

TOWNSHIP OF UPPER
REPORT OF AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2017

TOWNSHIP OF UPPER

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page No.</u>
	<u>PART I</u>	
	Independent Auditor's Report	1 - 3
	<u>CURRENT FUND</u>	
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
	<u>TRUST FUND</u>	
B	Comparative Balance Sheet - Regulatory Basis	17 - 18
	<u>GENERAL CAPITAL FUND</u>	
C	Comparative Balance Sheet - Regulatory Basis	19
C - 1	Statement of Fund Balance - Regulatory Basis	20
	<u>GENERAL FIXED ASSETS ACCOUNT GROUP</u>	
G	Comparative Balance Sheet - Regulatory Basis	21
	NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS	22 - 38
	<u>SUPPLEMENTARY INFORMATION</u>	
	Independent Auditors Report - Governmental Auditing Standards	39 - 40
	Schedule of Findings and Responses	41
	<u>CURRENT FUND</u>	
A - 4	Schedule of Cash - Treasurer	42
A - 5	Schedule of Cash - Collector	N/A
A - 6	Schedule of Taxes Receivable and Analysis of Property Tax Levy	43
A - 7	Schedule of Tax Title Liens	44
A - 8	Schedule of Revenue Accounts Receivable	45
A - 9	Schedule of Appropriation Reserves - Prior Year	46 - 48
A - 10	Schedule of Local District School Tax	49
A - 11	Schedule of Federal and State Grants Receivable	50
A - 12	Schedule of Appropriated Reserves for Federal and State Grants	51
A - 13	Schedule of Reserves for Federal and State Grants - Unappropriated	52

**TOWNSHIP OF UPPER
TABLE OF CONTENTS**

<u>Exhibit</u>		<u>Page No.</u>
	<u>TRUST FUND</u>	
B - 1	Schedule of Animal Control Cash - Treasurer	53
B - 2	Schedule of Other Trust Cash - Treasurer	54
B - 3	Schedule of Reserve for Animal Control Expenditures	55
B - 4	Schedule of Due To (From) Current Fund	56
B - 5	Schedule of Amount Due To (From) State of New Jersey	N/A
	<u>GENERAL CAPITAL FUND</u>	
C - 2	Schedule of Cash - Treasurer	N/A
C - 3	Analysis of Cash	57
C - 4	Schedule of Capital Improvement Fund	58
C - 5	Schedule of Deferred Charges to Future Taxation - Funded	N/A
C - 6	Schedule of Deferred Charges to Future Taxation - Unfunded	59
C - 7	Schedule of Improvement Authorizations	60
C - 8	Schedule of General Serial Bonds	N/A
C - 9	Schedule of Bond Anticipation Notes	61
C - 10	Schedule of Bonds and Notes Authorized But Not Issued	62
	<u>PART II</u>	
	General Comments	63 - 65
	Findings and Recommendations	66

TOWNSHIP OF UPPER

PART I

REPORT ON AUDIT OF

FINANCIAL STATEMENTS - REGULATORY BASIS

FOR THE YEAR ENDED

DECEMBER 31, 2017



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, 2017 and 2016, 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, 2017, 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, 2017 and 2016, 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, 2017 and 2016, 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, 2017 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 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 is the responsibility of management and was 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. 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.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2018 on our consideration of the Township of Upper's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Upper's internal control over financial reporting and compliance.

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

Leon P. Costello

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

June 1, 2018

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EXHIBIT - A
CURRENT FUND

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

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Regular Fund:		
Cash:		
Cash Treasurer	\$ 11,061,941.09	9,075,953.06
Cash - Change	600.00	800.00
Total Cash	<u>11,062,541.09</u>	<u>9,076,753.06</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	431,048.67	501,103.79
Tax Title and Other Liens	232,277.86	215,430.66
Property Acquired for Taxes - at Assessed Valuation	2,917,799.00	2,917,799.00
Revenue Accounts Receivable	3,782.67	5,409.94
Interfund Receivable:		
Trust - Other	869.57	473.93
Total Receivables and Other Assets	<u>3,585,777.77</u>	<u>3,640,217.32</u>
Deferred Charges:		
Special Emergency Appropriation	170,000.00	330,000.00
Total Deferred Charges	<u>170,000.00</u>	<u>330,000.00</u>
Total Regular Fund	<u>14,818,318.86</u>	<u>13,046,970.38</u>
Federal and State Grant Fund:		
Federal and State Grants Receivable	904,136.81	531,084.69
Due from Current Fund	<u>202,281.83</u>	<u>71,741.36</u>
Total Federal and State Grant Fund	<u>1,106,418.64</u>	<u>602,826.05</u>
Total Current Fund	<u>\$ 15,924,737.50</u>	<u>13,649,796.43</u>

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

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2017</u>	<u>2016</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 256,962.22	688,934.78
Reserve for Encumbrances/Accounts Payable	266,843.93	244,112.49
Payroll Taxes Payable	114.08	44.40
Prepaid Taxes	1,526,547.15	409,051.70
Overpaid Taxes	23,899.49	34,545.91
Local School Tax Payable	4,699,999.00	4,531,999.00
County Added Tax Payable	22,558.01	19,556.10
Due to State:		
Marriage Licenses	325.00	375.00
DCA Fees	5,928.00	3,815.00
Animal Control Fees	9.00	5.40
Burial Permit	10.00	10.00
Other	27,261.42	26,808.54
Hunting Licenses	465.25	567.50
Interfund Payable:		
General Capital Fund	509,010.34	68,438.24
Federal and State Grant Fund	202,281.83	71,741.36
Animal Control Trust Fund	116.23	59.83
Trust - Other	8.01	8.01
Other		
Reserve for Capital Projects	171,518.52	436,668.52
Reserve for Tax Map	780.00	780.00
Reserve for Revaluation	161,664.65	161,664.65
Reserve for State Tax Appeal	9,303.00	9,303.00
	<u>7,885,605.13</u>	<u>6,708,489.43</u>
Emergency Note Payable	150,000.00	300,000.00
Reserve for Receivables and Other Assets	3,585,777.77	3,640,217.32
Fund Balance	<u>3,196,935.96</u>	<u>2,398,263.63</u>
Total Regular Fund	<u>14,818,318.86</u>	<u>13,046,970.38</u>
Federal and State Grant Fund:		
Unappropriated Reserves	-	20,000.00
Appropriated Reserves	871,708.03	194,003.17
Encumbrances Payable	6,115.53	160,227.80
Due to Trust Other	228,595.08	228,595.08
Total Federal and State Grant Fund	<u>1,106,418.64</u>	<u>602,826.05</u>
Total Current Fund	<u>\$ 15,924,737.50</u>	<u>13,649,796.43</u>

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

	<u>2017</u>	<u>2016</u>
Revenue and Other Income Realized		
Fund Balance	\$ 1,016,000.00	930,000.00
Miscellaneous Revenue Anticipated	8,938,385.18	8,027,708.28
Receipts from Delinquent Taxes	493,848.00	569,676.46
Receipts from Current Taxes	33,710,739.04	32,947,416.03
Non Budget Revenue	313,084.21	358,357.05
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	606,310.62	341,656.25
Interfund Returned	473.93	1,243.75
Total Income	<u>45,078,840.98</u>	<u>43,176,057.82</u>
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	4,206,554.00	4,192,660.00
Other Expenses	5,452,240.00	5,253,665.00
Public and Private Programs Offset by Revenues	746,395.66	89,107.66
Deferred Charges & Statutory Expenditures	786,611.00	796,984.00
Appropriations Excluded from "CAPS"		
Operations:		
Insurance (N.J.S.A. 40A:4-45.3(00))	-	-
Capital Improvements	354,500.00	186,000.00
Debt Service	685,000.36	664,605.00
Deferred Charges	160,000.00	160,000.00
Local District School Tax	24,000,000.00	23,664,000.00
County Tax	5,158,053.05	4,980,104.62
County Share of Added Tax	22,558.01	19,556.10
Interfund Created	869.57	473.93
Refund of Prior Year's Revenue	2,750.00	77,494.04
Other:		
Special District Tax	1,688,637.00	1,656,637.00
Total Expenditures	<u>43,264,168.65</u>	<u>41,741,287.35</u>
Excess in Revenue	<u>1,814,672.33</u>	<u>1,434,770.47</u>

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

	<u>2017</u>	<u>2016</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>1,814,672.33</u>	<u>1,434,770.47</u>
Fund Balance January 1	<u>2,398,263.63</u>	<u>1,893,493.16</u>
	4,212,935.96	3,328,263.63
Decreased by:		
Utilization as Anticipated Revenue	<u>1,016,000.00</u>	<u>930,000.00</u>
Fund Balance December 31	<u>\$ 3,196,935.96</u>	<u>2,398,263.63</u>

