

**TOWNSHIP OF UPPER**  
**REPORT OF AUDIT**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2022**

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**TOWNSHIP OF UPPER**

**PART I**

**REPORT ON AUDIT OF**

**FINANCIAL STATEMENTS - REGULATORY BASIS**

**FOR THE YEAR ENDED**

**DECEMBER 31, 2022**



## **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**

#### ***Opinions***

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, 2022 and 2021, 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, 2022 and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

#### ***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, 2022 and 2021, or changes in financial position for the years then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets and account group as of December 31, 2022 and 2021, 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, 2022 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.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the Township of Upper and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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.

### ***Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township of Upper's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division of Local Government Services will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division of Local Government Services, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of the internal control relevant to the audit 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 Township of Upper's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude, whether in our judgement there are conditions or events considered in the aggregate, that raise substantial doubt about the Township of Upper's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charge with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control – related matters that we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Upper basic financial statements. The supplementary information listed in the table of contents and schedule of expenditures of federal awards and schedule of state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and NJ OMB 15-08 respectively, 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. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents, schedule of expenditures of federal awards and the schedule of state financial assistance are fairly stated, in all material respects, in relation to the regulatory basis financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2023, 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 the effectiveness internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Upper's internal control over financial reporting and compliance.

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

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

**May 5, 2023**

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

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

	<u>2022</u>	<u>2021</u>
<b><u>ASSETS</u></b>		
Regular Fund:		
Cash:		
Cash Treasurer	\$ 17,704,425.82	14,666,844.78
Cash - Change	400.00	500.00
Total Cash	<u>17,704,825.82</u>	<u>14,667,344.78</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	432,837.85	484,103.64
Tax Title and Other Liens	85,824.39	82,987.57
Property Acquired for Taxes - at Assessed Valuation	3,790,699.00	3,790,699.00
Revenue Accounts Receivable	3,814.94	4,082.71
Interfund Receivable:		
Federal and State Grant Fund	-	1,732,464.99
Trust - Other	944.80	1,452.61
Animal Control Trust Fund	759.18	895.38
Total Receivables and Other Assets	<u>4,314,880.16</u>	<u>6,096,685.90</u>
Total Regular Fund	<u>22,019,705.98</u>	<u>20,764,030.68</u>
Federal and State Grant Fund:		
Federal and State Grants Receivable	459,681.45	2,632,704.62
Due from Current Fund	<u>1,045,906.13</u>	<u>-</u>
Total Federal and State Grant Fund	<u>1,505,587.58</u>	<u>2,632,704.62</u>
Total Current Fund	<u>\$ 23,525,293.56</u>	<u>23,396,735.30</u>

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

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2022</u>	<u>2021</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 1,205,622.09	726,333.90
Reserve for Encumbrances/Accounts Payable	368,716.12	448,923.13
Payroll Taxes Payable	967.54	688.34
Prepaid Taxes	619,402.41	523,216.24
Overpaid Taxes	36,443.60	7,451.72
Local School Tax Payable	6,204,992.00	5,940,183.00
County Added Tax Payable	32,342.25	32,342.25
Due to State:		
Marriage Licenses	-	550.00
DCA Fees	3,733.00	5,113.00
Other	27,297.38	24,313.82
Dog Licenses	14.40	-
Hunting Licenses	215.25	-
Interfund Payable:		
General Capital Fund	3,933,081.06	4,781,566.41
Grant Fund	1,045,906.13	-
Other		
Reserve for Capital Projects	125,004.09	208,570.15
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
Reserve National Opioid Settlements	3,574.14	-
Reserve Municipal Relief Fund	322,971.76	-
	<u>14,102,030.87</u>	<u>12,870,999.61</u>
Reserve for Receivables and Other Assets	4,314,880.16	6,096,685.90
Fund Balance	<u>3,602,794.95</u>	<u>1,796,345.17</u>
Total Regular Fund	<u>22,019,705.98</u>	<u>20,764,030.68</u>
Federal and State Grant Fund:		
Unappropriated Reserves	162,667.17	389,399.58
Appropriated Reserves	293,089.40	492,296.80
Encumbrances Payable	1,049,831.01	18,543.25
Due to Current Fund	-	1,732,464.99
Total Federal and State Grant Fund	<u>1,505,587.58</u>	<u>2,632,704.62</u>
Total Current Fund	<u>\$ 23,525,293.56</u>	<u>23,396,735.30</u>

