity is billed quarterly for amounts due to the State. The following is a summary of entity contributions, employee contributions, reimbursements to the State for benefits and the ending balance of the entity’s trust fund for the previous three years:

Calendar Year	Contributions	Interest Earned	Amount Reimbursed	Ending Balance
2013	35,507.72	163.40	30,861.90	63,547.31
2012	30,117.52	371.07	35,786.11	58,738.09
2011	12,347.67	381.82	23,130.38	64,035.61

**NOTE 17: DEFERRED COMPENSATION**

Employees of the Township of Upper may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments). The deferred compensation plan is available to all employees of the entity. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

An unrelated financial institution administers the deferred compensation plan. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the employees.

As part of its fiduciary role, the entity has an obligation of due care in selecting the third party administrator. In the opinion of the entity’s legal counsel, the entity has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

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

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 18: CONTINGENT LIABILITIES**

From time to time, the entity is a defendant in legal proceedings relating to its operations as a municipality. In the best judgment of the entity's management, the outcome of any present legal proceedings will not have any adverse material effect on the accompanying financial statements.

**NOTE 19: INTERFUND BALANCES**

During the most current calendar year ended December 31, 2013, the following interfunds were included on the balance sheets of the various funds of the Township of Upper:

	Due From	Due To
Current Fund:		
General Capital Fund		1,710,227.82
Animal Control Fund		755.21
Sick Pay Trust	18.80	
Recreation Escrow	0.95	
Recycling Trust	1.65	
Tax Title Lien Redemption	150.62	
Grant Fund		325,108.77
Grant Fund:		
Current Fund	325,108.77	
Trust Fund		228,595.08
Trust Fund:		
Current - Animal Control Fund	755.21	
Current - Tax Title Lien		150.62
Current - Recycling Trust		1.65
Current - Sick Pay Trust		18.80
Current - Recreation Escrow		0.95
Grant Fund	228,595.08	
General Capital Fund:		
Current Fund	1,710,227.82	
	\$ <u>2,264,858.90</u>	<u>2,264,858.90</u>

The amount due to the General Capital and Grant funds from the Current fund is due to the fact that there is only one bank account. The amount due from the Animal Control Fund represents the statutory excess accumulated in the Animal Control Fund in the current year. The remaining trust interfunds are due to amounts that should have been transferred to the proper bank accounts for interest earned on the accounts.

**NOTE 20: SUBSEQUENT EVENTS**

The entity has evaluated subsequent events through May 30, 2014, the date which the financial statements were available to be issued. The following event was identified:

On January 30, 2014, the Township issued \$3,480,000.00 in bond anticipation notes. The new note includes \$2,000,000.00 of new money and \$1,480,000.00 of notes rolled over. The note matures January 30, 2015 with a 0.82% interest rate.

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

## **SUPPLEMENTARY INFORMATION**





### Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the various funds and account group as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Township of Upper's basic financial statements, and have issued our report thereon dated May 30, 2014, which was adverse due to being presented in accordance with the New Jersey regulatory basis of accounting.

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

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township of Upper's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings and Responses as Finding 2013-2.

## **Township's Response to Finding**

The Township's responses to the findings identified in our audit are described in the accompany Schedule of Findings and Responses. The Township's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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

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

*Leon P. Costello*

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

**May 30, 2014**



**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal or State Grantor/Pass - Through Grantor/Program Title	Grant Period	CFDA # or Pass-Through Grantor's	Program or Award Amount	Balance Dec. 31, 2012	Receipts or Revenue Recognized	Disbursements/ Expenditures	Adjustment	Balance Dec. 31, 2013
<b>Federal:</b>								
Emergency Management Agency Federal Emergency Management Assistance Total Emergency Management Agency	Prior Years	83.534	5,000.00 \$	10,000.00 10,000.00	-	-	-	10,000.00 10,000.00
U.S. Department of Homeland Security Passed Through Federal Emergency Management Assistance (FEMA)	1/1/13 - 12/31/13	97.036		-	260,784.49 260,784.49	260,784.49 260,784.49	-	-
Reimbursement for Hurricane Sandy				-	260,784.49	260,784.49	-	-
Total Federal Awards								

