

**TOWNSHIP OF UPPER**  
**REPORT OF AUDIT**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2018**



# TOWNSHIP OF UPPER

## TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page No.</u>
	<b><u>PART I</u></b>	
	Independent Auditor's Report	1 - 3
	<b><u>CURRENT FUND</u></b>	
A	Comparative Balance Sheet - Regulatory Basis	4 - 5
A - 1	Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis	6 - 7
A - 2	Statement of Revenues - Regulatory Basis	8 - 10
A - 3	Statement of Expenditures - Regulatory Basis	11 - 16
	<b><u>TRUST FUND</u></b>	
B	Comparative Balance Sheet - Regulatory Basis	17 - 18
	<b><u>GENERAL CAPITAL FUND</u></b>	
C	Comparative Balance Sheet - Regulatory Basis	19
C - 1	Statement of Fund Balance - Regulatory Basis	20
	<b><u>GENERAL FIXED ASSETS ACCOUNT GROUP</u></b>	
G	Comparative Balance Sheet - Regulatory Basis	21
	<b>NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS</b>	22 - 40
	<b><u>SUPPLEMENTARY INFORMATION</u></b>	
	Independent Auditors Report - Governmental Auditing Standards	41 - 42
	Schedule of Findings and Responses	43
	<b><u>CURRENT FUND</u></b>	
A - 4	Schedule of Cash - Treasurer	44
A - 5	Schedule of Cash - Collector	N/A
A - 6	Schedule of Taxes Receivable and Analysis of Property Tax Levy	45
A - 7	Schedule of Tax Title Liens	46
A - 8	Schedule of Revenue Accounts Receivable	47
A - 9	Schedule of Appropriation Reserves - Prior Year	48 - 50
A - 10	Schedule of Local District School Tax	51
A - 11	Schedule of Federal and State Grants Receivable	52
A - 12	Schedule of Appropriated Reserves for Federal and State Grants	53
A - 13	Schedule of Reserves for Federal and State Grants - Unappropriated	54

**TOWNSHIP OF UPPER  
TABLE OF CONTENTS**

<u>Exhibit</u>		<u>Page No.</u>
<b><u>TRUST FUND</u></b>		
B - 1	Schedule of Animal Control Cash - Treasurer	55
B - 2	Schedule of Other Trust Cash - Treasurer	56
B - 3	Schedule of Reserve for Animal Control Expenditures	57
B - 4	Schedule of Due To (From) Current Fund	58
B - 5	Schedule of Amount Due To (From) State of New Jersey	N/A
<b><u>GENERAL CAPITAL FUND</u></b>		
C - 2	Schedule of Cash - Treasurer	N/A
C - 3	Analysis of Cash	59
C - 4	Schedule of Capital Improvement Fund	60
C - 5	Schedule of Deferred Charges to Future Taxation - Funded	N/A
C - 6	Schedule of Deferred Charges to Future Taxation - Unfunded	61
C - 7	Schedule of Improvement Authorizations	62
C - 8	Schedule of General Serial Bonds	N/A
C - 9	Schedule of Bond Anticipation Notes	63
C - 10	Schedule of Bonds and Notes Authorized But Not Issued	64
<b><u>PART II</u></b>		
	General Comments	65 - 67
	Findings and Recommendations	68

**TOWNSHIP OF UPPER**

**PART I**

**REPORT ON AUDIT OF**

**FINANCIAL STATEMENTS - REGULATORY BASIS**

**FOR THE YEAR ENDED**

**DECEMBER 31, 2018**





## 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, 2018 and 2017, 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, 2018, 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, 2018 and 2017, 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, 2018 and 2017, 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, 2018 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 July 25, 2019 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**

**July 25, 2019**

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



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

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Regular Fund:		
Cash:		
Cash Treasurer	\$ 11,832,719.43	11,061,941.09
Cash - Change	500.00	600.00
Total Cash	<u>11,833,219.43</u>	<u>11,062,541.09</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	495,853.28	431,048.67
Tax Title and Other Liens	141,452.43	232,277.86
Property Acquired for Taxes - at Assessed Valuation	3,429,399.00	2,917,799.00
Revenue Accounts Receivable	3,204.34	3,782.67
Interfund Receivable:		
Animal Control Trust Fund	1,020.71	-
Trust - Other	1,002.08	869.57
Total Receivables and Other Assets	<u>4,071,931.84</u>	<u>3,585,777.77</u>
Deferred Charges:		
Special Emergency Appropriation	-	170,000.00
Total Deferred Charges	<u>-</u>	<u>170,000.00</u>
Total Regular Fund	<u>15,905,151.27</u>	<u>14,818,318.86</u>
Federal and State Grant Fund:		
Federal and State Grants Receivable	1,029,964.04	904,136.81
Due from Current Fund	293,221.42	202,281.83
Total Federal and State Grant Fund	<u>1,323,185.46</u>	<u>1,106,418.64</u>
Total Current Fund	<u>\$ 17,228,336.73</u>	<u>15,924,737.50</u>

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

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2018</u>	<u>2017</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 419,525.34	256,962.22
Reserve for Encumbrances/Accounts Payable	196,124.30	266,843.93
Payroll Taxes Payable	479.13	114.08
Prepaid Taxes	479,857.78	1,526,547.15
Overpaid Taxes	35,241.91	23,899.49
Local School Tax Payable	4,845,001.00	4,699,999.00
County Added Tax Payable	23,710.83	22,558.01
Due to State:		
Marriage Licenses	325.00	325.00
DCA Fees	5,650.00	5,928.00
Animal Control Fees	5.40	9.00
Burial Permit	-	10.00
Other	27,180.94	27,261.42
Hunting Licenses	873.75	465.25
Interfund Payable:		
General Capital Fund	2,045,202.77	509,010.34
Federal and State Grant Fund	293,221.42	202,281.83
Animal Control Trust Fund	-	116.23
Trust - Other	-	8.01
Other		
Reserve for Capital Projects	210,381.51	171,518.52
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>8,754,528.73</u>	<u>7,885,605.13</u>
Emergency Note Payable	-	150,000.00
Reserve for Receivables and Other Assets	4,071,931.84	3,585,777.77
Fund Balance	<u>3,078,690.70</u>	<u>3,196,935.96</u>
Total Regular Fund	<u>15,905,151.27</u>	<u>14,818,318.86</u>
Federal and State Grant Fund:		
Unappropriated Reserves	19,400.00	-
Appropriated Reserves	987,739.89	871,708.03
Encumbrances Payable	87,450.49	6,115.53
Due to Trust Other	228,595.08	228,595.08
Total Federal and State Grant Fund	<u>1,323,185.46</u>	<u>1,106,418.64</u>
Total Current Fund	<u>\$ 17,228,336.73</u>	<u>15,924,737.50</u>

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

	2018	2017
Revenue and Other Income Realized		
Fund Balance	\$ 1,396,611.50	1,016,000.00
Miscellaneous Revenue Anticipated	8,130,230.72	8,938,385.18
Receipts from Delinquent Taxes	418,023.72	493,848.00
Receipts from Current Taxes	34,217,112.66	33,710,739.04
Non Budget Revenue	276,992.81	313,084.21
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	173,842.94	606,310.62
Interfund Returned	869.57	473.93
Total Income	<u>44,613,683.92</u>	<u>45,078,840.98</u>
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	4,377,748.00	4,206,554.00
Other Expenses	5,724,175.00	5,452,240.00
Public and Private Programs Offset by Revenues	86,614.33	746,395.66
Deferred Charges & Statutory Expenditures	791,355.00	786,611.00
Appropriations Excluded from "CAPS"		
Operations:		
Insurance (N.J.S.A. 40A:4-45.3(00))	-	-
Capital Improvements	290,000.00	354,500.00
Debt Service	714,289.20	685,000.36
Deferred Charges	170,000.00	160,000.00
Local District School Tax	24,290,000.00	24,000,000.00
County Tax	5,133,886.00	5,158,053.05
County Share of Added Tax	23,710.83	22,558.01
Interfund Created	2,022.79	869.57
Refund of Prior Year's Revenue	2,757.53	2,750.00
Other:		
Special District Tax	1,728,759.00	1,688,637.00
Total Expenditures	<u>43,335,317.68</u>	<u>43,264,168.65</u>
Excess in Revenue	<u>1,278,366.24</u>	<u>1,814,672.33</u>

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

	<u>2018</u>	<u>2017</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>1,278,366.24</u>	<u>1,814,672.33</u>
Fund Balance January 1	<u>3,196,935.96</u>	<u>2,398,263.63</u>
	4,475,302.20	4,212,935.96
Decreased by:		
Utilization as Anticipated Revenue	<u>1,396,611.50</u>	<u>1,016,000.00</u>
Fund Balance December 31	\$ <u><u>3,078,690.70</u></u>	<u><u>3,196,935.96</u></u>