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

	<u>2022</u>	<u>2021</u>
Revenue and Other Income Realized		
Fund Balance	\$ 1,650,000.00	1,651,055.50
Miscellaneous Revenue Anticipated	9,201,871.35	9,753,029.84
Receipts from Delinquent Taxes	485,925.17	435,032.66
Receipts from Current Taxes	39,568,180.22	37,864,632.38
Non Budget Revenue	241,936.01	776,448.00
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	449,160.57	529,850.13
Interfund Returned	1,734,812.98	80,833.92
Total Income	<u>53,331,886.30</u>	<u>51,090,882.43</u>
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	5,045,860.00	4,912,260.00
Other Expenses	6,382,150.00	6,689,557.00
Public and Private Programs Offset by Revenues	1,084,620.28	1,132,370.18
Deferred Charges & Statutory Expenditures	974,583.00	901,524.00
Appropriations Excluded from "CAPS"		
Operations:		
Insurance (N.J.S.A. 40A:4-45.3(00))	-	-
Capital Improvements	80,000.00	80,000.00
Debt Service	1,215,199.99	764,000.00
Deferred Charges	-	-
Local District School Tax	27,009,979.00	26,480,372.00
County Tax	6,120,872.27	5,645,488.25
County Share of Added Tax	32,342.25	32,342.25
Interfund Created	1,703.98	1,734,812.98
Refund of Prior Year's Revenue	1,750.00	2,021.92
Cancellation of Grants	14,848.75	-
Other:		
Special District Tax	1,911,527.00	1,877,417.00
Total Expenditures	<u>49,875,436.52</u>	<u>50,252,165.58</u>
Excess in Revenue	<u>3,456,449.78</u>	<u>838,716.85</u>

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

	<u>2022</u>	<u>2021</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>3,456,449.78</u>	<u>838,716.85</u>
Fund Balance January 1	<u>1,796,345.17</u>	<u>2,608,683.82</u>
	5,252,794.95	3,447,400.67
Decreased by:		
Utilization as Anticipated Revenue	<u>1,650,000.00</u>	<u>1,651,055.50</u>
Fund Balance December 31	<u>\$ 3,602,794.95</u>	<u>1,796,345.17</u>

**CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Anticipated		Excess or
	Budget	N.J.S. 40A:4-87	(Deficit)
Fund Balance Anticipated	\$ 1,650,000.00		-
Total Fund Balance Anticipated	<u>1,650,000.00</u>	<u>-</u>	<u>-</u>
Miscellaneous Revenues:			
Section A: Local Revenues			
Licenses:			
Alcoholic Beverages	5,000.00		300.00
Fines and Costs:			
Municipal Court	44,000.00		3,390.66
Interest and Costs on Taxes	90,000.00		17,282.61
Interest on Investments and Deposits	100,000.00		(15,454.51)
EMS Ambulance Fees	310,000.00		56,647.83
Host Community Benefits	500,000.00		66,326.42
Cable TV Fees	60,000.00		4,637.19
Cell Tower Fees	100,000.00		25,382.09
Total Section A: Local Revenues	<u>1,209,000.00</u>	<u>-</u>	<u>158,512.29</u>
Section B: State Aid Without Offsetting Appropriations			
Energy Receipts Tax (P.L. 1997, Chapters 162 & 167)	6,191,482.00		-
Garden State Preservation Trust Fund	203,537.00		(71,366.00)
Total Section B: State Aid Without Offsetting Appropriations	<u>6,395,019.00</u>	<u>-</u>	<u>(71,366.00)</u>
Section C: Uniform Construction Code Fees			
Uniform Construction Code Fees	222,000.00		62,216.80
Total Section C: Uniform Construction Code Fees	<u>222,000.00</u>	<u>-</u>	<u>62,216.80</u>

**CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Section F: Special Items - Public and Private Programs				
N.J. Transportation Trust Fund Authority Act	160,000.00		160,000.00	-
Municipal Alliance on Alcoholism and Drug Abuse	18,894.00		18,894.00	-
American Rescue Plan	485,000.00	375,400.00	860,400.00	-
Youth Leadership Grant Program		3,634.26	3,634.26	-
Clean Communities Prgram		36,968.52	36,968.52	-
Total Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations	663,894.00	416,002.78	1,079,896.78	-
Section G: Other Special Items				
Dennis Township & Corbin City - Municipal Court	117,000.00		146,592.48	29,592.48
Total Section G: Other Special Items	117,000.00	-	146,592.48	29,592.48
Total Miscellaneous Revenues:	8,606,913.00	416,002.78	9,201,871.35	178,955.57
Receipts from Delinquent Taxes	404,723.50		485,925.17	81,201.67
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes	4,764,871.78		5,553,346.37	788,474.59
Total Amount to be Raised by Taxes for Support of Municipal Budget	4,764,871.78	-	5,553,346.37	788,474.59
Budget Totals	15,426,508.28	416,002.78	16,891,142.89	1,048,631.83
Non- Budget Revenues:				
Other Non- Budget Revenues:	-		241,936.01	241,936.01
\$	15,426,508.28	416,002.78	17,133,078.90	1,290,567.84

**CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	39,568,180.22
Less: Reserve for Tax Appeals Pending	-

Net Revenue from Collections	39,568,180.22
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Allocated to:

School, County and Other Taxes	35,074,720.52
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Balance for Support of Municipal Budget Appropriations	4,493,459.70
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Increased by:

Appropriation "Reserved for Uncollected Taxes"	1,059,886.67
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Amount for Support of Municipal Budget Appropriations	5,553,346.37
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Receipts from Delinquent Taxes:

Delinquent Tax Collection	485,925.17	
Tax Title Lien Collections	-	

Total Receipts from Delinquent Taxes	485,925.17
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Analysis of Non-Budget Revenue:

Miscellaneous Revenue Not Anticipated:

Township Facilities Use Fees	6,165.00
Boat Ramp Fees	18,535.00
Street Openings	1,601.50
Mining Permits	12,500.00
Planning and Zoning Board Deposits	19,500.00
MUA Permit Fees	15,269.36
State Wildlife	179.00
Property Lists	910.00
Raffle and Bingo Licenses	120.00
Clerk's Receipts	16,148.93
Engineer/Zoning Escrow Fees	7,955.00
Passport Fees	6,038.95
Tax Collector Receipts	1,487.16
Bail Escheated to Township	50.00
Fish and Game	8,803.00
Land Sale Fees Non-Ref	150.00
JIF Dividend	5,384.70
Campground Fees/Mobile Park Fees	2,880.00
Dog Park Receipts/Dog Excess	3,175.58
Administration Fees	2,042.56
Ambulance Fees Corbin City	28,016.30
W/C Employee Reimbursement	5,861.72
MAC Repayment	2,834.10
FEMA Reimbursement	70,328.83
Other Reimbursements	4,089.37
Miscellaneous	1,909.95

Total Miscellaneous Revenue Not Anticipated:	241,936.01
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**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
<b>OPERATIONS WITHIN "CAPS"</b>						
<b>GENERAL GOVERNMENT:</b>						
Mayor and Committee						
Salaries & Wages	\$ 73,500.00	73,500.00	73,499.94		0.06	-
Other Expenses	16,000.00	18,600.00	14,995.89	3,166.00	438.11	-
Township Clerk						
Salaries & Wages	262,000.00	242,000.00	226,150.84		15,849.16	-
Other Expenses	45,200.00	45,200.00	33,397.15	797.39	11,005.46	-
Financial Administration						
Salaries & Wages	354,500.00	271,400.00	255,959.63		15,440.37	-
Other Expenses						
Audit Services	37,000.00	37,000.00	37,000.00		-	-
Computer Services	172,515.00	172,515.00	147,216.44	17,751.48	7,547.08	-
Miscellaneous Other Expenses	19,700.00	19,700.00	11,754.92	4,781.38	3,163.70	-
Assessment of Taxes						
Salaries & Wages	146,000.00	146,000.00	140,990.98		5,009.02	-
Other Expenses	30,050.00	20,050.00	9,345.69	3,104.64	7,599.67	-
Collection of Taxes						
Salaries & Wages	161,000.00	161,000.00	155,969.84		5,030.16	-
Other Expenses						
Miscellaneous Other Expenses	8,300.00	8,300.00	4,921.97	637.33	2,740.70	-
Legal Services						
Other Expenses	200,000.00	200,000.00	153,905.00		46,095.00	-
Special Litigation						
Other Expenses	200,000.00	220,000.00	198,654.36	12,652.24	8,693.40	-
Engineering Services						
Salaries & Wages	118,790.00	118,790.00	118,786.98		3.02	-
Other Expenses	90,000.00	158,000.00	30,992.96	108,349.02	18,658.02	-

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

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Appropriations		Expended			(Over expended)
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	Unexpended Balance Cancelled
<b>INSURANCE</b>						
General Liability	141,900.00	141,900.00	135,590.17	3,570.70	2,739.13	-
Workers Compensation Insurance	435,500.00	450,500.00	425,275.15		25,224.85	-
Employee Group Health	2,089,900.00	2,089,900.00	1,489,629.16	6,744.99	593,525.85	-
Health Benefit						
Salaries & Wages	8,000.00	8,000.00	2,000.00		6,000.00	-
<b>LAND USE ADMINISTRATION</b>						
Planning Board						
Salaries & Wages	33,500.00	33,500.00	32,607.69		892.31	-
Other Expenses	18,200.00	18,200.00	14,604.10	283.00	3,312.90	-
Zoning Board of Adjustment						
Salaries & Wages	33,500.00	33,500.00	32,408.34		1,091.66	-
Other Expenses	24,700.00	24,700.00	12,265.69	283.00	12,151.31	-
<b>PUBLIC SAFETY</b>						
First Aid Organization						
Salaries & Wages	809,500.00	851,500.00	850,034.83		1,465.17	-
Other Expenses	148,370.00	148,370.00	114,802.24	12,006.18	21,561.58	-
Emergency Management Services						
Salaries & Wages	25,000.00	13,000.00	11,591.35		1,408.65	-
Other Expenses	74,850.00	74,850.00	60,706.10	11,844.80	2,299.10	-
Crossing Guard						
Salaries & Wages	8,200.00	9,000.00	8,547.00		453.00	-
Other Expenses	1,000.00	1,000.00			1,000.00	-
Regional Dispatch - Contractual	280,915.00	272,915.00	272,661.23		253.77	-
Municipal Court						
Salaries & Wages	191,000.00	191,000.00	180,088.48		10,911.52	-
Other Expenses	33,350.00	23,350.00	13,076.74	258.56	10,014.70	-
Public Defender						
Salaries & Wages	25,170.00	25,170.00	25,163.04		6.96	-
Municipal Prosecutor						
Salaries & Wages	47,200.00	47,200.00	47,198.06		1.94	-
Other Expenses	1,000.00	1,000.00			1,000.00	-