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal or State Grantor/Pass - Through Grantor/Program Title	Grant Period	Pass-Through Grantor's	Program or Award Amount	Balance Dec. 31, 2012	Receipts or Revenue Recognized	Disbursements/ Expenditures	Adjustment	Balance Dec. 31, 2013	(Memo Only) Total Cumulative State Expenditures
<b>State of New Jersey</b>									
NJ Department of Environmental Protection									
Clean Communities Act	Prior Years	4900-765-178920	\$	4,415.07		-		4,415.07	
Clean Communities Act	1/1/13 - 12/31/13	4900-765-178920	34,224.36	-	34,224.36	33,145.82		1,078.54	33,145.82
Hazardous Discharge Site Remediation	1/1/13 - 12/31/13		94,935.00	-		79,678.50		(79,678.50)	79,678.50
				<u>4,415.07</u>	<u>34,224.36</u>	<u>112,824.32</u>	<u>-</u>	<u>(74,184.89)</u>	
Department of Transportation									
Transportation Trust Fund Authority Act									
Reconstruction of Ocean Avenue	1/1/13 - 12/31/13	480-078-6320-162-6010	150,000.00	-	112,500.00	150,000.00		(37,500.00)	150,000.00
				<u>-</u>	<u>112,500.00</u>	<u>150,000.00</u>	<u>-</u>	<u>(37,500.00)</u>	
NJ Division of Law and Public Safety									
Division of Motor Vehicles									
Drunk Driving Enforcement Fund	1/1/10 - 12/31/10	1110-101-030000- 129040290064	125.68	125.68				125.68	
				<u>125.68</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125.68</u>	
Total State Assistance				<u>4,540.75</u>	<u>146,724.36</u>	<u>262,824.32</u>	<u>-</u>	<u>(111,559.21)</u>	
Total Federal Awards and State Financial Assistance			\$	<u>4,540.75</u>	<u>407,508.85</u>	<u>523,608.81</u>	<u>-</u>	<u>(111,559.21)</u>	

**NOTES TO SCHEDULE OF EXPENDITURES  
OF STATE AND FEDERAL AWARDS  
DECEMBER 31, 2013**

**Note 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of state financial assistance includes the federal and state grant activity of the Township of Upper, New Jersey and is presented on the basis of accounting prescribed by the State of New Jersey, Department of Community Affairs, Division of Local Government Services, which is a regulatory basis of accounting other than generally accepted accounting principles. Encumbrances are considered in determining the single audit threshold on major programs.

**Note 2: RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS**

Amounts reported in the accompanying schedule agree with amounts reported in the Township's financial statement. Receipts from federal and state grants are realized as revenue when anticipated in the Township's budget. Expenditures are recognized when they become payable. Financial assistance revenue and expenditures are reported in the Township's financial statements on the basis of accounting prescribed by the State of New Jersey, Department of Community Affairs, Division of Local Government Services, as follows:

		<u>Federal</u>	<u>State</u>		<u>Total</u>
Grant Fund	\$	-	262,824.32	\$	262,824.32
Current Fund		260,784.49			260,784.49
Total Financial Assistance	\$	<u>260,784.49</u>	<u>262,824.32</u>	\$	<u>523,608.81</u>

## **AUDIT FINDINGS AND RESPONSES**

### **Finding 2013-1:**

The Upper Township Municipal Court Monthly Cash Book General Account bank reconciliations were not completed or in balance during 2013. Several errors and adjustments were noted during our audit, including the following:

- The April 2013 municipal POAA receipts, in the amount of \$2.00, were not turned over to the proper agency by the 15<sup>th</sup> of the following month. At year end, these receipts were included in the courts cash balance.
- We noted several instances where Dennis Township Municipal Court fine and cost receipts were deposited into Upper Township Municipal Courts General account during 2013. Cash receipt payments are required to be applied to the municipality in which the fine occurred. In total the Upper Township Court misapplied \$1,226.00 deposits and credit card receipts. \$808.00 of these receipts was remitted to the Township of Dennis during 2013 leaving \$418.00 due to the Township of Dennis General account at year end.

Throughout 2013 both the bail and general municipal court bank accounts were charged service charges for processing electronic transactions. The Court Administrator deducted both the bail and general account charges from each monthly payment to the Township; in total \$1,219.73 in service charges were deducted from the Township payments in 2013. The municipal court bank account should not be charged these fees.

The Cash Bail on Account does not equal the reconciled bail account balance at year end.

During our audit it was brought to our attention that the court change fund was short \$50.00.

### **Criteria**

Municipal Court general account receipts are required to be disbursed to the proper agency by the 15<sup>th</sup> of the following month. Cash receipt payments are required to be applied to the municipality in which the fine occurred. The cash bail on account is required to equal the reconciled bank balance each month.

### **Condition**

General account reconciliations were not completed throughout the year. Discrepancies were not investigated until the annual audit. The Bail account reconciliations were made throughout the year however the cash bail on account was not reconciled each month.

### **Cause**

Improper monthly bank reconciliation procedures and accounting of general and bail 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 Township remit \$418.00 to the Township of Dennis Municipal Court General Account and \$2.00 to the Township of Upper Treasurer. To ensure bank reconciliations are accurately maintained; we recommend that all discrepancies be investigated in a timely manner and that monthly reconciliations be reviewed.

In accordance with N.J.A.C. 5:30-9.10, Payment of Electronic Receipt Fees, we recommend that authorized service charges for processing electronic transactions be billed directly to the Township without deduction from any municipal court bank account.

We recommend that the cash bail on account be analyzed monthly ensuring that the balance is equal to the reconciled bail account book balance.

We recommend that the change fund be counted daily and reconciled to the daily cash receipts. We also recommend that separate change drawers are kept for each court employee responsible for accepting payments.

**Management Response**

The AOC and Township have been working on improving the courts monthly financial procedures.

**Finding 2013-2:**

The Township is required to have an actuarial calculation of benefit costs.

**Criteria**

GASB 45 requires a calculation of "Other Post-Employment Benefits" costs and liabilities.