**CURRENT FUND**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Anticipated			
	Budget	N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Fund Balance Anticipated	\$ 1,396,611.50		1,396,611.50	-
Total Fund Balance Anticipated	1,396,611.50	-	1,396,611.50	-
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		69,159.73	(20,840.27)
Interest and Costs on Taxes	96,500.00		87,617.10	(8,882.90)
Interest Earned on Investments	35,000.00		67,773.45	32,773.45
EMS Ambulance Fees	200,000.00		262,413.12	62,413.12
Host Community Benefits	480,000.00		507,596.51	27,596.51
Cable TV Fees	57,000.00		71,657.70	14,657.70
Cell Tower Fees	95,000.00		96,720.11	1,720.11
Total Section A: Local Revenues	1,058,500.00	-	1,168,237.72	109,737.72
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		242,047.00	67,047.00
Total Section C: Uniform Construction Code Fees	175,000.00	-	242,047.00	67,047.00

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, 2018**

	Budget	Anticipated N.J.S. 40A:4-87	Realized	Excess or (Deficit)
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	-
New Jersey Transportation Trust Fund Authority Act	175,000.00		175,000.00	-
FEMA Energy Mitigation Grant	11,570.00		11,570.00	-
Clean Communities		36,323.33	36,323.33	-
Total Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations	210,963.00	36,323.33	247,286.33	-
Section G: Other Special Items				
Dennis Township & Corbin City - Municipal Court	117,000.00		149,006.67	32,006.67
Total Section G: Other Special Items	117,000.00	-	149,006.67	32,006.67
Total Miscellaneous Revenues:	7,885,116.00	36,323.33	8,130,230.72	208,791.39
Receipts from Delinquent Taxes	461,000.00		418,023.72	(42,976.28)
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes	3,396,108.65		4,061,733.98	665,625.33
Total Amount to be Raised by Taxes for Support of Municipal Budget	3,396,108.65	-	4,061,733.98	665,625.33
Budget Totals	13,138,836.15	36,323.33	14,006,599.92	831,440.44
Non- Budget Revenues:				
Other Non- Budget Revenues:			276,992.81	276,992.81
\$	13,138,836.15	36,323.33	14,283,592.73	1,108,433.25

**CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	34,217,112.66
Less: Reserve for Tax Appeals Pending	34,217,112.66

Net Revenue from Collections	34,217,112.66
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Allocated to:	
School, County and Other Taxes	31,176,355.83

Balance for Support of Municipal Budget Appropriations	3,040,756.83
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Increased by:	
Appropriation "Reserved for Uncollected Taxes"	1,020,977.15

Amount for Support of Municipal Budget Appropriations	4,061,733.98
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Receipts from Delinquent Taxes:

Delinquent Tax Collection	413,331.32	
Tax Title Lien Collections	4,692.40	

Total Receipts from Delinquent Taxes	418,023.72
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Analysis of Non-Budget Revenue:

Miscellaneous Revenue Not Anticipated:

Sale of Municipal Assets	6,395.00
Township Facilities Use Fees	9,088.50
Boat Ramp Fees	12,723.50
Street Openings	10,179.75
Mining Permits	27,500.00
Planning and Zoning Board Deposits	18,600.00
MUA Permit Fees	14,047.53
State Wildlife	331.25
Property Lists	610.00
County Fleet Maintenance	36,842.59
Jitney License Fee	1,100.00
Clerk's Receipts	16,785.71
Engineer/Zoning Escrow Fees	12,822.50
Passport Fees	4,729.75
Tax Collector Receipts	1,872.28
Fish and Game	9,507.00
Land Sale Fees Non-Ref	150.00
JIF Dividend	8,094.58
Campground Fees/Mobile Park Fees	2,880.00
Dog Park Receipts	1,772.50
2% Administration Fee	2,409.85
Ambulance Fees Corbin City	27,340.00
W/C Employee Reimbursement	16,742.30
MAC Repayment	7,317.60
Miscellaneous	27,150.62

Total Miscellaneous Revenue Not Anticipated:	276,992.81
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**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
<b>\$</b>						
<b>OPERATIONS WITHIN "CAPS"</b>						
<b>GENERAL GOVERNMENT:</b>						
Mayor and Committee	61,250.00	61,250.00	61,249.82		0.18	-
Salaries & Wages	15,000.00	15,500.00	14,096.13	1,358.53	45.34	-
Other Expenses						
Township Clerk	224,000.00	213,000.00	210,639.81		2,360.19	-
Salaries & Wages	35,000.00	43,000.00	39,170.26	1,443.85	2,385.89	-
Other Expenses						
Financial Administration	197,500.00	199,000.00	197,893.85		1,106.15	-
Salaries & Wages						
Other Expenses	36,100.00	36,100.00	36,100.00		-	-
Audit Services	195,000.00	195,000.00	176,609.83	15,245.86	3,144.31	-
Computer Services	18,000.00	18,000.00	13,252.00	1,272.96	3,475.04	-
Miscellaneous Other Expenses						
Assessment of Taxes	39,600.00	39,600.00	33,660.00	5,940.00	-	-
Tax Map	119,000.00	119,000.00	118,826.88		173.12	-
Salaries & Wages	8,000.00	8,000.00	7,501.09	78.31	420.60	-
Other Expenses						
Collection of Taxes	103,000.00	103,000.00	102,770.20		229.80	-
Salaries & Wages						
Other Expenses	1,000.00	-			-	-
Purchase of Tax Title Liens	5,300.00	8,300.00	7,493.55	383.97	422.48	-
Miscellaneous Other Expenses						
Liquidation of Tax Title Liens	1,000.00	1,000.00			1,000.00	-
Other Expenses						
Legal Services	160,000.00	160,000.00	126,565.12	315.00	33,119.88	-
Other Expenses						
Special Litigation	130,000.00	145,000.00	124,028.11	8,568.50	12,403.39	-
Other Expenses						
Engineering Services	106,787.00	106,787.00	106,786.94		0.06	-
Salaries & Wages	33,025.00	24,025.00	16,229.50	7,088.21	707.29	-
Other Expenses						
Public Information						
Other Expenses						
UTTV2	2,100.00	2,100.00	2,040.00		60.00	-
Miscellaneous Other Expenses	2,200.00	200.00			200.00	-

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
<b>INSURANCE</b>						
General Liability	165,000.00	165,000.00	157,291.79		7,708.21	-
Workers Compensation Insurance	405,000.00	433,000.00	405,753.41		27,246.59	-
Employee Group Health	2,088,000.00	2,088,000.00	1,942,728.01	2,756.07	142,515.92	-
Health Benefit						
Salaries & Wages	12,000.00	12,000.00	11,078.00		922.00	-
<b>LAND USE ADMINISTRATION</b>						
Planning Board						
Salaries & Wages	33,000.00	33,000.00	32,367.90		632.10	-
Other Expenses	15,000.00	16,500.00	15,085.06	750.00	664.94	-
Zoning Board of Adjustment						
Salaries & Wages	33,000.00	33,000.00	32,468.16		531.84	-
Other Expenses	15,000.00	17,500.00	14,663.13	2,090.42	746.45	-
<b>PUBLIC SAFETY</b>						
First Aid Organization						
Salaries & Wages	606,000.00	606,000.00	601,979.03		4,020.97	-
Other Expenses	117,500.00	117,500.00	95,980.59	10,636.96	10,882.45	-
Emergency Management Services						
Salaries & Wages	23,200.00	23,200.00	23,195.78		4.22	-
Other Expenses	77,900.00	81,900.00	63,586.06	9,544.07	8,769.87	-
Crossing Guard						
Salaries & Wages	8,100.00	7,600.00	7,296.75		303.25	-
Other Expenses	800.00	800.00			800.00	-
Regional Dispatch - Contractual	250,000.00	237,000.00	236,425.00		575.00	-
Municipal Court						
Salaries & Wages	144,200.00	144,200.00	143,419.56		780.44	-
Other Expenses	44,000.00	44,000.00	35,339.74	3,355.52	5,304.74	-
Public Defender						
Salaries & Wages	20,163.00	20,163.00	20,163.00		-	-
Municipal Prosecutor						
Salaries & Wages	42,198.00	42,198.00	42,198.00		-	-
Other Expenses	1,000.00	1,000.00			1,000.00	-