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

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
<b>PUBLIC WORKS</b>						
Road Repairs and Maintenance						
Salaries & Wages	788,100.00	788,100.00	766,546.13		21,553.87	-
Other Expenses						
Surfacing of Roads	29,000.00	29,000.00	15,621.64		13,378.36	-
Miscellaneous Other Expenses	386,600.00	386,600.00	323,761.05	26,423.20	36,415.75	-
Recycling						
Salaries & Wages	255,000.00	232,800.00	224,783.34		8,016.66	-
Other Expenses	139,000.00	139,000.00	119,001.81	7,441.67	12,556.52	-
Garbage and Trash						
Salaries & Wages	435,500.00	419,400.00	403,536.38		15,863.62	-
Other Expenses						
Tipping Fees	565,000.00	565,000.00	439,590.20	40,596.87	84,812.93	-
Miscellaneous Other Expenses	144,800.00	144,800.00	95,269.52	14,757.93	34,772.55	-
Public Buildings and Grounds						
Salaries & Wages	714,000.00	727,000.00	722,138.11		4,861.89	-
Other Expenses	292,400.00	324,900.00	283,650.41	23,999.59	17,250.00	-
Demolition						
Other Expenses	7,500.00	7,500.00			7,500.00	-
<b>HEALTH AND WELFARE</b>						
Dog Regulation						
Other Expenses	92,600.00	93,600.00	90,257.17		3,342.83	-
<b>PARK AND RECREATION</b>						
Emergency Shore Protection						
Other Expenses	30,000.00	50,000.00	12,732.29	34,225.26	3,042.45	-
Beach Protection						
Salaries & Wages	341,000.00	341,000.00	331,571.67		9,428.33	-
Other Expenses	29,690.00	29,690.00	20,292.66	9,182.50	214.84	-
Community Center						
Other Expenses	42,000.00	42,000.00	35,947.21	2,965.07	3,087.72	-
Affordable Housing						
Other Expenses	500.00	500.00			500.00	-
Sports and Recreation						
Salaries & Wages	93,000.00	93,000.00	69,095.93		23,904.07	-
Other Expenses	50,250.00	53,250.00	48,154.27	5,084.55	11.18	-
Gypsy Moth Program						
Other Expenses	31,000.00	31,000.00	14,692.31		16,307.69	-
Parking Enforcement						
Other Expenses	22,350.00	11,750.00	11,718.44		31.56	-

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

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Appropriations		Expended			(Over expended)
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	Unexpended Balance Cancelled
<b>UNIFORM CONSTRUCTION CODE</b>						
State Uniform Construction Code						
Construction Official						
Salaries & Wages	234,400.00	211,400.00	205,771.16		5,628.84	-
Other Expenses	13,450.00	13,450.00	10,311.78	57.27	3,080.95	-
Zoning/Code Official						
Salaries & Wages	29,500.00	8,500.00	8,470.00		30.00	-
Other Expenses	2,560.00	2,560.00	46.99		2,513.01	-
<b>UNCLASSIFIED</b>						
Celebration of Public Events	21,500.00	21,500.00	21,246.75	250.00	3.25	-
Compensation for Accumulated Absence	100.00	100.00			100.00	-
Drug and Alcohol Testing	5,000.00	5,000.00	3,587.00		1,413.00	-
<b>UTILITY EXPENSES AND BULK PURCHASES</b>						
Street Lighting	270,000.00	285,000.00	254,932.25	554.13	29,513.62	-
<b>TOTAL OPERATIONS WITHIN "CAPS"</b>	<b>11,431,110.00</b>	<b>11,428,010.00</b>	<b>9,874,518.43</b>	<b>351,768.75</b>	<b>1,201,722.82</b>	<b>-</b>
Contingent	-	-			-	-
<b>TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"</b>	<b>11,431,110.00</b>	<b>11,428,010.00</b>	<b>9,874,518.43</b>	<b>351,768.75</b>	<b>1,201,722.82</b>	<b>-</b>
Detail:						
Salaries & Wages	5,187,460.00	5,045,860.00	4,892,909.72	-	152,950.28	-
Other Expenses	6,243,650.00	6,382,150.00	4,981,608.71	351,768.75	1,048,772.54	-
<b>DEFERRED CHARGES AND STATUTORY EXPENDITURES:</b>						
Deferred Charges:						
None	-	-			-	-
Statutory Expenditures:						
Contributions to:						
Public Employees' Retirement System	582,883.00	582,983.00	582,968.55		14.45	-
Social Security System (O.A.S.I.)	375,000.00	375,000.00	372,743.14		2,256.86	-
Unemployment Compensation Insurance	3,600.00	3,600.00	3,274.78		325.22	-
Defined Contribution Retirement Program	10,000.00	13,000.00	11,697.26		1,302.74	-