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Anticipated			
	Budget	N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Fund Balance Anticipated	\$ 1,016,000.00		1,016,000.00	-
Total Fund Balance Anticipated	1,016,000.00	-	1,016,000.00	-
Miscellaneous Revenues:				
Section A: Local Revenues				
Licenses:				
Alcoholic Beverages	5,000.00		5,300.00	300.00
Fines and Costs:				
Municipal Court	90,000.00		78,163.98	(11,836.02)
Interest and Costs on Taxes	104,000.00		103,383.16	(616.84)
Interest Earned on Investments	22,000.00		47,009.80	25,009.80
EMS Ambulance Fees	200,000.00		274,182.25	74,182.25
Host Community Benefits	480,000.00		515,669.56	35,669.56
Cable TV Fees	52,000.00		67,394.96	15,394.96
Cell Tower Fees	100,000.00		95,325.68	(4,674.32)
Total Section A: Local Revenues	1,053,000.00	-	1,186,429.39	133,429.39
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	175,000.00		270,890.00	95,890.00
Total Section C: Uniform Construction Code Fees	175,000.00	-	270,890.00	95,890.00

The accompanying notes to the financial statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations				
Municipal Alliance on Alcoholism and Drug Abuse	24,393.00		24,393.00	-
Emergency Management	20,000.00		20,000.00	-
2017 Municipal Aid - NJ DOT		158,000.00	158,000.00	-
CM Open Space - Harbor Road Bike/Pedestrian Gateway		500,000.00	500,000.00	-
Clean Communities		37,904.66	37,904.66	-
Total Section F: Special Items - Public and Private Programs	44,393.00	695,904.66	740,297.66	-
Section G: Other Special Items				
Dennis Township & Corbin City - Municipal Court	117,000.00		151,115.13	34,115.13
Reserve for Capital Projects	266,000.00		266,000.00	-
Total Section G: Other Special Items	383,000.00	-	417,115.13	34,115.13
Total Miscellaneous Revenues:	7,979,046.00	695,904.66	8,938,385.18	263,434.52
Receipts from Delinquent Taxes	535,000.00		493,848.00	(41,152.00)
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes	3,164,830.44		3,840,971.06	676,140.62
Total Amount to be Raised by Taxes for Support of Municipal Budget	3,164,830.44	-	3,840,971.06	676,140.62
Budget Totals	12,694,876.44	695,904.66	14,289,204.24	898,423.14
Non- Budget Revenues:				
Other Non- Budget Revenues:			313,084.21	313,084.21
\$	12,694,876.44	695,904.66	14,602,288.45	1,211,507.35

The accompanying notes to the financial statements are an integral part of this statement.

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Analysis of Realized Revenues

Allocation of Current Tax Collections:	
Revenue from Collections	33,710,739.04
Less: Reserve for Tax Appeals Pending	
Net Revenue from Collections	33,710,739.04
Allocated to:	
School, County and Other Taxes	30,869,248.06
Balance for Support of Municipal Budget Appropriations	2,841,490.98
Increased by:	
Appropriation "Reserved for Uncollected Taxes"	999,480.08
Amount for Support of Municipal Budget Appropriations	3,840,971.06

Receipts from Delinquent Taxes:	
Delinquent Tax Collection	488,783.76
Tax Title Lien Collections	5,064.24
Total Receipts from Delinquent Taxes	493,848.00

Analysis of Non-Budget Revenue:

Miscellaneous Revenue Not Anticipated:	
FEMA Reimbursement	17,821.49
Sale of Municipal Assets	14,762.00
Township Facilities Use Fees	9,334.00
Boat Ramp Fees	13,301.00
Street Openings	2,930.00
Mining Permits	10,000.00
Planning and Zoning Board Deposits	19,200.00
MUA Permit Fees	12,056.92
State Wildlife	296.00
Property Lists	850.00
County Fleet Maintenance	34,748.60
Jitney License Fee	1,400.00
Clerk's Receipts	17,022.03
Engineer/Zoning Escrow Fees	14,362.00
Passport Fees	4,959.65
Tax Collector Receipts	6,101.01
Beacon Animal Rescue Lease	5.00
Fish and Game	11,685.00
Land Sale Fees Non-Ref	200.00
JIF Dividend	3,007.55
Campground Fees/Mobile Park Fees	2,760.00
Dog Park Receipts	1,187.50
2% Administration Fee	2,509.06
Restitution	83.00
Ambulance Fees Corbin City	25,470.00
W/C Employee Reimbursement	18,964.51
Miscellaneous	68,067.89
Total Miscellaneous Revenue Not Anticipated:	313,084.21

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
\$						
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT:						
Mayor and Committee	61,250.00	61,250.00	61,249.82		0.18	-
Salaries and Wages	18,000.00	18,000.00	14,145.70	851.97	3,002.33	-
Other Expenses						
Township Clerk	197,000.00	202,000.00	201,201.32		798.68	-
Salaries and Wages	42,000.00	42,000.00	26,544.98	2,543.20	12,911.82	-
Other Expenses						
Financial Administration	185,500.00	184,500.00	183,232.62		1,267.38	-
Salaries and Wages						
Other Expenses	36,100.00	36,100.00	36,100.00		-	-
Audit Services	146,000.00	154,500.00	151,669.62	2,557.50	272.88	-
Computer Services	21,000.00	21,000.00	11,611.48	1,415.72	7,972.80	-
Miscellaneous Other Expenses						
Assessment of Taxes	116,000.00	111,000.00	109,988.72		1,011.28	-
Salaries and Wages	40,000.00	40,000.00	40,000.00		-	-
Preparation of Tax Map	9,500.00	10,500.00	7,085.63	9.29	3,405.08	-
Other Expenses						
Collection of Taxes	96,000.00	96,000.00	95,769.70		230.30	-
Salaries and Wages						
Other Expenses	1,000.00	1,000.00	1,000.00		-	-
Purchase of Tax Title Liens	5,000.00	5,300.00	5,012.58	137.50	149.92	-
Miscellaneous Other Expenses						
Liquidation of Tax Title Liens	1,000.00	1,000.00			1,000.00	-
Other Expenses						
Legal Services	180,000.00	158,000.00	141,753.84	822.50	15,423.66	-
Other Expenses						
Special Litigation	95,000.00	117,000.00	105,842.75	2,380.97	8,776.28	-
Other Expenses						
Engineering Services	104,615.00	104,615.00	104,614.90		0.10	-
Salaries and Wages	63,250.00	48,250.00	33,781.27	14,154.66	314.07	-
Other Expenses						
Public Information						
Other Expenses	4,300.00	4,300.00			4,300.00	-
UTTV2	3,000.00	3,000.00	2,100.00		900.00	-
Miscellaneous Other Expenses						

The accompanying notes to the financial statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
INSURANCE						
General Liability	182,000.00	169,000.00	159,120.37		9,879.63	-
Workers Compensation Insurance	388,000.00	402,000.00	401,660.97		339.03	-
Employee Group Health	1,932,000.00	1,932,000.00	1,853,343.81	193.92	78,462.27	-
Health Benefit						
Salaries and Wages	12,000.00	12,000.00	9,870.84		2,129.16	-
LAND USE ADMINISTRATION						
Planning Board						
Salaries and Wages	30,000.00	30,300.00	29,960.28		339.72	-
Other Expenses	15,000.00	15,000.00	12,974.17	1,154.99	870.84	-
Zoning Board of Adjustment						
Salaries and Wages	30,000.00	30,300.00	29,960.28		339.72	-
Other Expenses	15,000.00	15,000.00	13,251.87	79.52	1,668.61	-
PUBLIC SAFETY						
First Aid Organization						
Salaries and Wages	615,400.00	588,400.00	587,210.35		1,189.65	-
Other Expenses	115,000.00	115,000.00	97,621.64	12,065.55	5,312.81	-
Emergency Management Services						
Salaries and Wages	23,200.00	23,200.00	23,086.36		113.64	-
Other Expenses	69,000.00	73,000.00	64,297.23	8,265.42	437.35	-
Crossing Guard						
Salaries and Wages	7,000.00	7,200.00	7,094.25		105.75	-
Other Expenses	1,000.00	800.00		469.52	330.48	-
Regional Dispatch - Contractual	231,790.00	231,790.00	231,790.00		-	-
Municipal Court						
Salaries and Wages	151,000.00	149,000.00	148,427.87		572.13	-
Other Expenses	40,000.00	40,000.00	32,900.10	2,308.71	4,791.19	-
Public Defender						
Salaries and Wages	19,768.00	19,768.00	19,767.60		0.40	-
Municipal Prosecutor						
Salaries and Wages	41,371.00	41,371.00	41,371.00		-	-
Other Expenses	1,000.00	1,000.00	50.00		950.00	-