**Condition**

The Township does not use the State Health Benefit Program for benefits provided, and no actuarial report was received.

**Cause**

The Township was unaware of the requirement until it was too late to obtain the report for the audit.

**Effect**

The Township is unaware of the liability to be recorded for benefits.

**Recommendation**

An actuarial report should be obtained in a timely manner.

**Management Response**

Township requested proposals for these services.

***STATUS OF PRIOR RECOMMENDATIONS***

There were no prior year audit recommendations.

**CURRENT FUND  
SCHEDULE OF CASH - TREASURER**

		<u>Current Fund</u>
Balance December 31, 2012	\$	11,541,538.83
Increased by Receipts:		
Tax Collector	30,942,532.70	
Revenue Accounts Receivable	7,553,757.82	
Miscellaneous Revenue	269,226.11	
Due from State - Veterans and Senior Citizens	149,380.46	
Accrued Payroll Taxes	4,924,133.57	
Marriage & Civil Union License Fees Due to State	1,525.00	
Hunting and Fishing License Fees Due to State	9,912.75	
Dog License Fees Due to State	1,743.00	
DCA Training Fees Due to State	11,064.00	
Due from Federal and State Grant Fund	177,913.81	
Due from General Capital	195,218.00	
Due from TTL Trust	368.40	
Due from Animal Control	4,110.50	
Reserve for Capital Projects	900.00	
		<u>44,241,786.12</u>
		55,783,324.95
Decreased by Disbursements:		
Current Year Appropriation	9,443,201.31	
Prior Year Appropriations	448,950.41	
County Taxes	4,846,339.37	
Local District School Taxes	22,590,228.00	
Special District Taxes	1,527,669.00	
Refund of Tax Overpayments	24,548.07	
Payroll Taxes and Deductions	4,923,493.92	
Due State For Marriage Licenses & Civil Unions	1,775.00	
Due State for Hunting and Fishing Licenses	9,953.00	
Due to State for Dog Licenses	1,737.60	
Due State for DCA Training Fees	9,935.00	
Due to General Capital	2,737,354.04	
Due to Animal Control	4,090.90	
Due to Federal and State Grant Fund	95,920.60	
		<u>46,665,196.22</u>
Balance December 31, 2013	\$	<u><u>9,118,128.73</u></u>

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

Year	Balance Dec. 31, 2012	Current Year Levy	Added Taxes	Collections by Cash		Transferred To Tax Title Lien	Arrears	Balance Dec. 31, 2013
				2012	2013			
Arrears	\$ 4,225.06				4,007.14		(3,217.98)	3,435.90
2011	250.00				250.00			-
2012	546,818.37				529,225.85	10,261.01	2,392.14	250.00
	551,293.43	-	-	-	533,482.99	10,261.01	(825.84)	3,685.90
2013	-	31,363,467.94	6,813.01	369,314.36	30,079,453.17	379,814.60	825.84	511,500.23
	\$ 551,293.43	31,363,467.94	6,813.01	369,314.36	30,612,936.16	390,075.61	-	515,186.13

Cash Receipts  
 151,716.43 Senior Citizens and Veterans  
 (22,141.36) Other  
30,612,936.16

31,370,280.95

Analysis of Current Year Tax Levy

Tax Yield:

General Property Tax 29,839,167.28  
 Special District Taxes 1,524,300.66  
 Added Taxes (54:4-63.1 et. Seq.) 6,813.01

Tax Levy:

General County Taxes 4,061,597.89  
 County Library Taxes 575,913.75  
 County Open Space Taxes 198,507.50  
 County Health Taxes  
 County Added and Omitted Taxes 12,779.32  
 Total County Taxes 4,848,798.46

Local School District Tax 22,813,891.00  
 Additional Local School District Tax -  
 Special District Tax 1,527,669.00

Local Tax for Municipal Purposes 2,051,327.50  
 Add: Additional Tax Levied 128,594.99

2,179,922.49

**CURRENT FUND  
SCHEDULE OF TAX TITLE AND OTHER LIENS**

Balance December 31, 2012		\$	218,174.11
Increased by:			
Transfers from Taxes Receivable	34,062.12		
Interest and Costs Accrued by Sale			
October 1, 2013 and December 10, 2013	1,049.23		
	<hr/>		<hr/>
			35,111.35
			253,285.46
Decreased by:			
Collections	9,277.66		
	<hr/>		<hr/>
			9,277.66
Balance December 31, 2013		\$	<u><u>244,007.80</u></u>



**CURRENT FUND  
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	Balance Dec. 31, 2012	Accrued in 2013	Collector	Collected by Treasurer	Other	Balance Dec. 31, 2013
Licenses:						
Alcoholic Beverages	\$ -	5,300.00		5,300.00		-
Other	-	-				-
Fees and Permits	-	-				-
Fines and Costs:						
Municipal Court	4,961.40	60,386.77		60,491.49		4,856.68
Interest and Costs on Taxes	-	114,855.02	114,855.02			-
Interest Earned on Investments	-	21,946.78		21,946.78		-
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	-	274,250.88		274,250.88		-
Host Community Benefits	-	523,121.87		523,121.87		-
Cable TV Fees	-	105,675.41		105,675.41		-
Cell Tower Fees	-	42,663.86		42,663.86		-
Dennis Twp & Corbin City - Municipal Court	-	162,311.32		162,311.32		-
Uniform Construction Code Fees	-	162,785.00		162,785.00		-
Miscellaneous Revenue Not Anticipated	-	269,226.11	270.81	268,955.30		-
	<u>4,961.40</u>	<u>8,066,176.02</u>	<u>115,125.83</u>	<u>7,951,154.91</u>	<u>-</u>	<u>4,856.68</u>