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
<b>PUBLIC WORKS</b>						
Road Repairs and Maintenance						-
Salaries & Wages	730,000.00	729,000.00	722,620.12		6,379.88	-
Other Expenses						-
Surfacing of Roads	22,500.00	22,500.00	19,686.99	2,809.39	3.62	-
Miscellaneous Other Expenses	286,000.00	286,000.00	190,520.21	65,571.00	29,908.79	-
Recycling						-
Salaries & Wages	401,000.00	370,600.00	368,290.54		2,309.46	-
Other Expenses	77,000.00	77,000.00	75,804.10	1,195.90	(0.00)	-
Garbage and Trash						-
Salaries & Wages	437,500.00	415,500.00	413,191.92		2,308.08	-
Other Expenses						-
Tipping Fees	415,000.00	444,000.00	408,563.14		35,436.86	-
Miscellaneous Other Expenses	92,000.00	97,000.00	97,000.00		-	-
Public Buildings and Grounds						-
Salaries & Wages	651,500.00	654,500.00	650,478.89		4,021.11	-
Other Expenses	180,000.00	200,000.00	183,357.58	7,565.99	9,076.43	-
<b>HEALTH AND WELFARE</b>						
Board of Health						-
Salaries & Wages	550.00	550.00	549.90		0.10	-
Other Expenses	20,000.00	1,000.00			1,000.00	-
Dog Regulation						-
Other Expenses	78,150.00	79,150.00	76,451.43	1,670.96	1,027.61	-
Economic Development Commission						-
Other Expenses	15,000.00	7,000.00	6,250.00		750.00	-
<b>PARK AND RECREATION</b>						
Emergency Shore Protection						-
Other Expenses	30,000.00	30,000.00	6,392.70	18,845.01	4,762.29	-
Beach Protection						-
Salaries & Wages	260,000.00	277,400.00	277,316.85		83.15	-
Other Expenses	31,000.00	31,000.00	25,081.62	5,686.55	231.83	-
Community Center						-
Other Expenses	40,000.00	40,000.00	33,051.19	6,028.49	920.32	-
Affordable Housing						-
Salaries & Wages	2,500.00	2,500.00	2,499.90		0.10	-
Other Expenses	2,500.00	-			-	-
Sports and Recreation						-
Salaries & Wages	32,200.00	18,200.00	18,110.61		89.39	-
Other Expenses	220,000.00	220,000.00	203,610.84	15,102.05	1,287.11	-

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
<b>UNIFORM CONSTRUCTION CODE</b>					
State Uniform Construction Code					
Construction Official					
Salaries & Wages	174,000.00	171,000.00	170,780.61	219.39	-
Other Expenses	15,000.00	16,500.00	15,813.58	582.73	-
Zoning/Code Official					
Salaries & Wages	15,000.00	15,000.00	14,999.92	0.08	-
Other Expenses	1,000.00	-		-	-
<b>UNCLASSIFIED</b>					
Celebration of Public Events	25,000.00	25,000.00	23,319.80	1,680.20	-
Compensation for Accumulated Absence	100.00	100.00		100.00	-
Drug and Alcohol Testing	10,000.00	5,000.00	4,078.00	922.00	-
<b>UTILITY EXPENSES AND BULK PURCHASES</b>					
Street Lighting	245,000.00	245,000.00	212,571.39	238.00	-
<b>TOTAL OPERATIONS WITHIN "CAPS"</b>	<u>10,103,423.00</u>	<u>10,101,923.00</u>	<u>9,496,323.89</u>	<u>196,124.30</u>	<u>-</u>
Contingent	-			-	-
<b>TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"</b>	<u>10,103,423.00</u>	<u>10,101,923.00</u>	<u>9,496,323.89</u>	<u>196,124.30</u>	<u>-</u>
Detail:					
Salaries & Wages	4,437,748.00	4,377,748.00	4,351,172.94	26,575.06	-
Other Expenses	5,665,675.00	5,724,175.00	5,145,150.95	382,899.75	-
<b>DEFERRED CHARGES AND STATUTORY EXPENDITURES:</b>					
Deferred Charges:					
None	-			-	-
Statutory Expenditures:					
Contributions to:					
Public Employees' Retirement System	448,655.00	448,655.00	448,655.00	-	-
Social Security System (O.A.S.I.)	330,000.00	331,500.00	322,441.58	9,058.42	-
Unemployment Compensation Insurance	3,200.00	3,200.00	2,819.01	380.99	-
Defined Contribution Retirement Program	8,000.00	8,000.00	7,388.88	611.12	-

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budget	Appropriations Budget After Modifications	Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
				Encumbered	Reserved	
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	789,855.00	791,355.00	781,304.47	-	10,050.53	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	10,893,278.00	10,893,278.00	10,277,628.36	196,124.30	419,525.34	-
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		-	-
FEMA Energy Mitigation Grant	11,570.00	11,570.00	11,570.00		-	-
FEMA Energy Mitigation Grant - Local	8,230.00	8,230.00	8,230.00		-	-
Clean Communities Program		36,323.33	36,323.33		-	-
Total Public and Private Programs Off-Set by Revenues	50,291.00	86,614.33	86,614.33	-	-	-
Total Operations - Excluded from "CAPS"	50,291.00	86,614.33	86,614.33	-	-	-
Detail:						
Salaries & Wages	-	-	-	-	-	-
Other Expenses	50,291.00	86,614.33	86,614.33	-	-	-
(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		-	-
New Jersey Transportation Trust Fund Authority Act	175,000.00	175,000.00	175,000.00		-	-
Total Capital Improvements	290,000.00	290,000.00	290,000.00	-	-	-



**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Expended		(Over expended)
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Unexpended Balance Cancelled
(D) Debt Service					
Payment of Bond Anticipation Notes	660,000.00	660,000.00	660,000.00	-	-
Interest on Notes	54,290.00	54,290.00	54,289.20	0.00	0.80
Total Debt Service	<u>714,290.00</u>	<u>714,290.00</u>	<u>714,289.20</u>	<u>0.00</u>	<u>0.80</u>
(E) Deferred Charges					
Special Emergency Authorization - 5 Years	170,000.00	170,000.00	170,000.00	-	-
Total Deferred Charges	<u>170,000.00</u>	<u>170,000.00</u>	<u>170,000.00</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	<u>1,224,581.00</u>	<u>1,260,904.33</u>	<u>1,260,903.53</u>	<u>0.00</u>	<u>0.80</u>
SUBTOTAL GENERAL APPROPRIATIONS	<u>12,117,859.00</u>	<u>12,154,182.33</u>	<u>11,538,531.89</u>	<u>196,124.30</u>	<u>0.80</u>
(M) Reserve for Uncollected Taxes	<u>1,020,977.15</u>	<u>1,020,977.15</u>	<u>1,020,977.15</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL APPROPRIATIONS	<u>\$ 13,138,836.15</u>	<u>13,175,159.48</u>	<u>12,559,509.04</u>	<u>196,124.30</u>	<u>0.80</u>
Budget		13,138,836.15		Cancelled	0.80
Appropriations by 40A:4-87		<u>36,323.33</u>		Overexpended	<u>-</u>
		<u>13,175,159.48</u>			<u>0.80</u>
Reserve for Uncollected Taxes		1,020,977.15			
Federal and State Grants		86,614.33			
Deferred Charges		170,000.00			
Capital Improvement Fund		290,000.00			
Disbursements		10,991,917.56			
		<u>12,559,509.04</u>			

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



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

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
<u>Animal Control Fund</u>		
Cash and Investments	\$ 8,174.39	7,629.50
Due from Current Fund	-	116.23
	<u>8,174.39</u>	<u>7,745.73</u>
<u>Other Funds</u>		
Cash and Investments - Treasurer	2,165,820.11	2,067,198.43
Due from Grant Fund	228,595.08	228,595.08
Due from Current Fund	-	8.01
	<u>2,394,415.19</u>	<u>2,295,801.52</u>
	<u>\$ 2,402,589.58</u>	<u>2,303,547.25</u>

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

	<u>2018</u>	<u>2017</u>
<u>Liabilities, Reserves and Fund Balance</u>		
<u>Animal Control Fund</u>		
Reserve for Animal Control Expenditures	\$ 7,153.68	7,745.73
Due to Current Fund	1,020.71	-
	<u>8,174.39</u>	<u>7,745.73</u>
<u>Other Funds</u>		
Deposits for Tax Title Lien Certificates	204.87	204.87
Premiums Received at Tax Sale	110,400.00	230,600.00
Due to Current Fund	1,002.08	869.57
Reserve for Fire Safety	14,614.40	12,114.40
Due to State - Department of Labor	-	592.41
Reserve for Unemployment Compensation	101,462.57	92,446.09
Reserve for Developers' Escrow	18,001.33	58,261.67
Reserve for Client Funds Escrow	242,032.49	235,936.09
Reserve for Landfill Closure Fund	34,087.62	33,753.90
Reserve for Planning Board Escrow	71,165.60	41,748.66
Reserve for Recycling	364,822.80	410,346.37
Reserve for Recreation Fund	44,354.29	35,075.97
Reserve for Municipal Alliance	11,278.56	11,300.83
Reserve for Sick Pay	367,243.36	370,457.46
Reserve for Affordable Housing Trust	1,009,028.49	758,042.37
Reserve for UT Cafeteria Fund	465.21	465.21
Reserve for Recreation Donations	4,241.52	3,577.65
Reserve for Parking Offenses Adjudication Act	10.00	8.00
	<u>2,394,415.19</u>	<u>2,295,801.52</u>
	<u>\$ 2,402,589.58</u>	<u>2,303,547.25</u>