The accompanying notes to the financial statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
PUBLIC WORKS						
Road Repairs and Maintenance						-
Salaries and Wages	691,000.00	681,000.00	680,727.45		272.55	-
Other Expenses						-
Surfacing of Roads	15,000.00	15,000.00	14,066.12	852.60	81.28	-
Miscellaneous Other Expenses	286,000.00	280,000.00	176,482.40	91,147.45	12,370.15	-
Recycling						-
Salaries and Wages	389,000.00	383,000.00	382,311.34		688.66	-
Other Expenses	75,000.00	75,000.00	72,687.22	2,249.59	63.19	-
Garbage and Trash						-
Salaries and Wages	428,000.00	423,500.00	422,841.74		658.26	-
Other Expenses						-
Tipping Fees	410,000.00	410,000.00	400,787.73		9,212.27	-
Miscellaneous Other Expenses	90,000.00	90,000.00	65,548.10	21,914.64	2,537.26	-
Public Buildings and Grounds						-
Salaries and Wages	611,000.00	638,500.00	637,424.28		1,075.72	-
Other Expenses	180,000.00	180,000.00	157,647.46	18,015.36	4,337.18	-
Gypsy Moth Program						-
Other Expenses	8,800.00	8,800.00	8,627.45		172.55	-
HEALTH AND WELFARE						
Board of Health						-
Salaries and Wages	550.00	550.00	549.90		0.10	-
Other Expenses	1,000.00	1,000.00	925.00		75.00	-
Dog Regulation						-
Other Expenses	77,600.00	77,600.00	74,464.82	74.69	3,060.49	-
PARK AND RECREATION						
Emergency Shore Protection						-
Other Expenses	23,300.00	26,300.00	7,965.63	15,248.34	3,086.03	-
Beach Protection						-
Salaries and Wages	256,000.00	250,100.00	250,050.54		49.46	-
Other Expenses	33,500.00	36,500.00	28,501.03	7,682.80	316.17	-
Community Center						-
Salaries and Wages	40,000.00	-	30,636.28	8,458.96	-	-
Other Expenses		40,000.00			904.76	-
Affordable Housing						-
Salaries and Wages	2,500.00	2,500.00	2,499.90		0.10	-
Other Expenses	2,500.00	2,500.00			2,500.00	-
Sports and Recreation						-
Salaries and Wages	30,400.00	15,400.00	14,806.11		593.89	-
Other Expenses	220,000.00	220,000.00	193,123.33	12,996.53	13,880.14	-

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
UNIFORM CONSTRUCTION CODE					
State Uniform Construction Code					
Construction Official					
Salaries and Wages	129,000.00	126,000.00	125,529.57		470.43
Other Expenses	50,000.00	50,000.00	49,079.50	648.42	272.08
Zoning/Code Official					
Salaries and Wages	15,000.00	15,000.00	14,999.92		0.08
Other Expenses	1,000.00	1,000.00			1,000.00
UNCLASSIFIED					
Celebration of Public Events	22,000.00	22,000.00	21,710.03	104.95	185.02
Compensation for Accumulated Absence	100.00	10,100.00		10,100.00	-
Drug and Alcohol Testing	24,000.00	17,000.00	15,810.00		1,190.00
UTILITY EXPENSES AND BULK PURCHASES					
Street Lighting	210,000.00	245,000.00	227,124.17	361.43	17,514.40
TOTAL OPERATIONS WITHIN "CAPS"	<u>9,667,294.00</u>	<u>9,658,794.00</u>	<u>9,173,390.94</u>	<u>239,266.70</u>	<u>246,136.36</u>
Contingent	-	-	-	-	-
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	<u>9,667,294.00</u>	<u>9,658,794.00</u>	<u>9,173,390.94</u>	<u>239,266.70</u>	<u>246,136.36</u>
Detail:					
Salaries and Wages	4,282,654.00	4,206,554.00	4,184,546.66	10,100.00	11,907.34
Other Expenses	5,384,640.00	5,452,240.00	4,988,844.28	229,166.70	234,229.02
DEFERRED CHARGES AND STATUTORY EXPENDITURES:					
Deferred Charges:					
None	-	-	-	-	-
Statutory Expenditures:					
Contributions to:					
Public Employees' Retirement System	445,611.00	448,611.00	448,399.58		211.42
Social Security System (O.A.S.I.)	320,000.00	325,500.00	324,950.76		549.24
Unemployment Compensation Insurance	3,000.00	3,000.00	2,732.51		267.49
Defined Contribution Retirement Program	9,500.00	9,500.00	7,171.93		2,328.07

The accompanying notes to the financial statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget	Appropriations Budget After Modifications	Paid or Charged	Expended Encumbered	Reserved	(Over expended) Unexpended Balance Cancelled
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	778,111.00	786,611.00	783,254.78	-	3,356.22	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	10,445,405.00	10,445,405.00	9,956,645.72	239,266.70	249,492.58	-
OPERATIONS - EXCLUDED FROM "CAPS"						
(A) Operations - Excluded from "CAPS"		-		-	-	-
None						
(A) Public and Private Programs Off-Set by Revenues						
Municipal Alliance Grant	24,393.00	24,393.00	24,393.00		-	-
Municipal Alliance Grant - Match	6,098.00	6,098.00	6,098.00		-	-
NJ Office of Emergency Management	20,000.00	20,000.00	20,000.00		-	-
2017 Municipal Aid - NJ DOT		158,000.00	158,000.00		-	-
CM Open Space - Harbor Road Bike/Pedestrian Gateway		500,000.00	500,000.00		-	-
Clean Communities		37,904.66	37,904.66		-	-
Total Public and Private Programs Off-Set by Revenues	50,491.00	746,395.66	746,395.66	-	-	-
Total Operations - Excluded from "CAPS"	50,491.00	746,395.66	746,395.66	-	-	-
Detail:						
Salaries and Wages	-	-	-	-	-	-
Other Expenses	50,491.00	746,395.66	746,395.66	-	-	-
(C) Capital Improvements						
Capital Improvement Fund	75,000.00	75,000.00	75,000.00		-	-
Beach Replenishment Fund	40,000.00	40,000.00	40,000.00		-	-
Strathmere Projects	30,000.00	30,000.00	453.00	25,764.36	3,782.64	-
Construction of Recreation Facilities	15,000.00	15,000.00	13,999.80		1,000.20	-
Public Safety Vehicle	34,500.00	34,500.00	34,500.00		-	-
EMS Equipment	15,000.00	15,000.00	12,313.20		2,686.80	-
Asbestos Abatement	125,000.00	125,000.00	125,000.00		-	-
Preliminary Costs - Architectural	20,000.00	20,000.00	20,000.00		-	-
Total Capital Improvements	354,500.00	354,500.00	321,266.00	25,764.36	7,469.64	-

The accompanying notes to the financial statements are an integral part of this statement.

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
(D) Debt Service					
Payment of Bond Anticipation Notes	660,000.00	660,000.00	660,000.00	-	-
Interest on Notes	25,000.36	25,000.36	25,000.36	-	-
Total Debt Service	<u>685,000.36</u>	<u>685,000.36</u>	<u>685,000.36</u>	<u>-</u>	<u>-</u>
(E) Deferred Charges					
Special Emergency Authorization - 5 Years	160,000.00	160,000.00	160,000.00	-	-
Total Deferred Charges	<u>160,000.00</u>	<u>160,000.00</u>	<u>160,000.00</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	<u>1,249,991.36</u>	<u>1,945,896.02</u>	<u>1,912,662.02</u>	<u>25,764.36</u>	<u>-</u>
SUBTOTAL GENERAL APPROPRIATIONS	<u>11,695,396.36</u>	<u>12,391,301.02</u>	<u>11,869,307.74</u>	<u>265,031.06</u>	<u>-</u>
(M) Reserve for Uncollected Taxes	<u>999,480.08</u>	<u>999,480.08</u>	<u>999,480.08</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL APPROPRIATIONS	<u>\$ 12,694,876.44</u>	<u>13,390,781.10</u>	<u>12,868,787.82</u>	<u>265,031.06</u>	<u>-</u>
Budget		12,694,876.44		Cancelled	-
Appropriations by 40A:4-87		<u>695,904.66</u>		Overexpended	-
		<u>13,390,781.10</u>			<u>-</u>
Reserve for Uncollected Taxes		999,480.08			
Federal and State Grants		746,395.66			
Deferred Charges		160,000.00			
Capital Improvement Fund		321,266.00			
Disbursements		10,641,646.08			
		<u>12,868,787.82</u>			

The accompanying notes to the financial statements are an integral part of this statement.