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

	Balance Dec. 31, 2012	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
<b>OPERATIONS WITHIN "CAPS"</b>					
<b>GENERAL GOVERNMENT:</b>					
Mayor and Committee					
Salaries and Wages	432.87	432.87		432.87	-
Other Expenses	12,392.02	12,392.02	471.47	11,920.55	-
Township Clerk					
Salaries and Wages	3,223.20	223.20		223.20	-
Other Expenses	13,433.61	13,433.61	8,257.66	5,175.95	-
Financial Administration					
Salaries and Wages	3,985.43	1,485.43		1,485.43	-
Computer Services	7,116.54	7,116.54	3,681.42	3,435.12	-
Miscellaneous Other Expenses	4,869.60	4,869.60	1,552.27	3,317.33	-
Collection of Taxes					
Salaries and Wages	41.83	41.83		41.83	-
Purchase of Tax Title Liens	1,000.00	1,000.00		1,000.00	-
Miscellaneous Other Expenses	2,049.45	2,049.45	127.90	1,921.55	-
Assessment of Taxes					
Salaries and Wages	596.67	596.67		596.67	-
Other Expenses	3,284.41	3,284.41		3,284.41	-
Liquidation of Tax Title Liens					
Other Expenses	1,000.00	1,000.00		1,000.00	-
Legal Services					
Other Expenses	11,602.30	11,602.30	11,250.70	351.60	-
Special Litigation					
Other Expenses	59,844.39	59,844.39	59,844.39	-	-
Engineering Services					
Salaries and Wages	6.24	6.24		6.24	-
Other Expenses	11,183.05	11,183.05	7,818.06	3,364.99	-
Public Information					
UTTV2	1,350.00	1,350.00		1,350.00	-
Miscellaneous Other Expenses	1,000.00	1,000.00		1,000.00	-

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

	Balance Dec. 31, 2012	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
<b>INSURANCE</b>					
General Liability	29,531.99	29,531.99		29,531.99	-
Workers Compensation Insurance	3,245.81	3,245.81		3,245.81	-
Employee Group Health	70,745.66	70,745.66	8,213.52	62,532.14	-
<b>LAND USE ADMINISTRATION</b>					
Planning Board					
Salaries and Wages	1,441.28	1,441.28		1,441.28	-
Master Plan Review	2,000.00	2,000.00		2,000.00	-
Other Expenses	6,865.98	6,865.98	360.00	6,505.98	-
Zoning Board of Adjustment					
Salaries and Wages	1,440.76	1,440.76		1,440.76	-
Other Expenses	11,328.00	8,828.00	202.50	8,625.50	-
<b>PUBLIC SAFETY</b>					
First Aid Organization					
Salaries and Wages	4,310.35	1,310.35		1,310.35	-
Other Expenses	14,166.59	19,166.59	12,664.71	6,501.88	-
Emergency Management Services					
Salaries and Wages	455.28	455.28		455.28	-
Other Expenses	15,152.22	15,152.22	7,473.00	7,679.22	-
Crossing Guard					
Salaries and Wages	562.50	562.50		562.50	-
Other Expenses	428.14	428.14	428.14	-	-
Regional Dispatch					
Contractual	40,780.00	40,780.00	33,868.87	6,911.13	-
Municipal Court					
Salaries and Wages	1,673.96	1,673.96		1,673.96	-
Other Expenses	8,474.94	4,474.94	997.38	3,477.56	-
Public Defender					
Salaries and Wages	0.04	0.04		0.04	-

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

	Balance Dec. 31, 2012	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
<b>PUBLIC WORKS</b>					
Road Repairs and Maintenance					
Salaries and Wages	11,110.76	1,110.76	(1,555.81)	2,666.57	-
Surfacing of Roads	2,756.48	2,756.48	2,755.00	1.48	-
Miscellaneous Other Expenses	30,266.12	35,266.12	34,774.35	491.77	-
Recycling					
Salaries and Wages	15,259.68	259.68		259.68	-
Garbage and Trash					
Salaries and Wages	3,564.57	3,564.57		3,564.57	-
Tipping Fees	81,047.38	101,047.38	87,515.63	13,531.75	-
Miscellaneous Other Expenses	29,392.08	29,392.08	5,887.64	23,504.44	-
Public Buildings and Grounds					
Salaries and Wages	1,232.92	1,232.92		1,232.92	-
Other Expenses	32,696.91	32,696.91	22,966.11	9,730.80	-
<b>HEALTH AND WELFARE</b>					
Board of Health					
Salaries and Wages	2.21	2.21		2.21	-
Other Expenses	5,000.00	5,000.00		5,000.00	-
Dog Regulation					
Other Expenses	2,790.14	2,790.14		2,790.14	-
<b>PARK AND RECREATION</b>					
Sports & Recreation					
Salaries and Wages	2,019.10	2,019.10		2,019.10	-
Other Expenses	7,311.37	12,311.37	10,020.46	2,290.91	-
Community Center					
Other Expenses	8,992.65	8,992.65	5,756.45	3,236.20	-
Emergency Shore Protection					
Other Expenses	67,129.28	67,129.28	38,291.85	28,837.43	-
Beach Protection					
Salaries and Wages	9.07	9.07		9.07	-
Other Expenses	7,437.32	7,437.32	6,232.68	1,204.64	-
Affordable Housing					
Salaries and Wages	0.10	0.10		0.10	-