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





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

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Deferred Charges to Future Taxation - Unfunded	\$ 9,168,960.00	6,752,385.00
Interfunds and Receivables Due from Current Fund	2,045,202.77	509,010.34
	<u>11,214,162.77</u>	<u>7,261,395.34</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Encumbrances Payable	209,928.00	305,057.27
Bond Anticipation Notes Payable	5,210,000.00	4,065,000.00
Improvement Authorizations:		
Funded	507,933.25	492,554.48
Unfunded	4,245,449.44	1,323,266.21
Reserve for PW Equipment	50,000.00	50,000.00
Reserve for Beach Replenishment	425,000.00	385,000.00
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	86,700.00
Reserve for Preliminary Costs - Architectural	6,936.00	20,000.00
Reserve for Debt Service	72,090.50	72,090.50
Capital Improvement Fund	106,828.45	193,753.45
Fund Balance	78,246.04	52,922.34
	<u>\$ 11,214,162.77</u>	<u>7,261,395.34</u>

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

2017	2,687,385.00
2018	3,958,960.00

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

	<u>2018</u>	<u>2017</u>
Beginning Balance January 1	\$ 52,922.34	52,922.34
Increased by:		
Premiums on sale of Bonds & Notes	25,323.70	-
Decreased by:		
None	-	-
Ending Balance December 31	\$ <u>78,246.04</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>2018</u>	<u>2017</u>
General Fixed Assets:		
Land	\$ 21,135,600.00	21,135,600.00
Buildings	11,976,663.00	11,827,300.00
Machinery and Equipment	<u>5,612,275.00</u>	<u>5,503,870.00</u>
Total General Fixed Assets	<u><u>38,724,538.00</u></u>	<u><u>38,466,770.00</u></u>
Investment in General Fixed Assets	\$ <u><u>38,724,538.00</u></u>	<u><u>38,466,770.00</u></u>

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**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, 2018 AND 2017**

**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, 2018 AND 2017**

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, 2018 AND 2017**

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

In November 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 83 "Certain Asset Retirement Obligations". This statement, which 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, which is effective for fiscal periods beginning after December 15, 2018, 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, which is effective for fiscal periods beginning after December 15, 2019, will not have any effect on the Township's financial reporting.

In April 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 88 "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements". This statement, which is effective for fiscal periods beginning after June 15, 2019, will not have any effect on the Township's financial reporting.

In June 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 89 "Accounting for Interest Cost Incurred before the End of a Construction Period". This statement, which is effective for fiscal periods beginning after December 15, 2019, will not have any effect on the Township's financial reporting.

In August 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 90 "Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61". This statement, which is effective for fiscal periods beginning after December 15, 2018, 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 2018 and 2017, the following significant budget insertions were approved:

<u>Budget Category</u>	<u>2018</u>	<u>2017</u>
Clean Communities Program	\$ 36,323.33	37,904.66
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, 2018 for both special emergencies was \$170,000.00. There was no remaining unfunded balance as of December 31, 2018.

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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 2018 and 2017 statutory budgets included a reserve for uncollected taxes in the amount of \$1,020,977.15 and \$999,480.08. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2018 and 2017 statutory budgets was \$1,396,611.50 and \$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 2018 and 2017 calendar years:

<u>Budget Category - Current Fund:</u>	<u>2018</u>	<u>2017</u>
Township Clerk		
Salaries and Wages	\$ (11,000.00)	
Legal Services		
Other Expenses		(22,000.00)
Special Litigation		
Other Expenses	15,000.00	22,000.00
Engineering Services		
Other Expenses		(15,000.00)
Insurance		
General Liability		(13,000.00)
Workers Compensation Insurance	28,000.00	14,000.00
First Aid Organization		
Salaries and Wages		(27,000.00)
Regional Dispatch - Contractual	(13,000.00)	
Road Repairs and Maintenance		
Salaries and Wages		(10,000.00)
Recycling		
Salaries and Wages	(30,400.00)	
Garbage and Trash		
Salaries and Wages	(22,000.00)	
Tipping Fees	29,000.00	
Public Buildings and Grounds		
Salaries and Wages		27,500.00
Other Expenses	20,000.00	
Board of Health		
Other Expenses	(19,000.00)	
Beach Protection		
Salaries and Wages	17,400.00	
Community Center		
Salaries and Wages		(40,000.00)
Other Expenses		40,000.00
Sports and Recreation		
Salaries and Wages	(14,000.00)	
Other Expenses		(15,000.00)
Compensation for Accumulated Absences		10,000.00
Street Lighting		35,000.00

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 3: INVESTMENTS**

As of December 31, 2018 and 2017, the municipality held certificates of deposit in the amount of \$34,087.62 and \$33,753.90 respectively with Ocean First Bank. The certificates matured in 2018 and were rolled over for one year with an interest rate of 1.25%.

**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, 2018, \$7,221.26 of the government's bank balance of \$14,015,043.86 was exposed to custodial credit risk. 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.

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 5: FIXED ASSETS**

The following schedules are a summarization of the changes in general fixed assets for the calendar years ended December 31, 2018 and 2017:

	Balance 12/31/16	Additions	** Retirements	Balance 12/31/17
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>

	Balance 12/31/17	Additions	Adjustments	Balance 12/31/18
Land	\$ 21,135,600.00			21,135,600.00
Building	11,827,300.00	149,363.00		11,976,663.00
Machinery and Equipment	5,503,870.00	253,309.00	(144,904.00)	5,612,275.00
	<u>\$ 38,466,770.00</u>	<u>402,672.00</u>	<u>(144,904.00)</u>	<u>38,724,538.00</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 12/31/16	Issued	Retired	Balance 12/31/17
Bond Anticipation Notes payable:				
General	<u>\$ 2,425,000.00</u>	<u>4,065,000.00</u>	<u>2,425,000.00</u>	<u>4,065,000.00</u>
	<u>\$ 2,425,000.00</u>	<u>4,065,000.00</u>	<u>2,425,000.00</u>	<u>4,065,000.00</u>
	Balance 12/31/17	Issued	Retired	Balance 12/31/18
Bond Anticipation Notes payable:				
General	<u>\$ 4,065,000.00</u>	<u>5,210,000.00</u>	<u>4,065,000.00</u>	<u>5,210,000.00</u>
	<u>\$ 4,065,000.00</u>	<u>5,210,000.00</u>	<u>4,065,000.00</u>	<u>5,210,000.00</u>

The Township issued two Capital Bond Anticipation Notes in 2018. The first was issued in the amount of \$3,405,000.00 on January 25, 2018 and due and payable on January 25, 2019 with interest at 2.500%. The second was issued in the amount of \$1,805,000.00 on June 7, 2018 and due and payable on January 25, 2019 with interest at 2.750%. As of December 31, 2018, the Township has authorized but not issued bonds in the amount of \$3,958,960.00 in the General Capital Fund.

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 7: LONG TERM DEBT**

Long-term debt as of December 31, 2018 and 2017 consisted of the following:

	Balance 12/31/16	Issued	Retired	Balance 12/31/17	Amounts Due Within One Year
Other liabilities:					
Compensated					
Absences Payable	\$ 682,833.96		73,114.54	609,719.42	-
Total long-term liabilities	<u>\$ 682,833.96</u>	<u>-</u>	<u>73,114.54</u>	<u>609,719.42</u>	<u>-</u>

  

	Balance 12/31/17	Issued	Retired	Balance 12/31/18	Amounts Due Within One Year
Other liabilities:					
Compensated					
Absences Payable	\$ 609,722.42	33,698.00		643,420.42	
Total long-term liabilities	<u>\$ 609,722.42</u>	<u>33,698.00</u>	<u>-</u>	<u>643,420.42</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 0.475%.

	Gross Debt	Deductions	Net Debt
Local School District Debt	\$ -		-
General Debt	9,168,960.00	72,090.50	9,096,869.50
	<u>\$ 9,168,960.00</u>	<u>72,090.50</u>	<u>9,096,869.50</u>

Net Debt \$9,096,869.50 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$1,914,804,734 = 0.475%.