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EXHIBIT - B
TRUST FUND

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

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
<u>Animal Control Fund</u>		
Cash and Investments	\$ 7,629.50	7,569.67
Due from Current Fund	116.23	59.83
	<u>7,745.73</u>	<u>7,629.50</u>
<u>Other Funds</u>		
Cash and Investments - Treasurer	2,067,198.43	2,143,254.58
Due from Grant Fund	228,595.08	228,595.08
Due from Current Fund	8.01	8.01
	<u>2,295,801.52</u>	<u>2,371,857.67</u>
	<u>\$ 2,303,547.25</u>	<u>2,379,487.17</u>

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

	<u>2017</u>	<u>2016</u>
<u>Liabilities, Reserves and Fund Balance</u>		
<u>Animal Control Fund</u>		
Reserve for Animal Control Expenditures	\$ 7,745.73	7,629.50
	<u>7,745.73</u>	<u>7,629.50</u>
<u>Other Funds</u>		
Deposits for Tax Title Lien Certificates	204.87	20,587.62
Premiums Received at Tax Sale	230,600.00	187,300.00
Due to Current Fund	869.57	473.93
Reserve for Fire Safety	12,114.40	12,114.40
Due to State - Department of Labor	592.41	3,617.25
Reserve for Unemployment Compensation	92,446.09	75,684.56
Reserve for Developers' Escrow	58,261.67	189,677.69
Reserve for Client Funds Escrow	235,936.09	318,741.63
Reserve for Landfill Closure Fund	33,753.90	33,578.45
Reserve for Planning Board Escrow	41,748.66	38,914.91
Reserve for Recycling	410,346.37	385,959.74
Reserve for Recreation Fund	35,075.97	21,172.84
Reserve for Municipal Alliance	11,300.83	11,079.39
Reserve for Sick Pay	370,457.46	454,115.58
Reserve for Affordable Housing Trust	758,042.37	617,885.14
Reserve for UT Cafeteria Fund	465.21	470.89
Reserve for Recreation Donations	3,577.65	477.65
Reserve for Parking Offenses Adjudication Act	8.00	6.00
	<u>2,295,801.52</u>	<u>2,371,857.67</u>
	<u>\$ 2,303,547.25</u>	<u>2,379,487.17</u>

EXHIBIT - C
GENERAL CAPITAL FUND

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

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Deferred Charges to Future Taxation - Unfunded	\$ 6,752,385.00	7,412,385.00
Interfunds and Receivables Due from Current Fund	509,010.34	68,438.24
	<u>7,261,395.34</u>	<u>7,480,823.24</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Encumbrances Payable	305,057.27	1,531,110.85
Bond Anticipation Notes Payable	4,065,000.00	2,425,000.00
Improvement Authorizations:		
Funded	492,554.48	550,217.68
Unfunded	1,323,266.21	2,120,677.33
Reserve for PW Equipment	50,000.00	50,000.00
Reserve for Beach Replenishment	385,000.00	345,000.00
Reserve for Capital Projects	195,218.00	195,218.00
Reserve for Building Repairs	10,828.85	10,828.85
Reserve for Construction of Recreation Facilities	9,004.24	9,004.24
Reserve for Asbestos Abatement	86,700.00	-
Reserve for Preliminary Costs - Architectural	20,000.00	-
Reserve for Debt Service	72,090.50	72,090.50
Capital Improvement Fund	193,753.45	118,753.45
Fund Balance	52,922.34	52,922.34
	<u>\$ 7,261,395.34</u>	<u>7,480,823.24</u>

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

2016	4,987,385.00
2017	2,687,385.00

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

	<u>2017</u>	<u>2016</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>2017</u>	<u>2016</u>
General Fixed Assets:		
Land	\$ 21,135,600.00	305,136.67
Buildings	11,827,300.00	2,940,661.89
Machinery and Equipment	<u>5,503,870.00</u>	<u>6,258,972.79</u>
Total General Fixed Assets	<u><u>38,466,770.00</u></u>	<u><u>9,504,771.35</u></u>
Investment in General Fixed Assets	\$ <u><u>38,466,770.00</u></u>	<u><u>9,504,771.35</u></u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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.

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

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

Component units are legally separate organizations for which the township is financially accountable. The township is financially accountable for an organization if the township appoints a voting majority of the organization's governing board and (1) the township is able to significantly influence the programs or services performed or provided by the organization; or (2) the township is legally entitled to or can otherwise access the organization's resources; the township is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the township is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the township in that the township 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.

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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 township budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Township's Current Fund, such amounts are not recorded as revenue until collected. Other amounts that are due to the township which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

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 Township 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.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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.

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 township'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.

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

F. Recent Accounting Pronouncements Not Yet Effective

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement, which is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the Township's financial reporting.

In November 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 83, "Certain Asset Retirement Obligations". This statement is effective for fiscal periods beginning after June 15, 2018, will not have any effect on the Township's financial reporting.

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, "Fiduciary Activities". This statement is effective for fiscal periods beginning after December 15, 2018, will not have any effect on the Township's financial reporting.

In March 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 85, "Omnibus 2017". This statement is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the Township's financial reporting.

In May 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 86, "Certain Debt Extinguishment Issues". This statement is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the Township's financial reporting.

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, "Leases". This statement is effective for fiscal periods beginning after December 15, 2019, will not have any effect on the Township's financial reporting.

Note 2: BUDGETARY INFORMATION

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 2017 and 2016, the following significant budget insertions were approved:

<u>Budget Category</u>	<u>2017</u>	<u>2016</u>
Clean Communities Program	\$ 37,904.66	44,616.66
2017 Municipal Aid - NJ DOT	158,000.00	
CM Open Space - Harbor Road Bike/Pedestrian Gateway	500,000.00	

The township 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. In 2013, the township approved a special emergency appropriation for \$750,000.00. This emergency was for a revaluation in the township. In 2014, the township approved a special emergency appropriation for \$50,000.00. This emergency was for the preparation of an approved tax map. The unfunded balance as of December 31, 2017 for both special emergencies was \$170,000.00.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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 2017 and 2016 statutory budgets included a reserve for uncollected taxes in the amount of \$999,480.08 and \$958,784.63. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2017 and 2016 statutory budgets was \$1,016,000.00.

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 2017 and 2016 calendar years:

<u>Budget Category</u>	<u>2017</u>	<u>2016</u>
<u>Current Fund:</u>		
Legal Services		
Other Expenses	(22,000.00)	40,000.00
Special Litigation		
Other Expenses	22,000.00	50,000.00
Engineering Services		
Other Expenses	(15,000.00)	-
Insurance		
General Liability	(13,000.00)	-
Workers Compensation Insurance	14,000.00	-
First Aid Organization		
Salaries and Wages	(27,000.00)	15,000.00
Regional Dispatch - Contractual	-	(25,000.00)
Road Repairs and Maintenance		
Salaries and Wages	(10,000.00)	(90,500.00)
Other Expenses-Surfacing of Roads	-	(13,000.00)
Garbage and Trash		
Tipping Fees	-	13,500.00
Public Buildings and Grounds		
Salaries and Wages	27,500.00	(30,000.00)
Emergency Shore Protection		
Other Expenses	-	(15,000.00)
Community Center		
Salaries and Wages	(40,000.00)	(18,000.00)
Other Expenses	40,000.00	-
Sports and Recreation		
Other Expenses	(15,000.00)	10,000.00
Zoning/Code Official		
Other Expenses	-	(12,000.00)
Compensation for Accumulated Absences	10,000.00	20,000.00
Street Lighting	35,000.00	40,000.00

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 3: INVESTMENTS

As of December 31, 2017 and 2016, the municipality held certificates of deposit in the amount of \$33,753.90 and \$33,578.45 respectively with Ocean First Bank. The certificates matured in 2017 and were rolled over for one year with an interest rate of .75%.

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 township 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, 2017, \$6,717.13 of the government's bank balance of \$12,751,057.29 was exposed to custodial credit risk. As of December 31, 2016, \$15,608.46 of the government's bank balance of \$11,421,458.71 was exposed to custodial credit risk.

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 5: FIXED ASSETS

The following schedules are a summarization of the changes in general fixed assets for the calendar years ended December 31, 2017 and 2016:

	Balance 12/31/2015	Additions	Retirements	Balance 12/31/2016
Land	\$ 305,136.67			305,136.67
Building	2,940,661.89			2,940,661.89
Machinery and Equipment	5,948,935.40	842,610.27	(532,572.88)	6,258,972.79
	<u>\$ 9,194,733.96</u>	<u>842,610.27</u>	<u>(532,572.88)</u>	<u>9,504,771.35</u>

	Balance 12/31/2016	Additions	** Adjustments	Balance 12/31/2017
Land	\$ 305,136.67		20,830,463.33	21,135,600.00
Building	2,940,661.89		8,886,638.11	11,827,300.00
Machinery and Equipment	6,258,972.79	489,443.00	(1,244,545.79)	5,503,870.00
	<u>\$ 9,504,771.35</u>	<u>489,443.00</u>	<u>28,472,555.65</u>	<u>38,466,770.00</u>

** In 2017, the Township authorized a contract with Tag Consulting Group for the preparation and maintenance of the Township's fixed assets accounting and reporting system. The December 31, 2017 balance was adjusted accordingly.

NOTE 6: SHORT-TERM OBLIGATIONS

	Balance 12/31/2015	Issued	Retired	Balance 12/31/2016
Bond Anticipation Notes payable:				
General	\$ 3,065,000.00	2,425,000.00	3,065,000.00	2,425,000.00
	<u>\$ 3,065,000.00</u>	<u>2,425,000.00</u>	<u>3,065,000.00</u>	<u>2,425,000.00</u>

	Balance 12/31/2016	Issued	Retired	Balance 12/31/2017
Bond Anticipation Notes payable:				
General	\$ 2,425,000.00	4,065,000.00	2,425,000.00	4,065,000.00
	<u>\$ 2,425,000.00</u>	<u>4,065,000.00</u>	<u>2,425,000.00</u>	<u>4,065,000.00</u>

The Capital Bond Anticipation Note was issued in the amount of \$4,065,000.00 on January 27, 2017 and due and payable on January 26, 2018 with interest at 1.288%. As of December 31, 2017, the township has authorized but not issued bonds in the amount of \$2,687,385.00 in the General Capital Fund.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 7: LONG TERM DEBT

Long-term debt as of December 31, 2017 and 2016 consisted of the following:

	Balance 12/31/2015	Issued	Retired	Balance 12/31/2016	Amounts Due Within One Year
Other liabilities:					
Compensated					
Absences Payable	\$ 704,791.05		21,957.09	682,833.96	-
Total long-term liabilities	<u>\$ 704,791.05</u>	<u>-</u>	<u>21,957.09</u>	<u>682,833.96</u>	<u>-</u>

	Balance 12/31/2016	Issued	Retired	Balance 12/31/2017	Amounts Due Within One Year
Other liabilities:					
Compensated					
Absences Payable	\$ 682,833.96		73,111.54	609,722.42	-
Total long-term liabilities	<u>\$ 682,833.96</u>	<u>-</u>	<u>73,111.54</u>	<u>609,722.42</u>	<u>-</u>

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 0.349%.