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

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Appropriations		Expended		(Over expended)
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Unexpended Balance Cancelled
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	971,483.00	974,583.00	970,683.73	-	3,899.27
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	12,402,593.00	12,402,593.00	10,845,202.16	351,768.75	1,205,622.09
OPERATIONS - EXCLUDED FROM "CAPS"					
(A) Operations - Excluded from "CAPS"					
None	-	-	-	-	-
(A) Public and Private Programs Off-Set by Revenues					
Municipal Alliance Grant	18,894.00	18,894.00	18,894.00	-	-
Municipal Alliance Grant - Match	4,723.50	4,723.50	4,723.50	-	-
Clean Communities Grant		36,968.52	36,968.52	-	-
N.J. Transportation Trust Fund Authority Act	160,000.00	160,000.00	160,000.00	-	-
Youth Leadership Grant Program		3,634.26	3,634.26	-	-
American Rescue Plan:					
Stormwater Pump Project	400,000.00	400,000.00	400,000.00	-	-
Sewer Study- Marmora	85,000.00	85,000.00	85,000.00	-	-
Stormwater Infrastructure		375,400.00	375,400.00	-	-
Total Public and Private Programs Off-Set by Revenues	668,617.50	1,084,620.28	1,084,620.28	-	-
Total Operations - Excluded from "CAPS"	668,617.50	1,084,620.28	1,084,620.28	-	-
Detail:					
Salaries & Wages	-	-	-	-	-
Other Expenses	183,617.50	224,220.28	224,220.28	-	-
(C) Capital Improvements					
Capital Improvement Fund	40,000.00	40,000.00	40,000.00	-	-
Beach Replenishment Fund	40,000.00	40,000.00	40,000.00	-	-
Total Capital Improvements	80,000.00	80,000.00	80,000.00	-	-

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

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Appropriations		Expended			(Over expended)
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	Unexpended Balance Cancelled
(D) Debt Service						
Payment of Bond Principal	640,000.00	640,000.00	640,000.00		-	-
Payment of Bond Anticipation Notes and Capital Notes	350,000.00	350,000.00	350,000.00		-	-
Interest on Bonds	187,200.00	187,200.00	187,200.00		-	-
Interest on Notes	38,211.11	38,211.11	37,999.99		-	211.12
Total Debt Service	<u>1,215,411.11</u>	<u>1,215,411.11</u>	<u>1,215,199.99</u>	<u>-</u>	<u>-</u>	<u>211.12</u>
(E) Deferred Charges						
None	-	-	-		-	-
Total Deferred Charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	<u>1,964,028.61</u>	<u>2,380,031.39</u>	<u>2,379,820.27</u>	<u>-</u>	<u>-</u>	<u>211.12</u>
SUBTOTAL GENERAL APPROPRIATIONS	<u>14,366,621.61</u>	<u>14,782,624.39</u>	<u>13,225,022.43</u>	<u>351,768.75</u>	<u>1,205,622.09</u>	<u>211.12</u>
(M) Reserve for Uncollected Taxes	<u>1,059,886.67</u>	<u>1,059,886.67</u>	<u>1,059,886.67</u>		<u>-</u>	<u>-</u>
TOTAL GENERAL APPROPRIATIONS	<u>\$ 15,426,508.28</u>	<u>15,842,511.06</u>	<u>14,284,909.10</u>	<u>351,768.75</u>	<u>1,205,622.09</u>	<u>211.12</u>
Budget		15,426,508.28			Cancelled	211.12
Appropriations by 40A:4-87		416,002.78			Overexpended	-
		<u>15,842,511.06</u>				<u>211.12</u>
Reserve for Uncollected Taxes			1,059,886.67			
Federal and State Grants			1,084,620.28			
Deferred Charges			-			
Capital Improvement Fund			80,000.00			
Disbursements			12,060,402.15			
			<u>14,284,909.10</u>			

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

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



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

	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
<u>Animal Control Fund</u>		
Cash and Investments	\$ 6,776.63	7,672.01
	<u>6,776.63</u>	<u>7,672.01</u>
<u>Other Funds</u>		
Cash and Investments - Treasurer	3,581,213.08	3,579,100.13
Revenue Accounts Receivable - POAA	18.00	6.00
	<u>3,581,231.08</u>	<u>3,579,106.13</u>
	<u>\$ 3,588,007.71</u>	<u>3,586,778.14</u>

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

	<u>2022</u>	<u>2021</u>
<u>Liabilities, Reserves and Fund Balance</u>		
<u>Animal Control Fund</u>		
Reserve for Animal Control Expenditures	\$ 6,017.45	6,776.63
Due to Current Fund	759.18	895.38
	<u>6,776.63</u>	<u>7,672.01</u>
<u>Other Funds</u>		
Deposits for Tax Title Lien Certificates	1,201.99	20,536.21
Premiums Received at Tax Sale	194,300.00	282,200.00
Due to Current Fund	944.80	1,452.61
Reserve for Fire Safety	15,114.40	15,114.40
Reserve for Unemployment Compensation	172,894.90	158,391.54
Reserve for Developers' Escrow	30,406.75	22,035.00
Reserve for Client Funds Escrow	767,699.78	803,853.69
Reserve for Landfill Closure Fund	34,965.57	34,930.62
Reserve for Planning Board Escrow	84,694.41	48,535.66
Reserve for Recycling	326,318.55	298,465.44
Reserve for Recreation Fund	38,661.51	36,441.51
Reserve for Municipal Alliance	12,046.19	12,982.99
Reserve for Sick Pay	325,785.63	324,692.21
Reserve for Affordable Housing Trust	1,566,183.87	1,508,072.60
Reserve for UT Cafeteria Fund	465.21	1,984.13
Reserve for Recreation Donations	9,441.52	9,341.52
Reserve for Parking Offenses Adjudication Act	106.00	76.00
	<u>3,581,231.08</u>	<u>3,579,106.13</u>
	<u>\$ 3,588,007.71</u>	<u>3,586,778.14</u>