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

3 1/2 % of Equalized Valuation Basis ( Municipal)	\$ 67,018,166.00
Net Debt	9,096,869.50
Remaining Borrowing Power	<u>\$ 57,921,296.50</u>

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 8: FUND BALANCES APPROPRIATED**

Fund balances at December 31, 2018 and 2017, which were appropriated and included as anticipated revenue in their respective funds for the year ending December 31, 2019 and 2018 were as follows:

		<u>2019</u>	<u>2018</u>
Current Fund	\$	1,822,000.00	1,396,611.50

**NOTE 9: 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>12/31/2018</u>	<u>12/31/2017</u>
Balance of Tax	\$ 12,145,001.00	11,999,999.00
Deferred	7,300,000.00	7,300,000.00
Tax Payable	<u>\$ 4,845,001.00</u>	<u>4,699,999.00</u>

**NOTE 10: 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 12/31/18</u>	<u>Balance 12/31/17</u>
Prepaid Taxes	\$ 479,857.78	\$ 1,526,547.15
Cash Liability for Taxes Collected in Advance	<u>\$ 479,857.78</u>	<u>1,526,547.15</u>

**NOTE 11: 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>.

## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED DECEMBER 31, 2018 AND 2017

#### 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 7.34% through June 30, 2018 and 7.50% 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 14.11% of covered payroll. The township's contributions to PERS for the years ended December 31, 2018, 2017, and 2016 were \$448,655.00, \$445,611.00, and \$455,684.00.

The total payroll for the year ended December 31, 2018, 2017, and 2016 was \$3,861,864.03, \$3,809,600.11, and \$3,636,741.47. Payroll covered by PERS was \$3,467,045.75, \$3,331,592.00, and \$3,238,546.00.

#### 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.
- 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.

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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 1/60<sup>th</sup> from 1/55<sup>th</sup>, 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 1/7<sup>th</sup> 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 12: 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 municipality's pension liabilities. However, due to the fact that the township 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, 2018:

**Public Employees' Retirement System**

The Township has a liability of \$9,408,878.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 that was rolled forward to June 30, 2018. 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, 2018, the Township's proportion would be 0.04778627020%, which would be a decrease of 1.33% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Township would have recognized pension expense of \$356,042.00. At December 31, 2018, the Township would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 179,429	\$ (48,515)
Changes of assumptions	1,550,427	(3,008,459)
Changes in proportion	208,803	(816,488)
Net difference between projected and actual earnings on pension plan investments		(88,256)
Total	<u>\$ 1,938,659</u>	<u>\$ (3,961,718)</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,	
2019	\$ 81,629
2020	(139,900)
2021	(897,312)
2022	(803,930)
2023	(263,546)
Total	<u>\$ (2,023,059)</u>

**Actuarial Assumptions**

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. 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%

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 Conduent modified 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 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. 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).

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

The actuarial assumptions used in the July 1, 2017 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, 2018) 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 inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk mitigation strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
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%

*Discount Rate*

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. 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 3.87% as of June 30, 2018, 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 50% 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 June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2043 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

*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 5.66%, 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 (4.66%) or 1-percentage point higher (6.66%) than the current rate:

	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Municipality's proportionate share of the net pension liability	\$ 11,311,851	\$ 9,408,878	\$ 7,813,364

*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 13: POST-RETIREMENT BENEFITS**

The Township utilizes Horizon Blue Cross Blue Shield of New Jersey to provide post-retirement benefits. During 2018, the Township provided post-employment health/prescription and dental benefits of \$452,043.15 to twenty one (21) retired employees. In accordance with GASB Statement 75 "Accounting and Financial Reporting For Post-employment Benefits Other Than Pensions" ("OPEB") and the State of New Jersey, the Township obtained an actuarial valuation of the liability for providing these benefits.

Township employees are also eligible to participate in the single – employer OPEB Plan discussed below.

A retiree and their covered dependents may also receive Township-paid dental and vision benefits for a period of 3 to 5 years in accordance with labor agreements if they meet any one of the following requirements:

- (1) Twenty-five (25) years or more of full-time service with the Township and Twenty-five (25) years or more enrolled in the pension system; or

The Regulatory Basis of Accounting does not permit the accrual of Actuarially determined OPEB Expenses or Liabilities. The Township reports all OPEB related costs on the "pay as you go" basis. The following information is for disclosure purposes only and has not been accrued in the Financial Statements of the Township.

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 75.

The actuarial valuation report was based on 85 total participants including 20 retirees.

**Annual OPEB Cost and Net OPEB Liability**

The Township's annual OPEB cost represents the accrued cost for post-employment benefits under GASB 75. 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.

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**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.

In the January 1, 2017 actuarial valuation, the "Entry-Age-Normal as a Percentage of Salary" method was used for all participants. The actuarial assumptions used to project future costs included a discount rate of 3.64%. In addition, the unfunded actuarial accrued liability is being amortized over the maximum acceptable period of 30 years.

**Other Post-employment Benefit Costs and Obligations**

In the January 1, 2018 actuarial valuation, the Actuarially Determined Contribution for the year ending December 31, 2018 were projected as follows:

	<u>12/31/2018</u>
Service Cost	\$ 868,997.00
30 Year Amortization of NOL at 3.64	2,629,941.00
Actuarially Determined Contribution	<u>3,498,938.00</u>
Actual Contribution	534,039.00
Excess Contribution	<u>\$ (2,964,899.00)</u>
Covered Payroll	\$ 3,432,599.00
Actuarially Determined Contribution as a % of Covered Payroll	101.93%

The following reflects the change in the Total OPEB Liability as of the January 1, 2018 valuation date for the Year ended December 31, 2018.

	<u>12/31/2018</u>
OPEB Liability, Beginning of Year	\$ 37,145,294.00
Changes for the Year:	
Service Cost	868,997.00
Interest	1,342,369.00
Assumption Changes & Difference Between Actual & Expected Experience	309,566.00
Change in Actuarial Cost Method	-
Benefit Payments	(534,039.00)
OPEB Liability, End of Year	<u>\$ 39,132,187.00</u>
Covered payroll (for Covered Participants)	\$ 3,432,599.00
Total OPEB liability as a percentage of covered payroll	1140.02%

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Sensitivity of the total OPEB liability to changes in the discount rate.**

The January 1, 2018 valuation was prepared using a discount rate of 3.64%. If the discount rate were 1% higher than what was used in this valuation, the Total OPEB Liability would decrease to \$30,764,202.00 or by 4.64%. If the discount rate were 1% lower than was used in this valuation, the Total OPEB Liability would increase to \$47,500,171.00 or by 2.64%.

		Discount Rate		
		1% Decrease	Baseline 3.64%	1% Increase
Total OPEB Liability	\$	<u>47,500,171.00</u>	\$ <u>39,132,187.00</u>	\$ <u>30,764,202.00</u>

**Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.**

The January 1, 2018 valuation was prepared using an initial trend rate of 8.00%. If the trend rate were 1% higher than what was used in this valuation, the Total OPEB Liability would increase to \$48,660,628.00 or by 9.00%. If the trend rate were 1% lower than was used in this valuation, the Total OPEB Liability would decrease to \$31,374,631.00 or by 7.00%.

		Healthcare Cost Trend Rates		
		1% Decrease	Baseline 8.00%	1% Increase
Total OPEB Liability	\$	<u>31,374,631.00</u>	\$ <u>39,132,187.00</u>	\$ <u>48,660,628.00</u>

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended December 31, 2017, the Township's Actuarially determined OPEB expense was \$30,108,254. At December 31, 2017, the Township reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Increase in January 1, 2017 OPEB Liability due to Actuarial experience different from expected and actuarial assumption changes	\$ 257,972.00	\$ -
Total	\$ <u>257,972.00</u>	\$ <u>-</u>

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

For the Year Ending December 31,

2018	\$	51,594.00
2019		51,594.00
2020		51,594.00
2021		51,594.00
2022		51,594.00
Thereafter		-
	\$	<u>257,970.00</u>

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

The Township has permitted employees to accrue unused vacation, personal and sick time. It is the Township's policy that any unused vacation time may be carried forward into the next succeeding year only. Personal days must be taken during the current calendar year. Any unused personal time may not be carried forward into the next succeeding year. Employees will be paid for earned but unused sick days upon retirement at a rate of 50%, with a maximum of \$10,000.00. Department heads and supervisors are compensated at the rate of 75% of their unused sick time upon retirement. It is estimated that the cost for the most current calendar year of such unpaid compensation would approximate \$643,402.42 in 2018 and \$609,722.42 in 2017. 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.

**NOTE 15: ECONOMIC DEPENDENCY**

The Township of Upper has a major source of revenue from the State of New Jersey in the form of the Energy Receipts Tax and Garden State Trust. For 2018, the Township received \$6,323,653.00, which represents approximately 48% 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 16: 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, 2018 and 2017 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 \$100,000 under JIF, which increases to \$5,000,000 under MEL.

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**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>
2018	31,150.25	639.43	22,773.20	101,462.57
2017	36,899.31	408.66	20,546.44	92,446.09
2016	35,349.82	225.72	38,092.37	75,684.56

**NOTE 17: DEFERRED COMPENSATION**

Employees of the Township of Upper may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments). The deferred compensation plan is available to all employees of the 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.

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 18: 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.