	Gross Debt	Deductions	Net Debt
Local School District Debt	\$ -		-
General Debt	6,752,385.00	72,090.50	6,680,294.50
	<u>\$ 6,752,385.00</u>	<u>72,090.50</u>	<u>6,680,294.50</u>

Net Debt \$6,680,294.50 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$1,913,442,526 = 0.349%.

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

3 1/2 % of Equalized Valuation Basis (Municipal)	\$ 66,970,488.00
Net Debt	6,680,294.50
Remaining Borrowing Power	<u>\$ 60,290,193.50</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 8: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2017 and 2016, which were appropriated and included as anticipated revenue in their respective funds for the year ending December 31, 2018 and 2017 were as follows:

		<u>2018</u>	<u>2017</u>
Current Fund	\$	1,396,611.50	1,016,000.00

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, 2017, the following deferred charges are shown on the balance sheets of the various funds:

	<u>Balance December 31, 2017</u>	<u>2018 Budget Appropriation</u>	<u>Balance to Succeeding</u>
Current fund:			
Special Emergency Appropriation	\$ 170,000.00	170,000.00	-
	<u>170,000.00</u>	<u>170,000.00</u>	<u>-</u>

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:

	<u>12/31/2017</u>	<u>12/31/2016</u>
Balance of Tax	\$ 11,999,999.00	11,831,999.00
Deferred	7,300,000.00	7,300,000.00
Tax Payable	<u>\$ 4,699,999.00</u>	<u>4,531,999.00</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:

	<u>Balance 12/31/17</u>	<u>Balance 12/31/16</u>
Prepaid Taxes	\$ 1,526,547.15	409,051.70
Cash Liability for Taxes Collected in Advance	<u>\$ 1,526,547.15</u>	<u>409,051.70</u>

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 12: PENSION FUNDS

Description of Plans

Substantially all of the township'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.

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 7.20% through June 30, 2017 and 7.34% 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 13.37% of covered payroll. The township's contributions to PERS for the years ended December 31, 2017, 2016, and 2015 were \$445,611.00, \$455,684.00, and \$427,828.00.

The total payroll for the year ended December 31, 2017, 2016, and 2015 was \$3,809,600.11, \$3,636,741.47, and \$3,641,548.05. Payroll covered by PERS was \$3,331,592.00, \$3,238,546.00, and \$3,367,503.00.

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. 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.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

- 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 1/60th from 1/55th, 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. 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 1/7th of the required amount, beginning in fiscal years 2013.

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: PENSION LIABILITIES

In 2012, the Governmental Accounting Standards Board issued GASB statement 68. This statement is effective for fiscal years beginning after June 15, 2014. This statement changes the method of reporting the township's pension liabilities. However, due to the fact that the municipality reports on the regulatory basis of accounting, no financial statement impact will be recognized.

The following represents the township's pension liabilities as June 30, 2017:

Public Employees' Retirement System

The Township has a liability of \$11,273,800.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Township's proportion would be 0.04843029930%, which would be a decrease of 3.45% from its proportion measured as of June 30, 2016.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

For the year ended December 31, 2017, the Township would have recognized pension expense of \$673,419.00. At December 31, 2017, the Township would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 265,459	
Changes of assumptions	2,271,282	(2,262,955)
Changes in proportion	353,807	(981,775)
Net difference between projected and actual earnings on pension plan investments	76,767	
Total	<u>\$ 2,967,315</u>	<u>(3,244,730)</u>

Amounts that would be reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense as follows:

Year ended June 30,	
2018	\$ (220,704)
2019	(320,650)
2020	(190,465)
2021	254,641
2022	199,764
Total	<u>\$ (277,415)</u>

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	2.25%
Salary increases:	
Through 2026	1.65% - 4.15% (based on age)
Thereafter	2.65% - 5.15% (based on age)
Investment rate of return:	7.00%

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflations. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Township's proportionate share of the net pension liability to changes in the discount rate.

The following presents the Township's proportionate share of the net pension liability calculated using the discount rate of 5.00%, as well as what the Township's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.00%) or 1-percentage point higher (6.00%) than the current rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Township's proportionate share of the net pension liability	\$ 13,525,838	11,273,800	\$ 9,400,003

Pension plan fiduciary net position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

NOTE 14: POST-RETIREMENT BENEFITS

The Township utilizes Horizon Blue Cross Blue Shield of New Jersey to provide post-retirement benefits. During 2017, the Township provided post-employment health/prescription/and dental benefits of \$427,278.19 to twenty (20) retired employees. In accordance with GASB 45 and the State of New Jersey, the Township obtained an actuarial valuation of the liability for providing these benefits.

As of December 31, 2017, the actuarial valuation report was based on 85 participants including 20 retirees and dependent spouses. The actuarial determined valuation of these benefits has been reviewed and will be reviewed bi-annually for the purpose of estimating the present value of future benefits for active and retired employees and their dependents as required by GASB 45.

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

Annual OPEB Cost and Net OPEB Obligation

The Township's annual OPEB cost represents the accrued cost for post-employment benefits under GASB 45. The cumulative difference between the annual OPEB cost and the benefits paid during a year will result in a net OPEB obligation. The annual OPEB cost is equal to the annual required contribution (ARC) less adjustment if a net OPEB obligation exists. The ARC is equal to the normal cost and amortization of the Unfunded Actuarial Accrued Liability (UAAL) plus interest. The Actuarial Accrued Liability (AAL) as of December 31, 2017 is \$25,290,000.00 based upon a discount rate of 4.5% per annum and the plan provisions in effect as of yearend. As of the measurement date, the plan has no assets to offset any portion of the Actuarial Accrued Liability (AAL), therefore the UAAL and AAL are equal.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates and assumptions about the probability of occurrences of events far into the future, including future employment, mortality and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Other Post-Employment Benefit Costs and Obligations

In the December 31, 2017 actuarial valuation, the Annual Required Contribution (ARC) for the year ending December 31, 2017 was projected as follows:

	12/31/2017
Normal Cost	\$ 970,000
AAL	25,290,000
Less Assets	
UAAL	25,290,000
30 Year Amortization of UAAL at Discount Rate	1,490,000
Interest	100,000
Total ARC	\$ <u>2,560,000</u>

NOTE 15: 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 \$609,722.42 in 2017 and \$682,833.96 in 2016. 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 township does not accrue the liability.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 16: 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 2017, the Township received \$6,323,653.00, which represents approximately 50% 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.

NOTE 17: RISK MANAGEMENT

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

Property and Liability Insurance - The Township maintains commercial insurance coverage for property, liability and surety bonds. During the year ended December 31, 2017 and 2016 the township did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

The township 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 township 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 township has a general liability limit of \$50,000 under JIF, which increases to \$1,000,000 under MEL.

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

<u>Calendar Year</u>	<u>Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017	36,899.31	408.66	20,546.44	92,446.09
2016	35,349.82	225.72	38,092.37	75,684.56
2015	40,769.19	191.61	26,716.54	78,201.39

NOTE 18: 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 township. 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.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

As part of its fiduciary role, the township has an obligation of due care in selecting the third party administrator. In the opinion of the township's legal counsel, the township 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 Mass Mutual Financial Group.

NOTE 19: INTERFUND BALANCES

During the most current calendar year ended December 31, 2017, 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	\$	509,010.34
Tax Title Lien Redemption	869.57	
Grant Fund		202,281.83
Trust Other		8.01
Animal Control Fund		116.23
Grant Fund:		
Current Fund	202,281.83	
Trust Fund		228,595.08
Trust Fund:		
Current - Tax Title Lien		869.57
Current - Municipal Alliance	8.01	
Current - Animal Control	116.23	
Grant Fund	228,595.08	
General Capital Fund:		
Current Fund	509,010.34	
	\$ <u>940,881.06</u>	<u>940,881.06</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 to the Animal Control Fund represents the statutory excess accumulated in the Animal Control Fund in the current year. The remaining tax title lien redemption trust and other trust interfunds are due to amounts that should have been transferred to the proper bank accounts for interest earned on the accounts.