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

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

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Deferred Charges to Future Taxation -		
Unfunded	\$ 3,910,000.00	4,260,000.00
Funded	6,280,000.00	6,920,000.00
Interfunds and Receivables		
Due from Current Fund	3,933,081.06	4,781,566.41
	<u>14,123,081.06</u>	<u>15,961,566.41</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Encumbrances Payable	574,368.02	508,388.89
Bond Anticipation Notes Payable	3,450,000.00	3,800,000.00
General Serial Bonds	6,280,000.00	6,920,000.00
Improvement Authorizations:		
Funded	1,438,319.06	1,983,566.52
Unfunded	907,309.14	1,356,526.16
Reserve for PW Equipment	50,000.00	50,000.00
Reserve for Beach Replenishment	585,000.00	545,000.00
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 Debt Service	100,146.50	100,146.50
Reserve to Pay Debt Service-2019 Bond Sale	54,358.80	54,358.80
Capital Improvement Fund	301,828.45	261,828.45
Fund Balance	80,000.00	80,000.00
	<u>\$ 14,123,081.06</u>	<u>15,961,566.41</u>

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

2021	460,000.00
2022	460,000.00

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

	<u>2022</u>	<u>2021</u>
Beginning Balance January 1	\$ 80,000.00	123,887.24
Increased by:		
None	-	-
Decreased by:		
Appropriated to Budget Revenue	-	43,887.24
Ending Balance December 31	<u>\$ 80,000.00</u>	<u>80,000.00</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>2022</u>	<u>2021</u>
General Fixed Assets:		
Land	\$ 23,731,406.00	23,578,132.00
Buildings	11,996,077.00	11,993,587.00
Machinery and Equipment	<u>8,545,395.00</u>	<u>7,877,273.00</u>
Total General Fixed Assets	<u>44,272,878.00</u>	<u>43,448,992.00</u>
Investment in General Fixed Assets	<u>\$ 44,272,878.00</u>	<u>43,448,992.00</u>

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

**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 2020 census is 12,539.

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, 2022 AND 2021**

**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, 2022 AND 2021**

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, 2022 AND 2021**

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

In May 2019, the Governmental Accounting Standards Board (GASB) issued Statement No. 91, "Conduit Debt Obligations". This statement, which is effective for fiscal periods beginning after December 31, 2022, will not have any effect on the Township's financial reporting.

In March 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". This statement, which is effective for periods beginning after June 15, 2022, and all reporting periods thereafter, will not have any effect on the Township's financial reporting.

In May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 96, "Subscription-Based Information Technology Arrangements". This statement, which is effective for periods beginning after June 15, 2022, and all reporting periods thereafter, will not have any effect on the Township's financial reporting.

In June 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No 14 and No. 84, and a supersession of GASB Statement No. 32. This statement, which is effective for fiscal years beginning after June 15, 2021, will not have any effect on the Township's financial reporting.

In June 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 100, "Accounting Changes and Error Corrections (an amendment of GASB Statement No. 62)". This statement, which is effective for fiscal years beginning after June 15, 2023, may have an effect on the Township's financial reporting.

In June 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 101, "Compensated Absences". This statement, which is effective for fiscal years beginning after December 15, 2023, will not have an effect on the Township's financial statements.

**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 2022 and 2021, the following significant budget insertions were approved:

<u>Budget Category</u>	<u>2022</u>	<u>2021 **</u>
Clean Communities Program	\$ 36,968.52	\$ -
US Dept of Treasury Coronavirus State & Local Fiscal Recovery Funds	375,400.00	
Youth Leadership Grant Program	3,634.26	

\*\* There were no chapter 159's in 2021.

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. As of December 31, 2021, the Township did not have any special emergency appropriations.

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

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 2022 and 2021 statutory budgets included a reserve for uncollected taxes in the amount of \$1,059,886.67 and \$1,001,232.26. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2022 and 2021 statutory budgets was \$1,650,000.00 and \$1,651,055.50.