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

	Balance Dec. 31, 2012	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
<b>UNCLASSIFIED</b>					
Celebration of Public Events	820.31	820.31	302.48	517.83	-
Compensation for Accumulated Absences	30,100.00	30,100.00	30,100.00	-	-
Drug and Alcohol Testing	102.00	102.00		102.00	-
<b>UNIFORM CONSTRUCTION CODE</b>					
State Uniform Construction Code					
Construction Official					
Salaries and Wages	5,591.84	591.84		591.84	-
Other Expenses	1,916.38	1,916.38	563.90	1,352.48	-
Zoning/Code Official					
Salaries and Wages	0.08	0.08		0.08	-
Other Expenses	2,898.00	2,898.00		2,898.00	-
<b>UTILITY EXPENSES AND BULK PURCHASES</b>					
Street Lighting	17,480.72	27,480.72	10,947.05	16,533.67	-
<b>STATUTORY EXPENDITURES</b>					
Contribution to;					
Public Employees' Retirement System	40,299.84	40,299.84	37,180.63	3,119.21	-
Social Security System (O.A.S.I.)	21,458.73	21,458.73		21,458.73	-
Unemployment Compensation Insurance	5,000.00	5,000.00		5,000.00	-
<b>CAPITAL IMPROVEMENTS</b>					
Repairs to Municipal Building	10,000.00	10,000.00		10,000.00	-
<b>\$</b>	<b>794,701.15</b>	<b>794,701.15</b>	<b>448,950.41</b>	<b>345,750.74</b>	<b>-</b>

**CURRENT FUND  
SCHEDULE OF LOCAL DISTRICT SCHOOL TAX**

Balance December 31, 2012			
School Tax Payable	\$	3,883,280.00	
School Tax Deferred		<u>7,300,000.00</u>	
			\$ 11,183,280.00
Increased by:			
Levy - School Year July 1, 2013 to June 30, 2014			<u>22,813,891.00</u>
			33,997,171.00
Decreased by:			
Payments			<u>22,590,228.00</u>
Balance December 31, 2013			
School Tax Payable		4,106,943.00	
School Tax Deferred		<u>7,300,000.00</u>	
			<u>11,406,943.00</u>
Current Year Liability for Local School District School Tax:			
Tax Paid			22,590,228.00
Tax Payable Ending			<u>4,106,943.00</u>
			26,697,171.00
Less: Tax Payable Beginning			<u>3,883,280.00</u>
Amount charged to Current Year Operations			<u>\$ 22,813,891.00</u>

**CURRENT FUND**  
**SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE**

<u>Purpose</u>	Balance Dec. 31, 2012	Transferred From 2013 Revenues	Received	Adjustments	Balance Dec. 31, 2013
<b>FEDERAL GRANTS:</b>					
None	\$ -				-
Total Federal	-	-	-	-	-
<b>STATE GRANTS:</b>					
Clean Communities	296.53				296.53
NJ Transportation Trust	-	150,000.00	112,500.00		37,500.00
NJ Hazardous Site Remediation	-	94,935.00			94,935.00
Total State	296.53	244,935.00	112,500.00	-	132,731.53
<b>LOCAL GRANTS:</b>					
Municipal Alliance	53,023.87	25,531.00	26,146.49		52,408.38
Main Street Market Assessment	86.00				86.00
Total Local	53,109.87	25,531.00	26,146.49	-	52,494.38
\$	53,406.40	270,466.00	138,646.49	-	185,225.91

**CURRENT FUND**  
**SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS**

	Balance December 31, 2012		2013		Disbursed	Encumbrances	Canceled	Balance Dec. 31, 2013
	Appropriated	Reserve for Encumbrances	Appropriations					
<b>FEDERAL GRANTS:</b>								
NJ Office of Emergency Management	\$ 10,000.00							10,000.00
Total Federal	10,000.00	-	-	-			-	10,000.00
<b>STATE GRANTS:</b>								
Clean Communities	4,711.60		34,224.36	28,382.52	10,501.18	(5,737.88)		5,790.14
Drunk Driving Enforcement	125.68							125.68
NJ Hazardous Site Remediation	-		94,935.00	42,094.75	37,583.75			15,256.50
NJ Transportation Trust	-		150,000.00		150,000.00			-
Total State	4,837.28	-	279,159.36	70,477.27	198,084.93	(5,737.88)		21,172.32
<b>LOCAL GRANTS:</b>								
Municipal Alliance	25,788.91		31,914.00	25,400.37	10,839.14	(5,093.81)		26,557.21
Main Street Market Assessment	86.00							86.00
Total Local	25,874.91	-	31,914.00	25,400.37	10,839.14	(5,093.81)		26,643.21
	\$ 40,712.19	-	311,073.36	95,877.64	208,924.07	(10,831.69)		57,815.53