NOTE 20: CONTINGENT LIABILITIES

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

NOTE 21: SUBSEQUENT EVENTS

The Township has evaluated subsequent events through June 1, 2018, the date which the financial statements were available to be issued. The following event was identified:

On January 25, 2018, the Township issued \$3,405,000.00 in bond anticipation notes. The note matures January 25, 2019 with a 2.5% interest rate.

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, 2017, and the related notes to the financial statements, which collectively comprise the Township of Upper's basic financial statements, and have issued our report thereon dated June 1, 2018, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

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

Leon P. Costello

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

June 1, 2018

TOWNSHIP OF UPPER
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDING DECEMBER 31, 2017

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unmodified Opinion issued on the Financial Statements – Regulatory Basis, presented in accordance with an "Other Comprehensive Basis of Accounting".**

Internal control over financial reporting:

- | | |
|---------------------------------------|-----------|
| 1) Material Weakness identified? | NO |
| 2) Significant Deficiency identified? | NO |

Non-Compliance material to Financial Statements – Regulatory Basis noted? **NO**

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

In accordance with Government Auditing Standards, our audit disclosed no findings relating to the financial statements – regulatory basis that are required to be reported. However, we have issued an accompanying Management Letter.

MANAGEMENT RESPONSES

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

A corrective action plan is not required for 2017.

STATUS OF PRIOR YEAR FINDINGS

There were no prior year audit findings.

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

		<u>Current Fund</u>
Balance December 31, 2016	\$	9,075,953.06
Increased by Receipts:		
Tax Collector	35,309,814.58	
Revenue Accounts Receivable	7,827,834.79	
Miscellaneous Revenue	309,502.03	
Due from State - Veterans and Senior Citizens	125,452.88	
Accrued Payroll Taxes	5,049,486.48	
Marriage & Civil Union License Fees Due to State	1,750.00	
Hunting and Fishing License Fees Due to State	7,997.75	
Dog License Fees Due to State	1,516.20	
DCA Training Fees Due to State	19,968.00	
Petty Cash & Change Funds	200.00	
Due from General Capital	2,300,000.00	
Due from Federal and State Grant Fund	347,245.54	
Due from Other Trusts	473.93	
Due from Animal Control	4,809.97	
Reserve for Capital Projects	122,850.00	
		<u>51,428,902.15</u>
		60,504,855.21
Decreased by Disbursements:		
Current Year Appropriation	10,641,646.08	
Prior Year Appropriations	324,923.78	
County Taxes	5,177,609.15	
Local District School Taxes	23,832,000.00	
Special District Taxes	1,688,637.00	
Refund of Tax Overpayments	20,644.34	
Payroll Taxes and Deductions	5,049,416.80	
Due State For Marriage Licenses & Civil Unions	1,800.00	
Due State for Hunting and Fishing Licenses	8,100.00	
Due to State for Dog Licenses	1,512.60	
Due State for DCA Training Fees	17,855.00	
Due to General Capital	2,180,693.90	
Due to Animal Control	3,272.40	
Due to Federal and State Grant Fund	222,803.07	
Reserve for Capital Projects	122,000.00	
Emergency Note Payable	150,000.00	
		<u>49,442,914.12</u>
Balance December 31, 2017	\$	<u><u>11,061,941.09</u></u>

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

Year	Balance Dec. 31, 2016	Current Year Levy	Added Taxes	Collections by Cash		Adjustments	Transferred To Tax Title Lien	Balance Dec. 31, 2017
				2016	2017			
Arrears \$	-							-
2016	501,103.79				488,783.76	1,430.25	6,491.32	4,398.46
	501,103.79	-	-	-	488,783.76	1,430.25	6,491.32	4,398.46
2017	-	34,218,916.68	5,681.64	409,051.70	33,301,687.34	68,195.59	19,013.48	426,650.21
\$	501,103.79	34,218,916.68	5,681.64	409,051.70	33,790,471.10	69,625.84	25,504.80	431,048.67
Analysis of Current Year Tax Levy								
Tax Yield:								
General Property Tax								
Special District Taxes								
Added Taxes (54:4-63.1 et. Seq.)								
					32,531,454.90			
					1,687,461.78			
					5,681.64			
						34,224,598.32		
Tax Levy:								
General County Taxes								
County Library Taxes								
County Open Space Taxes								
County Health Taxes								
County Added and Omitted Taxes								
Total County Taxes								
					22,558.01	5,180,611.06		
Local School District Tax								
Additional Local School District Tax								
Special District Tax								
						-		
						1,688,637.00		
Local Tax for Municipal Purposes								
Add: Additional Tax Levied								
					3,164,830.44			
					190,519.82			
						3,355,350.26		
						34,224,598.32		

See Accompanying Auditor's Report

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

Balance December 31, 2016		\$	215,430.66
Increased by:			
Transfers from Taxes Receivable	25,504.80		
Interest and Costs Accrued by Sale			
October 3, 2017	1,360.11		
			<u>26,864.91</u>
			242,295.57
Decreased by:			
Collections	5,064.24		
Cancelled by Resolution	4,953.47		
			<u>10,017.71</u>
Balance December 31, 2017		\$	<u><u>232,277.86</u></u>

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	Balance Dec. 31, 2016	Accrued in 2016	Collected by		Balance Dec. 31, 2017
			Collector	Treasurer	
Licenses:					
Alcoholic Beverages	-	5,300.00		5,300.00	-
Fines and Costs:					
Municipal Court	5,409.94	76,536.71			
Interest and Costs on Taxes	-	103,383.16	103,383.16	78,163.98	3,782.67
Interest Earned on Investments	-	47,009.80		47,009.80	-
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	-	274,182.25		274,182.25	-
Host Community Benefits	-	515,669.56		515,669.56	-
Cable TV Fees	-	67,394.96		67,394.96	-
Cell Tower Fees	-	95,325.68		95,325.68	-
Dennis Twp & Corbin City - Municipal Court	-	151,115.13		151,115.13	-
Uniform Construction Code Fees	-	270,890.00		270,890.00	-
Miscellaneous Revenue Not Anticipated		313,084.21	2,101.01	310,983.20	-
	<u>5,409.94</u>	<u>8,243,544.46</u>	<u>105,484.17</u>	<u>8,139,687.56</u>	<u>3,782.67</u>

\$

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
OPERATIONS WITHIN "CAPS"					
GENERAL GOVERNMENT:					
Mayor and Committee					-
Other Expenses	6,911.00	6,911.00	748.71	6,162.29	-
Township Clerk					-
Other Expenses	7,339.05	8,339.05	7,805.76	533.29	-
Financial Administration					-
Computer Services	14,057.75	14,057.75	12,915.49	1,142.26	-
Miscellaneous Other Expenses	3,278.53	3,278.53	2,913.04	365.49	-
Collection of Taxes					-
Miscellaneous Other Expenses	1,357.92	1,357.92	319.30	1,038.62	-
Legal Services					-
Other Expenses	17,154.47	17,154.47	13,677.00	3,477.47	-
Special Litigation					-
Other Expenses	18,296.39	18,296.39	17,505.40	790.99	-
Engineering Services					-
Other Expenses	34,501.28	34,501.28	5,624.45	28,876.83	-
INSURANCE					-
General Liability	660.42	660.42	660.42	-	-
Employee Group Health	354,662.05	354,662.05	32,354.89	322,307.16	-
LAND USE ADMINISTRATION					-
Planning Board					-
Other Expenses	5,623.10	5,623.10	34.95	5,588.15	-
Zoning Board of Adjustment					-
Other Expenses	2,687.48	2,687.48	750.00	1,937.48	-
PUBLIC SAFETY					-
Crossing Guard					-
Other Expenses	1,000.00	1,000.00	783.00	217.00	-
Emergency Management Services					-
Other Expenses	7,420.72	7,420.72	4,979.76	2,440.96	-
First Aid Organization					-
Other Expenses	3,595.90	5,595.90	4,659.71	936.19	-
Municipal Court					-

See Accompanying Auditor's Report

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

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
Other Expenses	1,747.03	1,747.03	1,501.73	245.30	-
PUBLIC WORKS					
Road Repairs and Maintenance					
Salaries & Wages	42,327.59	7,227.59		7,227.59	-
Other Expenses					
Miscellaneous Other Expenses	54,282.40	54,282.40	47,596.91	6,685.49	-
Garbage and Trash					
Salaries & Wages	87.44	87.44	87.44	-	-
Tipping Fees	33,379.80	63,379.80	63,379.80	-	-
Miscellaneous Other Expenses	18,281.74	18,281.74	11,816.72	6,465.02	-
Public Buildings and Grounds					
Salaries & Wages	17,721.45	8,221.45		8,221.45	-
Other Expenses	55,447.55	55,447.55	7,366.90	48,080.65	-
Recycling					
Other Expenses	13,035.35	13,035.35	4,190.35	8,845.00	-
HEALTH AND WELFARE					
Dog Regulation					
Other Expenses	2,383.23	2,483.23	2,450.00	33.23	-
PARK AND RECREATION					
Sports & Recreation					
Other Expenses	36,802.93	40,802.93	19,191.20	21,611.73	-
Community Center					
Other Expenses	2,851.60	7,851.60	2,736.92	5,114.68	-
Emergency Shore Protection					
Other Expenses	29,356.10	29,356.10	7,194.24	22,161.86	-
Beach Protection					
Other Expenses	8,626.33	8,626.33	5,308.35	3,317.98	-
UNIFORM CONSTRUCTION CODE					
State Uniform Construction Code					
Construction Official					
Other Expenses	1,461.58	3,961.58	3,845.43	116.15	-