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 19: INTERFUND BALANCES**

During the most current calendar year ended December 31, 2018, 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	\$	2,045,202.77
Grant Fund		293,221.42
Trust Other	1,002.08	
Animal Control Fund	1,020.71	
Grant Fund:		
Current Fund	293,221.42	
Trust Fund		228,595.08
Trust Fund:		
Current - Tax Title Lien		1,002.08
Current - Animal Control		1,020.71
Grant Fund	228,595.08	
General Capital Fund:		
Current Fund	2,045,202.77	
	\$ <u>2,569,042.06</u>	<u>2,569,042.06</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 from 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 are due to amounts that should have been transferred to the proper bank accounts for interest earned on the accounts.

**NOTE 20: SUBSEQUENT EVENTS**

The Township has evaluated subsequent events through July 25, 2019, the date which the financial statements were available to be issued. The following event was identified:

On January 24, 2019, the Township issued \$4,510,000.00 in bond anticipation notes. The note matures January 24, 2020 with a 3.25% interest rate.

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## **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, 2018, 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 July 25, 2019, 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**

**July 25, 2019**

**TOWNSHIP OF UPPER**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDING DECEMBER 31, 2018**

**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?      | <b>NO</b> |
| 2) Significant Deficiency identified? | <b>NO</b> |

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 one finding relating to the financial statements – regulatory basis that is 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.

Finding 2018-1: During our testing of construction permits, it was noted that the Township's fee ordinance should be updated. We also noted three construction permits in which fees were not properly charged.

A corrective action plan is required for 2018.

**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, 2017	\$	11,061,941.09
Increased by Receipts:		
Tax Collector	33,593,101.70	
Revenue Accounts Receivable	7,794,325.21	
Miscellaneous Revenue	273,987.36	
Due from State - Veterans and Senior Citizens	119,742.47	
Accrued Payroll Taxes	5,180,666.55	
Marriage & Civil Union License Fees Due to State	1,600.00	
Hunting and Fishing License Fees Due to State	8,886.25	
Dog License Fees Due to State	1,669.80	
DCA Training Fees Due to State	16,081.00	
Petty Cash & Change Funds	100.00	
Due from General Capital	1,830,323.70	
Due from Federal and State Grant Fund	140,859.10	
Due from Other Trusts	869.57	
Due from Animal Control	5,988.34	
Reserve for Capital Projects	40,262.99	
		<u>49,008,464.04</u>
		60,070,405.13
Decreased by Disbursements:		
Current Year Appropriation	10,991,917.56	
Prior Year Appropriations	348,150.34	
County Taxes	5,156,444.01	
Local District School Taxes	24,144,998.00	
Special District Taxes	1,728,759.00	
Refund of Tax Overpayments	28,275.65	
Accounts Payable	1,812.87	
Payroll Taxes and Deductions	5,180,301.50	
Due State For Marriage Licenses & Civil Unions	1,600.00	
Due State for Hunting and Fishing Licenses	8,477.75	
Due to State for Dog Licenses	1,673.40	
Due State for DCA Training Fees	16,359.00	
Due to General Capital	409,131.27	
Due to Animal Control	4,129.83	
Due to Federal and State Grant Fund	64,247.51	
Due to Other Trust	8.01	
Reserve for Capital Projects	1,400.00	
Emergency Note Payable	150,000.00	
		<u>48,237,685.70</u>
Balance December 31, 2018	\$	<u><u>11,832,719.43</u></u>

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

Year	Balance Dec. 31, 2017	Current Year Levy	Added Taxes	Collections by Cash		Adjustments	Transferred To Tax Title Lien	Balance Dec. 31, 2018
				2017	2018			
Arrears	\$ -				1,250.00	(1,750.00)		500.00
2016	4,398.46				4,398.46			-
2017	426,650.21				407,682.86	3,132.85	15,834.50	0.00
	<u>431,048.67</u>	-	-	-	<u>413,331.32</u>	<u>1,382.85</u>	<u>15,834.50</u>	<u>500.00</u>
2018	-	34,773,735.72	4,817.77	1,526,547.15	32,690,565.51	43,032.41	23,055.14	495,353.28
	<u>431,048.67</u>	<u>34,773,735.72</u>	<u>4,817.77</u>	<u>1,526,547.15</u>	<u>33,103,896.83</u>	<u>44,415.26</u>	<u>38,889.64</u>	<u>495,853.28</u>
					Cash Receipts			
					Senior Citizens and Veterans			
					Other			
					<u>33,020,934.42</u>			
					122,580.48			
					(39,618.07)			
					<u>33,103,896.83</u>			
						<u>34,778,553.49</u>		
<b>Analysis of Current Year Tax Levy</b>								
<b>Tax Yield:</b>								
		General Property Tax			33,044,976.72			
		Special District Taxes			1,728,759.00			
		Added Taxes (54:4-63.1 et. Seq.)			<u>4,817.77</u>			
<b>Tax Levy:</b>								
		General County Taxes			4,307,021.99			
		County Library Taxes			634,656.14			
		County Open Space Taxes			192,207.87			
		County Health Taxes						
		County Added and Omitted Taxes			<u>23,710.83</u>			
		Total County Taxes				5,157,596.83		
		Local School District Tax				24,290,000.00		
		Additional Local School District Tax						
		Special District Tax				1,728,759.00		
		Local Tax for Municipal Purposes			3,396,108.65			
		Add: Additional Tax Levied			<u>206,089.01</u>			
						<u>3,602,197.66</u>		
						<u>34,778,553.49</u>		

See Accompanying Auditor's Report

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

Balance December 31, 2017		\$	232,277.86
Increased by:			
Transfers from Taxes Receivable	38,889.64		
Interest and Costs Accrued by Sale			
October 16, 2018	2,919.90		
	<hr/>		<hr/>
			41,809.54
			<hr/>
			274,087.40
Decreased by:			
Collections	4,692.40		
Foreclosures	127,942.57		
	<hr/>		<hr/>
			132,634.97
			<hr/>
Balance December 31, 2018		\$	<u><u>141,452.43</u></u>



**CURRENT FUND  
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	Balance Dec. 31, 2017	Accrued in 2018	Collected by		Balance Dec. 31, 2018
			Collector	Treasurer	
Licenses:					
Alcoholic Beverages	\$ -	5,300.00		5,300.00	-
Fines and Costs:					
Municipal Court	3,782.67	68,581.40		69,159.73	3,204.34
Interest and Costs on Taxes	-	87,617.10	87,617.10		-
Interest Earned on Investments	-	67,773.45		67,773.45	-
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	-	262,413.12		262,413.12	-
Host Community Benefits	-	507,596.51		507,596.51	-
Cable TV Fees	-	71,657.70		71,657.70	-
Cell Tower Fees	-	96,720.11		96,720.11	-
Dennis Twp & Corbin City - Municipal Court	-	149,006.67		149,006.67	-
Uniform Construction Code Fees	-	242,047.00		242,047.00	-
Miscellaneous Revenue Not Anticipated	-	276,992.81		276,992.81	-
	<u>3,782.67</u>	<u>8,159,358.87</u>	<u>87,617.10</u>	<u>8,072,320.10</u>	<u>3,204.34</u>

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

	Balance Dec. 31, 2017	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
<b>OPERATIONS WITHIN "CAPS"</b>					
<b>GENERAL GOVERNMENT:</b>					
Mayor and Committee					
Other Expenses	\$ 3,854.30	3,854.30	1,392.45	2,461.85	-
Township Clerk					
Other Expenses	15,455.02	15,455.02	3,365.26	12,089.76	-
Financial Administration					
Other Expenses					
Computer Services	2,830.38	2,830.38	832.50	1,997.88	-
Miscellaneous Other Expenses	9,388.52	9,388.52	3,820.23	5,568.29	-
Assessment of Taxes					
Other Expenses	3,414.37	3,414.37	695.00	2,719.37	-
Collection of Taxes					
Miscellaneous Other Expenses	287.42	287.42	166.50	120.92	-
Legal Services					
Other Expenses	16,246.16	16,246.16	9,616.25	6,629.91	-
Special Litigation					
Other Expenses	11,157.25	11,157.25	10,157.25	1,000.00	-
Engineering Services					
Other Expenses	14,468.73	14,468.73	14,154.66	314.07	-
<b>INSURANCE</b>					
Employee Group Health	78,656.19	78,656.19	24,405.69	54,250.50	-
<b>LAND USE ADMINISTRATION</b>					
Planning Board					
Other Expenses	2,025.83	2,025.83	1,154.99	870.84	-
Zoning Board of Adjustment					
Other Expenses	1,748.13	1,748.13	79.52	1,668.61	-