**CURRENT FUND**  
**SCHEDULE OF FEDERAL AND STATE GRANTS - UNAPPROPRIATED RESERVES**

<u>Purpose</u>	<u>Balance Dec. 31, 2012</u>	<u>Transferred To 2013 Appropriations</u>	<u>Received</u>	<u>Adjustments</u>	<u>Balance Dec. 31, 2013</u>
<b>FEDERAL GRANTS:</b>					
None	\$ -				-
Total Federal					
<b>STATE GRANTS:</b>					
Emergency Management	10,000.00		5,000.00		15,000.00
Clean Communities	-	34,224.36	34,224.36		-
Total State	10,000.00	34,224.36	39,224.36	-	15,000.00
\$	10,000.00	34,224.36	39,224.36	-	15,000.00

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

Balance December 31, 2012		\$	8,888.23
Increased By Receipts:			
Dog License Fees	4,090.90		
Interest Earned	25.97		
			<u>4,116.87</u>
			13,005.10
Decreased By Disbursements:			
Paid to Current Fund - Interest Earned	25.97		
Animal Control Expenditures	4,452.82		
			<u>4,478.79</u>
Balance December 31, 2013		\$	<u><u>8,526.31</u></u>

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

Balance December 31, 2012		\$ 1,601,580.05
Increased By Receipts:		
Recycling	71,616.01	
Sick Pay Reserve	31,033.85	
Affordable Housing Trust	122,646.05	
Client Funds Escrow Deposits	16,637.39	
Landfill Closure	148.29	
Planning Board Escrow Review Fees	23,490.00	
Municipal Alliance	8,072.06	
Unemployment Compensation	35,671.12	
Tax Sale Premiums	140,800.00	
TTL Redemptions	195,159.04	
UT Cafeteria Fund	3,551.62	
Interest Earned on Deposits - Due to Current Fund	1,537.01	
	<hr/>	650,362.44
		2,251,942.49
Decreased By Disbursements:		
Sick Pay Reserve	14,405.10	
Planning Board Escrow	42,387.50	
Developers Escrow	111,193.65	
Municipal Alliance	5,884.62	
Unemployment Compensation	30,861.90	
Refunds - Tax Sale Certificates	195,511.24	
Premiums Forfeited to Treasurer	67,000.00	
Affordable Housing Trust	145,089.00	
UT Cafeteria Fund	4,052.42	
Payments to Current Fund - Revenues	1,754.79	
	<hr/>	618,140.22
Balance December 31, 2013		\$ <u><u>1,633,802.27</u></u>

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

Balance December 31, 2012		\$ 10,477.52
Increased By:		
Dog Licenses Fees	2,996.00	
Interest on Deposits	25.97	
Duplicate & Late Fees Collected	1,114.50	
	<hr/>	<hr/>
		4,136.47
		14,613.99
Decreased By Disbursements:		
Animal Control Expenditures	4,452.82	
Due to Current - Statutory Excess	853.68	
Interest Paid to Current Fund	25.97	
	<hr/>	<hr/>
		5,332.47
Balance December 31, 2013		\$ <u><u>9,281.52</u></u>

## License and Other Fees Collected

Year

2012	4,161.10
2011	5,120.42
	<hr/>
\$	<u><u>9,281.52</u></u>

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

Balance December 31, 2012		\$	(1,589.29)
Increased By:			
Dog License Fees Collected In Current Fund	4,110.50		
Interest Paid to Current Fund	25.97		
	<hr/>		<hr/>
			4,136.47
			<hr/>
			2,547.18
Decreased By:			
Dog License Fees Received from Current Fund	4,090.90		
Interest Earned	25.97		
Due to Current Fund - Statutory Excess	853.68		
	<hr/>		<hr/>
			4,970.55
Balance December 31, 2013		\$	<hr/> <hr/> (755.21)