See Accompanying Auditor's Report

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

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
UNCLASSIFIED					
Compensation for Accumulated Absence	20,100.00	20,100.00	20,100.00	-	-
UTILITY EXPENSES AND BULK PURCHASES					
Street Lighting	25,105.01	25,105.01	24,238.78	866.23	-
All Other Accounts - No Change	91,504.08	91,504.08		91,504.08	-
	<u>\$ 933,047.27</u>	<u>933,047.27</u>	<u>326,736.65</u>	<u>606,310.62</u>	<u>-</u>

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

Balance December 31, 2016			
School Tax Payable	\$	4,531,999.00	
School Tax Deferred		<u>7,300,000.00</u>	
	\$		11,831,999.00
Increased by:			
Levy - School Year July 1, 2017 to June 30, 2018			<u>24,000,000.00</u>
			35,831,999.00
Decreased by:			
Payments			<u>23,832,000.00</u>
Balance December 31, 2017			
School Tax Payable		4,699,999.00	
School Tax Deferred		<u>7,300,000.00</u>	
			<u>11,999,999.00</u>
Current Year Liability for Local School District School Tax:			
Tax Paid			23,832,000.00
Tax Payable Ending			<u>4,699,999.00</u>
			28,531,999.00
Less: Tax Payable Beginning			<u>4,531,999.00</u>
Amount charged to Current Year Operations	\$		<u><u>24,000,000.00</u></u>

CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE

<u>Purpose</u>	<u>Balance Dec. 31, 2016</u>	<u>Transferred From 2017 Revenues</u>	<u>Received</u>	<u>Balance Dec. 31, 2017</u>
FEDERAL GRANTS:				
FEMA Energy Mitigation Grant	\$ 23,660.00			23,660.00
Total Federal	<u>23,660.00</u>	<u>-</u>	<u>-</u>	<u>23,660.00</u>
STATE GRANTS:				
Clean Communities	296.53	37,904.66	37,904.66	296.53
NJ Hazardous Site Remediation	94,935.00			94,935.00
2017 Municipal Aid - NJ DOT	-	158,000.00		158,000.00
CM Open Space - Harbor Road Bike/Pedestria	-	500,000.00		500,000.00
CMC Open Space - Boat Ramp	280,350.00		280,350.00	-
NJDEP Resiliency Grant	61,000.00			61,000.00
Emergency Management	7,000.00		7,000.00	-
Total State	<u>443,581.53</u>	<u>695,904.66</u>	<u>325,254.66</u>	<u>814,231.53</u>
LOCAL GRANTS:				
Municipal Alliance	63,757.16	24,393.00	21,990.88	66,159.28
Main Street Market Assessment	86.00			86.00
Total Local	<u>63,843.16</u>	<u>24,393.00</u>	<u>21,990.88</u>	<u>66,245.28</u>
\$	<u>531,084.69</u>	<u>720,297.66</u>	<u>347,245.54</u>	<u>904,136.81</u>

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

	Balance December 31, 2016		2017		Disbursed	Encumbrances	Balance Dec. 31, 2017
	Appropriated	Reserve for Encumbrances	Appropriations				
FEDERAL GRANTS:							
FEMA Energy Mitigation Grant	\$ 23,660.00						23,660.00
Total Federal	<u>23,660.00</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>	<u>23,660.00</u>
STATE GRANTS:							
Clean Communities	20,630.48	6,225.60	37,904.66	37,020.61	5,394.45		22,345.68
Drunk Driving Enforcement	125.68						125.68
NJ Hazardous Site Remediation	72,980.50	2,165.00		6,884.00			68,261.50
Sustainable Jersey Grant	361.12						361.12
CMC Open Space - Boat Ramp	-	101,871.42		101,871.42			-
2017 Municipal Aid - NJ DOT	-		158,000.00				158,000.00
CM Open Space - Harbor Road Bike/Pedestrian Gatew	-		500,000.00				500,000.00
NJDEP Resiliency Grant	-	49,965.78		49,965.78			-
NJ Office of Emergency Management	15,000.00						15,000.00
NJ Office of Emergency Management - 2016	7,000.00						7,000.00
NJ Office of Emergency Management - 2017	-		20,000.00				20,000.00
Total State	<u>116,097.78</u>	<u>160,227.80</u>	<u>715,904.66</u>	<u>195,741.81</u>	<u>5,394.45</u>		<u>791,093.98</u>
LOCAL GRANTS:							
Municipal Alliance	54,159.39		30,491.00	27,061.26	721.08		56,868.05
Main Street Market Assessment	86.00						86.00
Total Local	<u>54,245.39</u>	<u>-</u>	<u>30,491.00</u>	<u>27,061.26</u>	<u>721.08</u>		<u>56,954.05</u>
	<u>\$ 194,003.17</u>	<u>160,227.80</u>	<u>746,395.66</u>	<u>222,803.07</u>	<u>6,115.53</u>		<u>871,708.03</u>

CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS - UNAPPROPRIATED RESERVES

Purpose	Balance Dec. 31, 2016	Transferred To 2017 Appropriations	Received	Balance Dec. 31, 2017
FEDERAL GRANTS:				
None	\$ -			-
Total Federal	-	-	-	-
STATE GRANTS:				
Emergency Management	20,000.00	20,000.00		-
Total State	20,000.00	20,000.00	-	-
\$	20,000.00	20,000.00	-	-

TRUST FUND
SCHEDULE OF ANIMAL CONTROL CASH - TREASURER

Balance December 31, 2016		\$	7,569.67
Increased By Receipts:			
Dog License Fees	3,272.40		
Interest Earned	41.42		
			<u>3,313.82</u>
			10,883.49
Decreased By Disbursements:			
Paid to Current Fund - Interest Earned	41.42		
Due to Current Fund - Statutory Excess	1,481.17		
Animal Control Expenditures	1,731.40		
			<u>3,253.99</u>
Balance December 31, 2017		\$	<u><u>7,629.50</u></u>

TRUST FUND
SCHEDULE OF OTHER TRUST CASH - TREASURER

Balance December 31, 2016 \$ 2,143,254.58

Increased By Receipts:

Recycling	58,474.81
Developers Escrow	28,424.00
Sick Pay Reserve	71,699.30
Affordable Housing Trust	141,208.98
Client Funds Escrow Deposits	92.43
Landfill Closure	175.45
Planning Board Escrow Review Fees	55,076.50
Municipal Alliance	1,336.24
Unemployment Compensation	37,307.97
Tax Sale Premiums	205,800.00
TTL Redemptions	231,788.29
UT Cafeteria Fund	3,000.00
Recreation Donations	3,100.00
Recreation Developers' Escrow	19,703.00
Parking Offenses Adjudication Act	2.00
Health Reimbursement Trust	11,659.60
Interest Earned on Deposits - Due to Current Fund	2,932.44

871,781.01

3,015,035.59

Decreased By Disbursements:

Sick Pay Reserve	155,357.42
Planning Board Escrow	52,242.75
Recycling	34,088.18
Developers Escrow	159,840.02
Municipal Alliance	1,114.80
Unemployment Compensation	23,571.28
Refunds - Tax Sale Certificates	252,171.04
Tax Sale Premiums	162,500.00
Client Funds Escrow Deposits	82,897.97
Affordable Housing Trust	1,051.75
UT Cafeteria Fund	3,005.68
Recreation Developers' Escrow	5,799.87
Health Reimbursement Trust	11,659.60
Payments to Current Fund - Revenues	2,536.80

947,837.16

Balance December 31, 2017 \$ 2,067,198.43

TRUST FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL EXPENDITURES

Balance December 31, 2016		\$ 7,629.50
Increased By:		
Dog Licenses Fees	2,634.80	
Interest on Deposits	41.42	
Duplicate & Late Fees Collected	694.00	
	<hr/>	<hr/>
		3,370.22
		10,999.72
Decreased By Disbursements:		
Animal Control Expenditures	1,731.40	
Due to Current - Statutory Excess	1,481.17	
Interest Paid to Current Fund	41.42	
	<hr/>	<hr/>
		3,253.99
Balance December 31, 2017		\$ <u><u>7,745.73</u></u>

License and Other Fees Collected	<u>Year</u>	
	2016	3,783.46
	2015	4,246.70
		<hr/>
	\$	<u><u>8,030.16</u></u>

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

Balance December 31, 2016		\$ (59.83)
Increased By:		
Dog License Fees Collected In Current Fund	3,328.80	
Interest Paid to Current Fund	41.42	
Due to Current Fund - Statutory Excess	1,481.17	
	<hr/>	<hr/>
		4,851.39
		4,791.56
Decreased By:		
Dog License Fees Received from Current Fund	3,272.40	
Interest Earned	41.42	
Due to Current Fund - Statutory Excess	1,481.17	
	<hr/>	<hr/>
		4,794.99
Balance December 31, 2017		\$ <u><u>(116.23)</u></u>