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 2022 and 2021 calendar years:

<u>Budget Category - Current Fund:</u>	<u>2022</u>	<u>2021</u>
Financial Administration		
Salaries and Wages	\$ (83,100.00)	
Special Litigation		
Other Expenses		180,000.00
Engineering Services		
Other Expenses	68,000.00	(37,000.00)
Insurance		
Employee Group Health		(168,000.00)
First Aid Organization		
Salaries and Wages	42,000.00	50,000.00
Municipal Court		
Salaries and Wages		(30,000.00)
Road Repairs and Maintenance		
Other Expenses		(25,000.00)
Garbage and Trash		
Tipping Fees		30,000.00
Public Buildings and Grounds		
Other Expenses	32,500.00	
Beach Protection		
Salaries and Wages		(39,300.00)
Other Expenses		(31,000.00)
Celebration of Public Events		
Compensation for Accumulated Absences		75,000.00
Utility - Street Lighting		20,000.00

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 3: INVESTMENTS**

As of December 31, 2022 and 2021, the municipality held certificates of deposit in the amount of \$34,965.57 and \$34,930.62 respectively with Ocean First Bank. The certificates matured in 2022 and were rolled over for one year with an interest rate of 1.00%.

**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, 2022, \$72,528.94 of the government's bank balance of \$21,461,298.03 was exposed to custodial credit risk. As of December 31, 2021, \$100,287.16 of the government's bank balance of \$18,387,671.61 was exposed to custodial credit risk.

**NOTE 5: FIXED ASSETS**

The following schedules are a summarization of the changes in general fixed assets for the calendar years ended December 31, 2022 and 2021:

	Balance 12/31/2020	Additions	Deletions	Balance 12/31/2021
Land	\$ 21,163,891.00	2,414,241.00		23,578,132.00
Building	11,991,087.00	2,500.00		11,993,587.00
Machinery and Equipment	6,793,262.00	1,349,509.00	(265,498.00)	7,877,273.00
	<u>\$ 39,948,240.00</u>	<u>3,766,250.00</u>	<u>(265,498.00)</u>	<u>43,448,992.00</u>

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	Balance 12/31/2021	Additions	Deletions	Balance 12/31/2022
Land	\$ 23,578,132.00	153,274.00		23,731,406.00
Building	11,993,587.00	2,490.00		11,996,077.00
Machinery and Equipment	7,877,273.00	668,122.00		8,545,395.00
	<u>\$ 43,448,992.00</u>	<u>823,886.00</u>	<u>-</u>	<u>44,272,878.00</u>

**NOTE 6: SHORT-TERM OBLIGATIONS**

	Balance 12/31/2020	Issued	Retired	Balance 12/31/2021
Bond Anticipation Notes payable:				
General	\$ -	3,800,000.00		3,800,000.00
	<u>\$ -</u>	<u>3,800,000.00</u>	<u>-</u>	<u>3,800,000.00</u>
	Balance 12/31/2021	Issued	Retired	Balance 12/31/2022
Bond Anticipation Notes payable:				
General	\$ 3,800,000.00	3,450,000.00	3,800,000.00	3,450,000.00
	<u>\$ 3,800,000.00</u>	<u>3,450,000.00</u>	<u>3,800,000.00</u>	<u>3,450,000.00</u>

The Capital Bond Anticipation Note was issued in the amount of \$3,450,000.00 on August 17, 2022 and due and payable on August 16, 2023 with interest at 2.80%. As of December 31, 2021, the township has authorized but not issued bonds in the amount of \$460,000.00 in the General Capital Fund.

**NOTE 7: LONG TERM DEBT**

Long-term debt as of December 31, 2022 and 2021 consisted of the following:

	Balance 12/31/2020	Issued	Retired	Balance 12/31/2021	Amounts Due Within One Year
Other liabilities:					
Compensated Absences Payable	\$ 631,886.27	54,689.08		686,575.35	
General Capital Fund Bonds Payable	7,480,000.00		560,000.00	6,920,000.00	640,000.00
Total long-term liabilities	<u>8,111,886.27</u>	<u>54,689.08</u>	<u>560,000.00</u>	<u>7,606,575.35</u>	<u>640,000.00</u>

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	Balance 12/31/2021	Issued	Retired	Balance 12/31/2022	Due Within One Year
Other liabilities:					
Compensated					
Absences Payable	\$ 686,575.35	158,537.14	56,924.10	788,188.39	
General Capital Fund					
Bonds Payable	6,920,000.00		640,000.00	6,280,000.00	720,000.00
Total long-term liabilities	<u>7,606,575.35</u>	<u>158,537.14</u>	<u>696,924.10</u>	<u>7,068,188.39</u>	<u>720,000.00</u>

**Description of Bonds and Loans Payable**

At December 31, 2022, bonds payable in the General Capital Fund consisted of the following individual issues:

\$8,000,000.00 General Improvement Bonds dated December 18, 2019, due in annual installments beginning November 15, 2020 through November 15, 2029, bearing interest at various rates from 2.000% to 3.000% per annum. The balance remaining as of December 31, 2022, is \$6,280,000.00.