**GENERAL CAPITAL FUND  
ANALYSIS OF CASH**

	Balance Dec. 31, 2012	Receipts		Disbursements		Transfers		Balance Dec. 31, 2013
		Miscellaneous	Debt Issued	Improvement Authorizations	Miscellaneous	From	To	
<b>\$</b>								
Fund Balance	52,922.34							52,922.34
Capital Improvements Fund	314,668.45					207,400.00	40,000.00	147,268.45
Encumbrances Payable	54,187.68					54,187.68	1,944,667.27	1,944,667.27
Due from Current Fund	(4,164,863.86)	42,136.04				87,500.00	2,500,000.00	(1,710,227.82)
Reserve for PW Equipment	50,000.00							50,000.00
Reserve for Beach Replenishment	345,000.00							345,000.00
Reserve for Capital Projects	-	195,218.00						195,218.00
Reserve to Pay Debt Service	2,572,090.50					2,500,000.00		72,090.50
<b>Improvement Authorizations:</b>								
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	3,810.23							3,810.23
13-08 Beach Replenishment	137,253.14			17,017.05			54,187.68	174,423.77
16-09 Street Sweeper	(39,275.00)						47,500.00	8,225.00
09-10 Ambulance	5,122.20							5,122.20
11-10 Phone System	4,090.26							4,090.26
19-11 Beach Replenishment	403,574.86			1,716.72		15,918.69		385,939.45
15-12 Sand Fence Replacement	255,000.00			98,480.00		28,780.00		127,740.00
5-13 Multi-Purpose Equipment/Paving	-			102,202.77		1,899,629.58	187,400.00	(1,814,432.35)
10-13 Street Signs	-			17,937.50		339.00	20,000.00	1,723.50
<b>\$</b>	<b>0.00</b>	<b>237,354.04</b>	<b>-</b>	<b>237,354.04</b>	<b>-</b>	<b>4,793,754.95</b>	<b>4,793,754.95</b>	<b>(0.00)</b>

**GENERAL CAPITAL FUND  
SCHEDULE OF CAPITAL IMPROVEMENT FUND**

Balance December 31, 2012		\$	314,668.45
Increased by:			
Current Fund Budget Appropriations	40,000.00		
	<hr/>		<hr/>
			40,000.00
			354,668.45
Decreased by:			
Down Payments on Improvement Authorizations	207,400.00		
	<hr/>		<hr/>
			207,400.00
Balance December 31, 2013		\$	<u><u>147,268.45</u></u>

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

Ord #	Improvement Description	Balance Dec. 31, 2012	2013 Authorizations	Raised in 2013 Budget	Notes Paid by Budget/ Paydown	Balance Dec. 31, 2013	Analysis of Balance		
							Bond Anticipation Notes	Expenditures	Unexpended Improvement Authorizations
13-08	Beach Replenishment	\$ 1,770,000.00			540,000.00	1,230,000.00	1,080,000.00	150,000.00	
16-09	Street Sweeper	95,000.00		47,500.00		47,500.00		47,500.00	
19-11	Beach Replenishment	4,180,000.00			2,500,000.00	1,680,000.00	1,000,000.00	680,000.00	
05-13	Multi-Purpose Equipment/Paving	-	3,560,600.00			3,560,600.00	1,814,432.35	1,746,167.65	
		<u>\$ 6,045,000.00</u>	<u>3,560,600.00</u>	<u>47,500.00</u>	<u>3,040,000.00</u>	<u>6,518,100.00</u>	<u>2,080,000.00</u>	<u>2,623,667.65</u>	
						</			



**GENERAL CAPITAL FUND  
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ord #	Improvement Description	Ord. Date	Amount	Authorizations			
				Balance December 31, 2012		Paid or Charged	Balance December 31, 2013
				Funded	Unfunded		
1-00	Improvements	4/10/2000	16,000	\$ 2,511.45	-		2,511.45
7-00	Commy Center Improvements	9/1/2000	11,000	2,179.00	-		2,179.00
14-06	Imp to Recreation Fields	5/8/2006	163,730	1,728.75	-		1,728.75
12-07	Purchase of Ambulance	7/9/2007	190,000	3,810.23	-		3,810.23
13-08	Beach Replenishment	8/11/2008	3,000,000	137,253.14	150,000.00	(37,170.63)	174,423.77
16-09	Street Sweeper	7/13/2009	250,000	-	55,725.00		55,725.00
09-10	Ambulance	8/23/2010	90,000	5,122.20	-		5,122.20
11-10	Phone System	10/18/2010	23,000	4,090.26	-		4,090.26
19-11	Beach Replenishment	8/9/2011	4,400,000	403,574.86	680,000.00	17,635.41	385,939.45
15-12	Sand Fence Replacement	12/17/2012	255,000	255,000.00	-	127,260.00	127,740.00
05-13	Multi-Purpose Equipment/Paving	4/8/2013	3,748,000	-	-	2,001,832.35	1,746,167.65
10-13	Street Signs	8/12/2013	20,000	-	-	18,276.50	1,723.50
				\$ 815,269.89	885,725.00	2,127,833.63	717,493.61
							2,623,667.65

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

Improvement Description	Ordinance Number	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2012	Increased	Decreased	Balance Dec. 31, 2013
Beach Replenishment	13-2008	2/4/2010	2/2/2012 1/31/2013	2/1/2013 1/31/2014	1.000% 0.880%	\$ 1,620,000.00	1,080,000.00	1,620,000.00	- 1,080,000.00
Beach Replenishment	19-2011	9/8/2011	9/6/2012 1/31/2013	2/1/2013 1/31/2014	0.740% 0.880%	3,500,000.00	1,000,000.00	3,500,000.00	- 1,000,000.00
					\$	5,120,000.00	2,080,000.00	5,120,000.00	2,080,000.00