**GENERAL CAPITAL FUND
ANALYSIS OF CASH**

	Balance Dec. 31, 2016	Receipts		Disbursements		Transfers		Balance Dec. 31, 2017
		Miscellaneous	Notes Issued	Improvement Authorizations	Miscellaneous	From	To	
\$								
Fund Balance	52,922.34							52,922.34
Capital Improvement Fund	118,753.45						75,000.00	193,753.45
Encumbrances Payable	1,531,110.85					1,531,110.85	305,057.27	305,057.27
Due from Current Fund	(68,438.24)				180,572.10	260,000.00		(509,010.34)
Reserve for PW Equipment	50,000.00						40,000.00	50,000.00
Reserve for Beach Replenishment	345,000.00							385,000.00
Reserve for Building repairs	10,828.85							10,828.85
Reserve for Capital Projects	195,218.00							195,218.00
Reserve to Pay Debt Service	72,090.50							72,090.50
Reserve for Construction of Recreation Facilities	9,004.24							9,004.24
Reserve for Asbestos Abatement	-					38,300.00	125,000.00	86,700.00
Reserve for Preliminary Costs - Architectural	-						20,000.00	20,000.00
Improvement Authorizations:								
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	170,863.69							170,863.69
16-09 Street Sweeper	55,725.00							55,725.00
09-10 Ambulance	5,122.20							5,122.20
11-10 Phone System	4,090.26							4,090.26
19-11 Beach Replenishment	180,315.60			23,310.70		36,115.00	1,762.50	122,652.40
15-12 Sand Fence Replacement	122,175.00							122,175.00
5-13 Multi-Purpose Equipment/Paving	(987,118.95)		300,000.00	80,008.95			41,854.37	(725,273.53)
10-13 Street Signs	1,696.50							1,696.50
08-16 Various Improvements	(1,879,588.72)		2,000,000.00	2,016,108.25		230,642.27	1,487,493.98	(638,845.26)
\$			2,300,000.00	2,119,427.90	180,572.10	2,096,168.12	2,096,168.12	-

See Accompanying Auditor's Report

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

Balance December 31, 2016		\$	118,753.45
Increased by:			
Current Fund Budget Appropriations	75,000.00		
	<hr/>		<hr/>
			75,000.00
			<hr/>
			193,753.45
Decreased by:			
None	-		
	<hr/>		<hr/>
			-
			<hr/>
Balance December 31, 2017		\$	<u><u>193,753.45</u></u>

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

Ord #	Improvement Description	Balance Dec. 31, 2016	2017 Authorizations	Notes Paid by Budget/ Paydown	Balance Dec. 31, 2017	Analysis of Balance	
						Bond Anticipation Notes	Expenditures
13-08	Beach Replenishment	\$ 150,000.00			150,000.00		150,000.00
19-11	Beach Replenishment	1,100,000.00		420,000.00	680,000.00		680,000.00
05-13	Multi-Purpose Equipment/Paving	3,340,600.00		240,000.00	3,100,600.00	2,065,000.00	310,326.47
08-16	Various Improvements	2,821,785.00			2,821,785.00	2,000,000.00	182,939.74
		<u>\$ 7,412,385.00</u>	<u>-</u>	<u>660,000.00</u>	<u>6,752,385.00</u>	<u>4,065,000.00</u>	<u>1,323,266.21</u>
						Improvement Authorizations Unfunded	1,323,266.21
						Less:	
						Unexpended Proceeds of Bond	
						Anticipation Notes Issued:	
						Ord. Number	
						13-08 Beach Replenishment	150,000.00
						19-11 Beach Replenishment	680,000.00
						05-13 Multi-Purpose	310,326.47
						08-16 Various Improvements	182,939.74
							<u>1,323,266.21</u>
							<u>-</u>

**GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ord #	Improvement Description	Ord. Date	Amount	Authorizations			
				Balance December 31, 2016		Paid or Charged	Balance December 31, 2017
				Funded	Unfunded		Funded
							Unfunded
1-00	Improvements	4/10/2000	16,000	\$ 2,511.45			2,511.45
7-00	Comm'y 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	170,863.69	150,000.00		170,863.69
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	180,315.60	680,000.00	57,663.20	122,652.40
15-12	Sand Fence Replacement	12/17/2012	255,000	122,175.00			122,175.00
05-13	Multi-Purpose Equipment/Paving	4/8/2013	3,748,000		348,481.05	38,154.58	310,326.47
10-13	Street Signs	8/12/2013	20,000	1,696.50			1,696.50
08-16	Various Improvements	4/25/2016	2,970,300		942,196.28	759,256.54	182,939.74
				\$ 550,217.68	2,120,677.33	855,074.32	492,554.48
					-	-	1,323,266.21

**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, 2016	Increased	Decreased	Balance Dec. 31, 2017
Beach Replenishment	19-2011	9/8/2011	1/28/2016	1/27/2017	0.920%	420,000.00		420,000.00	-
Multi-Purpose Equipment/Paving	05-2013	1/30/2014	1/28/2016	1/27/2017	0.920%	2,005,000.00		2,005,000.00	-
			1/27/2017	1/26/2018	1.288%		2,065,000.00		2,065,000.00
Various Improvements	08-2016	1/27/2017	1/27/2017	1/26/2018	1.288%	-	2,000,000.00		2,000,000.00
						<u>\$ 2,425,000.00</u>	<u>4,065,000.00</u>	<u>2,425,000.00</u>	<u>4,065,000.00</u>

See Accompanying Auditor's Report

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2016	2017 Authorizations	Notes Issued	Balance Dec. 31, 2017
13-08	Beach Replenishment	\$ 150,000.00			150,000.00
19-11	Beach Replenishment	680,000.00			680,000.00
05-13	Multi-Purpose Equipment/Paving	1,335,600.00		300,000.00	1,035,600.00
08-16	Various Improvements	2,821,785.00		2,000,000.00	821,785.00
		<u>\$ 4,987,385.00</u>	<u>-</u>	<u>2,300,000.00</u>	<u>2,687,385.00</u>

TOWNSHIP OF UPPER

PART II

GENERAL COMMENTS AND RECOMMENDATIONS

FOR THE YEAR ENDED

DECEMBER 31, 2017

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. Due to the Township having a Qualified Purchasing Agent, pursuant to N.J.S.A. 40A:11-3(a), the maximum bid threshold is \$40,000.

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:

2017 or Newer Rescue Squad Vehicle (Withdrawn)
2017 Type 1, Ford F550, Model 623 Ambulance
Park Improvements at Webster Avenue
Abatement and Removal of Asbestos Containing Material at Upper Township Old Town Hall

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

Collection of Interest on Delinquent Taxes and Assessments

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

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

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

BE IT FURTHER RESOLVED by the Township Committee of the Township of Upper, in accordance with N.J.S.A. 54:4-67, Chapter 75, New Jersey Laws of 1991, and Chapter 32, New Jersey Laws of 1994, which permits a 6 per cent penalty on taxes and municipal charges greater than \$10,000 as of the close of the fiscal year, that said end-of-year penalty shall be fixed for the Year 2017.

This Resolution shall take effect January 1, 2017.

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 3, 2017 and was complete.

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

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

<u>Year</u>	<u>Number</u>
2017	99
2016	129
2015	116

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

Verification of Delinquent Taxes and Other Charges

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

<u>Type:</u>	<u>Number Mailed</u>
Payments of 2017 and 2018 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.

<u>Year</u>	<u>Tax Levy</u>	<u>Currently Cash Collections</u>	<u>Percentage of Collections</u>
2017 \$	34,218,916.68	33,710,739.04	98.51%
2016	33,515,674.85	32,947,416.03	98.30%
2015	32,467,509.64	31,840,487.09	98.07%
2014	32,004,521.83	31,376,378.17	98.04%
2013	31,363,467.94	30,448,767.53	97.08%

Comparative Schedule of Tax Rate Information

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Tax Rate	\$ 1.744	1.772	1.725	1.408	1.361
Apportionment of Tax Rate:					
Municipal	0.171	0.171	0.151	0.125	0.094
County	0.280	0.279	0.275	0.219	0.223
Local School	1.293	1.322	1.299	1.064	1.044
Assessed Valuation	1,856,932,457	1,790,689,761	1,786,193,417	2,159,746,783	2,186,232,405

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.

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage Of Tax Levy</u>
2017 \$	232,277.86	431,048.67	663,326.53	1.94%
2016	215,430.66	501,103.79	716,534.45	2.14%
2015	301,630.95	563,119.43	864,750.38	2.66%
2014	274,436.71	507,557.32	781,994.03	2.44%
2013	244,007.80	514,986.13	758,993.93	2.42%

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.

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FINDINGS AND RECOMMENDATIONS

None

In accordance with the Division of Local Government Services Regulations, a corrective action plan must be prepared and filed by the Township Committee in response to comments, if any.

Should any questions arise as to my comments or recommendations, or should you desire assistance in implementing my recommendations, please do not hesitate to call 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

June 1, 2018