See Accompanying Auditor's Report

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

	Balance Dec. 31, 2017	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
<b>PUBLIC SAFETY</b>					
First Aid Organization	17,378.36	17,378.36	7,480.53	9,897.83	-
Other Expenses					
Emergency Management Services	8,702.77	8,702.77	7,804.97	897.80	-
Other Expenses					
Crossing Guard	800.00	800.00	469.52	330.48	-
Other Expenses					
Municipal Court	7,099.90	7,099.90	4,006.26	3,093.64	-
Other Expenses					
<b>PUBLIC WORKS</b>					
Road Repairs and Maintenance					
Other Expenses	933.88	933.88	852.60	81.28	-
Surfacing of Roads	103,517.60	103,517.60	97,647.71	5,869.89	-
Miscellaneous Other Expenses					
Recycling	2,312.78	2,312.78	2,211.22	101.56	-
Other Expenses					
Garbage and Trash					
Other Expenses	9,212.27	9,212.27	9,212.27	-	-
Tipping Fees	24,451.90	24,451.90	23,745.58	706.32	-
Miscellaneous Other Expenses					
Public Buildings and Grounds	22,352.54	22,352.54	19,758.63	2,593.91	-
Other Expenses					
<b>HEALTH AND WELFARE</b>					
Dog Regulation	3,135.18	3,135.18	2,374.69	760.49	-
Other Expenses					
<b>PARK AND RECREATION</b>					
Emergency Shore Protection	18,334.37	18,334.37	18,334.37	-	-
Other Expenses					
Beach Protection	7,998.97	7,998.97	7,951.00	47.97	-
Other Expenses					

See Accompanying Auditor's Report

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

	Balance Dec. 31, 2017	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
Community Center Other Expenses	9,363.72	9,363.72	7,811.04	1,552.68	-
Sports and Recreation Other Expenses	26,876.67	26,876.67	14,479.27	12,397.40	-
<b>UNIFORM CONSTRUCTION CODE</b>					
State Uniform Construction Code Construction Official Other Expenses	920.50	920.50	382.40	538.10	-
<b>UNCLASSIFIED</b>					
Celebration of Public Events Compensation for Accumulated Absence	289.97 10,100.00	289.97 10,100.00	104.95 10,100.00	185.02 -	- -
<b>UTILITY EXPENSES AND BULK PURCHASES</b>					
Street Lighting	17,875.83	17,875.83	17,875.83	-	-
<b>DEFERRED CHARGES AND STATUTORY EXPENDITURES:</b>					
Statutory Expenditures: Contributions to: Defined Contribution Retirement Program	2,328.07	2,328.07	137.00	2,191.07	-
<b>OPERATIONS - EXCLUDED FROM "CAPS"</b>					
<b>CAPITAL IMPROVEMENTS</b>					
Strathmere Projects	29,547.00	29,547.00	25,570.20	3,976.80	-
All Other Accounts - No Change	38,928.70	38,928.70		38,928.70	-
	<u>521,993.28</u>	<u>521,993.28</u>	<u>348,150.34</u>	<u>173,842.94</u>	<u>-</u>
\$					

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

Balance December 31, 2017		
School Tax Payable	\$ 4,699,999.00	
School Tax Deferred	<u>7,300,000.00</u>	
		\$ 11,999,999.00
Increased by:		
Levy - School Year July 1, 2018 to June 30, 2019		<u>24,290,000.00</u>
		36,289,999.00
Decreased by:		
Payments		<u>24,144,998.00</u>
Balance December 31, 2018		
School Tax Payable	4,845,001.00	
School Tax Deferred	<u>7,300,000.00</u>	
		<u>12,145,001.00</u>
Current Year Liability for Local School District School Tax:		
Tax Paid		24,144,998.00
Tax Payable Ending		<u>4,845,001.00</u>
		28,989,999.00
Less: Tax Payable Beginning		<u>4,699,999.00</u>
Amount charged to Current Year Operations		<u>\$ 24,290,000.00</u>

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

<u>Purpose</u>	<u>Balance Dec. 31, 2017</u>	<u>Transferred From 2018 Revenues</u>	<u>Received</u>	<u>Balance Dec. 31, 2018</u>
<b>FEDERAL GRANTS:</b>				
FEMA Energy Mitigation Grant	\$ 23,660.00			23,660.00
FEMA Energy Mitigation Grant - 2018	-	11,570.00		11,570.00
Total Federal	<u>23,660.00</u>	<u>11,570.00</u>	<u>-</u>	<u>35,230.00</u>
<b>STATE GRANTS:</b>				
Clean Communities	296.53			296.53
NJ Hazardous Site Remediation	94,935.00	36,323.33	36,323.33	94,935.00
2017 Municipal Aid - NJ DOT	158,000.00			158,000.00
2018 Municipal Aid - NJ DOT	-	175,000.00		175,000.00
CM Open Space - Harbor Road Bike/Pedestrian Gateway	500,000.00			500,000.00
NJDEP Resiliency Grant	61,000.00		61,000.00	-
Total State	<u>814,231.53</u>	<u>211,323.33</u>	<u>97,323.33</u>	<u>928,231.53</u>
<b>LOCAL GRANTS:</b>				
Municipal Alliance	66,159.28	24,393.00	24,135.77	66,416.51
Main Street Market Assessment	86.00			86.00
Total Local	<u>66,245.28</u>	<u>24,393.00</u>	<u>24,135.77</u>	<u>66,502.51</u>
	<u>\$ 904,136.81</u>	<u>247,286.33</u>	<u>121,459.10</u>	<u>1,029,964.04</u>

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

	Balance December 31, 2017		Reserve for		2018		Disbursed	Encumbrances	Balance Dec. 31, 2018
	Appropriated		Encumbrances		Appropriations				
<b>FEDERAL GRANTS:</b>									
FEMA Energy Mitigation Grant	\$ 23,660.00				19,800.00			14,000.00	23,660.00
FEMA Energy Mitigation Grant - 2018	-								5,800.00
Total Federal	23,660.00		-		19,800.00		-	14,000.00	29,460.00
<b>STATE GRANTS:</b>									
Clean Communities	22,345.68		5,394.45		36,323.33		23,666.42	10,814.00	29,583.04
Drunk Driving Enforcement	125.68								125.68
NJ Hazardous Site Remediation	68,261.50								68,261.50
Sustainable Jersey Grant	361.12								361.12
2017 Municipal Aid - NJ DOT	158,000.00								158,000.00
2018 Municipal Aid - NJ DOT	-				175,000.00				175,000.00
CM Open Space - Harbor Road Bike/Pedestrian Gateway	500,000.00						12,363.92	61,271.57	426,364.51
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	791,093.98		5,394.45		211,323.33		36,030.34	72,085.57	899,695.85
<b>LOCAL GRANTS:</b>									
Municipal Alliance	56,868.05		721.08		30,491.00		28,217.17	1,364.92	58,498.04
Main Street Market Assessment	86.00								86.00
Total Local	56,954.05		721.08		30,491.00		28,217.17	1,364.92	58,584.04
	\$ 871,708.03		6,115.53		261,614.33		64,247.51	87,450.49	987,739.89

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

Purpose	Balance	Transferred	Received	Balance
	Dec. 31, 2017	To 2018 Appropriations		Dec. 31, 2018
<b>FEDERAL GRANTS:</b>				
None	\$ -			-
Total Federal	-	-	-	-
<b>STATE GRANTS:</b>				
Emergency Management	-		19,400.00	19,400.00
Total State	-	-	19,400.00	19,400.00
\$	-	-	19,400.00	19,400.00



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

Balance December 31, 2017		\$	7,629.50
Increased By Receipts:			
Dog License Fees	4,013.60		
Interest Earned	60.19		
Due from Current Fund - Statutory Excess	116.23		
			<hr/>
			4,190.02
			<hr/>
			11,819.52
Decreased By Disbursements:			
Paid to Current Fund - Interest Earned	60.19		
Due to Current Fund - Statutory Excess	1,998.14		
Animal Control Expenditures	1,586.80		
			<hr/>
			3,645.13
			<hr/>
Balance December 31, 2018		\$	<u><u>8,174.39</u></u>

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

Balance December 31, 2017		\$ 2,067,198.43
Increased By Receipts:		
Recycling	47,281.43	
Developers Escrow	710.00	
Sick Pay Reserve	12,206.55	
Affordable Housing Trust	250,986.12	
Client Funds Escrow Deposits	6,096.40	
Landfill Closure	333.72	
Planning Board Escrow Review Fees	51,809.50	
Municipal Alliance	451.73	
Unemployment Compensation	31,789.68	
Tax Sale Premiums	28,900.00	
TTL Redemptions	153,163.02	
UT Cafeteria Fund	3,000.00	
Fire Safety	2,500.00	
Recreation Donations	663.87	
Recreation Developers' Escrow	24,343.00	
Parking Offenses Adjudication Act	2.00	
Health Reimbursement Trust	26,914.84	
Interest Earned on Deposits - Due to Current Fund	3,017.87	
	<hr/>	644,169.73
		2,711,368.16
Decreased By Disbursements:		
Sick Pay Reserve	15,420.65	
Planning Board Escrow	22,392.56	
Recycling	92,805.00	
Developers Escrow	40,970.34	
Municipal Alliance	474.00	
Unemployment Compensation	22,773.20	
Refunds - Tax Sale Certificates	153,163.02	
Tax Sale Premiums	149,100.00	
UT Cafeteria Fund	3,000.00	
Recreation Developers' Escrow	15,064.68	
Health Reimbursement Trust	26,914.84	
Due to State - Department of Labor	592.41	
Payments to Current Fund - Revenues	2,877.35	
	<hr/>	545,548.05
Balance December 31, 2018		\$ <u><u>2,165,820.11</u></u>