**GENERAL CAPITAL FUND**  
**SCHEDULE OF BOND AND NOTES AUTHORIZED BUT NOT ISSUED**

Ordinance Number	Improvement Description	Balance Dec. 31, 2012	2013 Authorizations	Debt Issued	Other	Balance Dec. 31, 2013
13-08	Beach Replenishment	\$ 150,000.00				150,000.00
16-09	Street Sweeper	95,000.00			47,500.00	47,500.00
19-11	Beach Replenishment	680,000.00				680,000.00
05-13	Multi-Purpose Equipment/Paving		3,560,600.00			3,560,600.00
		<u>\$ 925,000.00</u>	<u>3,560,600.00</u>	<u>-</u>	<u>47,500.00</u>	<u>4,438,100.00</u>

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

**TOWNSHIP OF UPPER**

**PART II**

**GENERAL COMMENTS AND RECOMMENDATIONS**

**FOR THE YEAR ENDED**

**DECEMBER 31, 2013**



## **GENERAL COMMENTS**

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

N.J.S.A. 40A:11-4 states, "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law." Effective July 1, 2011, the bid threshold was \$17,500. Pursuant to subsection b. of section 9 of P.L. 1971, c. 198 (C.40A:11-9), the governing body can establish the bid threshold at \$36,000 with the appointment of a qualified purchasing agent. The Township adopted the bid threshold of \$36,000.

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

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

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

Sand Fence for Strathmere Beach  
2013 Road Paving Project and Reconstruction of Ocean Avenue  
Beach Grass and Sand Fence for Strathmere Beach  
Furnishing and Delivery of One Rear Loading Refuse Collection Vehicle  
Furnishing, Curbside Delivery and Assembly of Reuse Containers  
One Six Yard Dump Truck  
One Roadside Boom Mower

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

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

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

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

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

## Collection of Interest on Delinquent Taxes and Assessments (Continued)

**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 2013.

This Resolution shall take effect January 1, 2013.

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

### Delinquent Taxes and Tax Title Liens

The tax sale was held on October 1, 2013 and December 10, 2013 and was complete.

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

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

<u>Year</u>	<u>Number</u>
2013	105
2012	97
2011	111

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 2013 and 2014 Taxes	25
Delinquent Taxes	10
Total	<u>35</u>

As of the date of this audit report, all verifications have not been returned. However, no problems were noted with those that have been returned.



### Comparison of Tax Levies and Collections Currently

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

Year	Tax Levy	Currently	
		Cash Collections	Percentage of Collections
2013 \$	31,363,467.94	30,448,767.53	97.08%
2012	30,954,582.16	30,043,429.93	97.06%
2011	30,430,452.88	29,562,997.97	97.15%
2010	28,636,991.85	27,878,034.89	97.35%
2009	27,992,157.91	27,117,523.11	96.88%

### Comparative Schedule of Tax Rate Information

		<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Tax Rate	\$	1.361	1.325	1.289	1.207	1.172
Apportionment of Tax Rate:						
Municipal		0.094	0.094	0.094	-	-
County		0.223	0.222	0.216	0.209	0.199
Local School		1.044	1.009	0.979	0.998	0.973
Assessed Valuation		2,186,232,405	2,217,582,198	2,239,992,764	2,244,998,592	2,259,038,347

### Delinquent Taxes and Tax Title Liens

This tabulation includes a comparison, expressed in percentage, of the total delinquent taxes and tax title liens, in relation to the tax levies of the last five years.

Year	Amount of Tax Title Liens	Amount of Delinquent Taxes	Total Delinquent	Percentage Of Tax Levy
2013 \$	244,007.80	514,986.13	758,993.93	2.42%
2012	218,174.11	551,293.44	769,467.55	2.49%
2011	211,533.06	662,878.01	874,411.07	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%

### Uniform Construction Code

The Township of Upper's construction code official is in compliance with uniform construction code rules NJAC 5:23.17(b) 2 and NJAC 5:23.4.17(b) 3.

## **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.

{This space intentionally left blank}

## RECOMMENDATIONS

1. 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 Township remit \$418.00 to the Township of Dennis Municipal Court General Account and \$2.00 to the Township of Upper Treasurer. To ensure bank reconciliations are accurately maintained; we recommend that all discrepancies be investigated in a timely manner and that monthly reconciliations be reviewed.

In accordance with N.J.A.C. 5:30-9.10, Payment of Electronic Receipt Fees, we recommend that authorized service charges for processing electronic transactions be billed directly to the Township without deduction from any municipal court bank account.

We recommend that the cash bail on account be analyzed monthly ensuring that the balance is equal to the reconciled bail account book balance.

We recommend that the change fund be counted daily and reconciled to the daily cash receipts. We also recommend that separate change drawers are kept for each court employee responsible for accepting payments.

2. An actuarial report should be obtained in a timely manner.

The problems and weaknesses noted in my review were not of such magnitude that they would effect my ability to express an opinion on the financial statements taken as a whole.

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

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

*Leon P. Costello*

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

**May 30, 2014**

{THIS PAGE IS INTENTIONALLY LEFT BLANK}