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

Balance December 31, 2017		\$ 7,745.73
Increased By:		
Dog Licenses Fees	2,923.20	
Interest on Deposits	60.19	
Duplicate & Late Fees Collected	1,067.00	
	<hr/>	<hr/>
		4,050.39
		11,796.12
Decreased By Disbursements:		
Animal Control Expenditures	1,586.80	
Due to Current - Statutory Excess	2,995.45	
Interest Paid to Current Fund	60.19	
	<hr/>	<hr/>
		4,642.44
Balance December 31, 2018		\$ <u><u>7,153.68</u></u>

License and Other Fees Collected	<u>Year</u>	
	2017	3,370.22
	2016	3,783.46
		<hr/>
	\$	<u><u>7,153.68</u></u>

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

Balance December 31, 2017		\$	(116.23)
Increased By:			
Dog License Fees Collected In Current Fund	3,990.20		
Interest Paid to Current Fund	60.19		
Due to Current Fund - Statutory Excess	1,998.14		
			<u>6,048.53</u>
			5,932.30
Decreased By:			
Dog License Fees Received from Current Fund	4,013.60		
Interest Earned	60.19		
Due from Current Fund - Statutory Excess	3,111.68		
			<u>7,185.47</u>
Balance December 31, 2018		\$	<u><u>1,020.71</u></u>

**GENERAL CAPITAL FUND  
ANALYSIS OF CASH**

	Balance Dec. 31, 2017	Receipts		Improvement Authorizations	Disbursements		Transfers		Balance Dec. 31, 2018
		Miscellaneous	Notes Issued		Miscellaneous		From	To	
<b>\$</b>		25,323.70							
Fund Balance	52,922.34								78,246.04
Capital Improvement Fund	193,753.45						161,925.00	75,000.00	106,828.45
Encumbrances Payable	305,057.27						305,057.27	209,928.00	209,928.00
Due from Current Fund	(509,010.34)				1,421,192.43		115,000.00		(2,045,202.77)
Reserve for PW Equipment	50,000.00								50,000.00
Reserve for Beach Replenishment	385,000.00							40,000.00	425,000.00
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	86,700.00				38,300.00			38,300.00	86,700.00
Reserve for Preliminary Costs - Architectural	20,000.00				13,064.00				6,936.00
<b>Improvement Authorizations:</b>									
1-00 Rescue Squad Improvements	2,511.45								2,511.45
7-00 Community Center	2,179.00								2,179.00
14-06 Imp to Recreation Fields	1,728.75								1,728.75
12-07 Purchase of Ambulance	3,810.23								3,810.23
13-08 Beach Replenishment	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	122,652.40						35,940.00	36,115.00	118,560.17
15-12 Sand Fence Replacement	122,175.00								122,175.00
5-13 Multi-Purpose Equipment/Paving	(725,273.53)	1,005,000.00		93,416.00			2,134.00		184,176.47
10-13 Street Signs	1,696.50								1,696.50
08-16 Various Improvements	(638,845.26)	800,000.00		259,484.04			30,000.00	230,642.27	102,312.97
12-18 Various Improvements	-			600.00			141,854.00	161,925.00	19,471.00
<b>\$</b>	0.00	25,323.70	1,805,000.00	357,767.27	1,472,556.43		791,910.27	791,910.27	0.00

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

Balance December 31, 2017		\$	193,753.45
Increased by:			
Current Fund Budget Appropriations	75,000.00		
	<hr/>		<hr/>
			75,000.00
			268,753.45
Decreased by:			
Improvement Authorizations Funded	161,925.00		
	<hr/>		<hr/>
			161,925.00
Balance December 31, 2018		\$	<u>106,828.45</u>

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

Ord #	Improvement Description	Balance Dec. 31, 2017	2018 Authorizations	Notes Paid by Budget/ Paydown	Balance Dec. 31, 2018	Analysis of Balance	
						Bond Anticipation Notes	Expenditures
13-08	Beach Replenishment	\$ 150,000.00			150,000.00		Unexpended Improvement Authorizations
19-11	Beach Replenishment	680,000.00			680,000.00		680,000.00
05-13	Multi-Purpose Equipment/Paving	3,100,600.00		420,000.00	2,680,600.00	2,650,000.00	30,600.00
08-16	Various Improvements	2,821,785.00		240,000.00	2,581,785.00	2,560,000.00	21,785.00
12-18	Various Improvements	-	3,076,575.00		3,076,575.00		3,076,575.00
		<u>\$ 6,752,385.00</u>	<u>3,076,575.00</u>	<u>660,000.00</u>	<u>9,168,960.00</u>	<u>5,210,000.00</u>	<u>3,958,960.00</u>
Improvement Authorizations Unfunded							4,245,449.44
Less:							
Unexpended Proceeds of Bond							
Anticipation Notes Issued:							
<b>Ord. Number</b>							
05-13 Multi-Purpose							(184,176.47)
08-16 Various Improvements							<u>(102,312.97)</u>
							<u>3,958,960.00</u>
							<u>-</u>





**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	Increased	Decreased	Balance
						Dec. 31, 2017			Dec. 31, 2018
Multi-Purpose Equipment/Paving	05-2013	1/30/2014	1/27/2017	1/26/2018	1.288%	2,065,000.00			-
			1/25/2018	1/25/2019	2.500%	-	1,645,000.00	2,065,000.00	1,645,000.00
			6/7/2018	1/25/2019	2.750%	-	1,005,000.00		1,005,000.00
Various Improvements	08-2016	1/27/2017	1/27/2017	1/26/2018	1.288%	2,000,000.00		2,000,000.00	-
			1/25/2018	1/25/2019	2.500%	-	1,760,000.00		1,760,000.00
			6/7/2018	1/25/2019	2.750%	-	800,000.00		800,000.00
						\$ 4,065,000.00	5,210,000.00	4,065,000.00	5,210,000.00

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2017	2018 Authorizations	Notes Issued	Balance Dec. 31, 2018
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	1,035,600.00		1,005,000.00	30,600.00
08-16	Various Improvements	821,785.00		800,000.00	21,785.00
12-18	Various Improvements	-	3,076,575.00		3,076,575.00
		<u>\$ 2,687,385.00</u>	<u>3,076,575.00</u>	<u>1,805,000.00</u>	<u>3,958,960.00</u>

**TOWNSHIP OF UPPER**

**PART II**

**GENERAL COMMENTS AND RECOMMENDATIONS**

**FOR THE YEAR ENDED**

**DECEMBER 31, 2018**



## **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 Council'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:

Reroofing of the Municipal Building

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 2018.

This Resolution shall take effect January 1, 2018.

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 16, 2018 and was complete.

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

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

<u>Year</u>	<u>Number</u>
2018	97
2017	99
2016	129

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 2018 and 2019 Taxes	25
Delinquent Taxes	25
Total	<u>50</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>
2018 \$	34,778,553.49	34,217,112.66	98.39%
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%

### Comparative Schedule of Tax Rate Information

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Tax Rate	\$ 1.764	1.744	1.772	1.725	1.408
Apportionment of Tax Rate:					
Municipal	0.183	0.171	0.171	0.151	0.125
County	0.278	0.280	0.279	0.275	0.219
Local School	1.303	1.293	1.322	1.299	1.064
Assessed Valuation	1,864,327,932	1,856,932,457	1,790,689,761	1,786,193,417	2,159,746,783

### 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>
2018 \$	141,452.43	495,853.28	637,305.71	1.83%
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%

### Uniform Construction Code

The Township of Upper's construction code official is not 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**

### **Finding 2018-1:**

During our testing of construction permits, it was noted that the Township's fee ordinance should be updated. We also noted three construction permits in which fees were not properly charged.

#### **Criteria:**

Construction permit fees should be calculated in accordance with the Administrative Code of the State of New Jersey.

#### **Condition:**

Fees for certain construction code permits were not calculated correctly.

#### **Cause:**

The construction fee ordinance has not been updated in several years. Prior to changing to a computer software program in 2018, the construction office manually calculated permit fees. In some instances, permits were entered incorrectly.

#### **Effect:**

Permits selected for testing resulted in overcharges and undercharges of construction fees.

#### **Recommendation:**

That the internal controls over the Construction Office be reviewed and controls implemented for charging permits. We also recommend that the client review the Administrative Code each year for any changes to ensure their rates are in line with the State of New Jersey.

#### **Management Response:**

The Township has updated their fee ordinance in 2019. Fees from the ordinance will be agreed to the Townships construction permit software.

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**

**July 25, 2019**