**Schedule of Annual Debt Service for Principal and Interest for Serial Bonds Issued and Outstanding**

Year Ending December 31	General Capital Fund	
	Principal	Interest
2023	\$ 720,000.00	168,000.00
2024	800,000.00	146,400.00
2025	840,000.00	122,400.00
2026	920,000.00	97,200.00
2027	960,000.00	69,600.00
2028-2029	2,040,000.00	61,600.00
	<u>\$ 6,280,000.00</u>	<u>665,200.00</u>

**Summary of Municipal Debt**

	<u>Year 2022</u>	<u>Year 2021</u>	<u>Year 2020</u>
<u>Issued:</u>			
General - Bonds and Notes	\$ 9,730,000.00	\$ 10,720,000.00	\$ 7,480,000.00
Total Issued	<u>9,730,000.00</u>	<u>10,720,000.00</u>	<u>7,480,000.00</u>
<u>Authorized but not issued:</u>			
General - Bonds and Notes	460,000.00	460,000.00	4,260,000.00
Total Authorized But Not Issued	<u>460,000.00</u>	<u>460,000.00</u>	<u>4,260,000.00</u>
Total Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 10,190,000.00</u>	<u>\$ 11,180,000.00</u>	<u>\$ 11,740,000.00</u>

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

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 0.445%.

	Gross Debt	Deductions	Net Debt
Local School District Debt	\$ -		-
General Debt	10,190,000.00	154,505.30	10,035,494.70
	<u>\$ 10,190,000.00</u>	<u>154,505.30</u>	<u>10,035,494.70</u>

Net Debt \$10,035,494.70 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$2,255,984,873.33 = 0.445%.

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

3 1/2 % of Equalized Valuation Basis (Municipal)	\$ 78,959,471.00
Net Debt	10,035,494.70
Remaining Borrowing Power	<u>\$ 68,923,976.30</u>

**NOTE 8: FUND BALANCES APPROPRIATED**

Fund balances at December 31, 2022 and 2021, which were appropriated and included as anticipated revenue in their respective funds for the year ending December 31, 2023 and 2022 were as follows:

		<u>2023</u>	<u>2022</u>
Current Fund	\$	1,755,000.00	1,650,000.00

**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>12/31/2022</u>	<u>12/31/2021</u>
Balance of Tax	\$ 13,504,992.00	\$ 13,240,183.00
Deferred	7,300,000.00	7,300,000.00
Tax Payable	<u>\$ 6,204,992.00</u>	<u>\$ 5,940,183.00</u>



**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

**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:

	Balance 12/31/2022	Balance 12/31/2021
Prepaid Taxes	\$ 619,402.41	\$ 523,216.24
Cash Liability for Taxes Collected in Advance	\$ 619,402.41	\$ 523,216.24

**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>.

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.

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2008 under the provisions of Chapter 92, P.L. 2008 and Chapter 103, P.L. 2008 (NJSA 43:15c-1 et seq). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by NJSA 43: 15c-1 et seq. Currently there are ten individuals enrolled in DCRP.

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 7.50% of employee's annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The current PERS rate is 17.11% of covered payroll. The township's contributions to PERS for the years ended December 31, 2022, 2021, and 2020 were \$582,883.00, \$521,124.00, and \$482,290.00.

The total payroll for the year ended December 31, 2022, 2021, and 2020 was \$4,396,194.40, \$4,126,857.16, and \$4,199,739.00. Payroll covered by PERS was \$3,637,159.00, \$3,542,368.00, and \$3,623,072.00.

## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED DECEMBER 31, 2022 AND 2021

#### 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.

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to  $\frac{1}{60}$ th from  $\frac{1}{55}$ th, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. 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  $\frac{1}{7}$ th 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.

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

**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 Township'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, 2021:

**Public Employees' Retirement System**

The Township has a liability of \$5,896,189.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020 that was rolled forward to June 30, 2021. 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, 2021, the Township's proportion would be 0.04977157580%, which would be an increase of 4.48% from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the Township would have recognized pension expense of (\$873,609.00). At December 31, 2021, the Township would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 92,990	\$ (42,210)
Changes of assumptions	30,707	(2,099,082)
Changes in proportion	540,762	(333,804)
Net difference between projected and actual earnings on pension plan investments		(1,553,211)
Total	<u>\$ 664,459</u>	<u>\$ (4,028,307)</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,	
2022	\$ (1,310,610)
2023	(935,773)
2024	(638,037)
2025	(479,614)
2026	189
Total	<u>\$ (3,363,845)</u>

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

**Actuarial Assumptions**

The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	
Price	2.75%
Wage	3.25%
Salary increases:	
Through 2026	2.00% – 6.00% (based on years of service)
Thereafter	3.00% - 7.00% (based on years of service)
Investment rate of return:	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disable retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2021) 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, 2021 are summarized in the following table:

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US equity	27.00%	8.09%
Non-U.S. developed markets equity	13.50%	8.71%
Emerging markets equity	5.50%	10.96%
Private equity	13.00%	11.30%
Real estate	8.00%	9.15%
Real assets	3.00%	7.40%
High yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment grade credit	8.00%	1.68%
Cash equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk mitigation strategies	3.00%	3.35%

*Discount Rate*

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. 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 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

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

The following presents the Township's proportionate share of the net pension liability calculated using the discount rate as disclosed above, 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 or 1-percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Township's proportionate share of the net pension liability	\$ 7,216,925	\$ 5,896,189	\$ 4,776,782

*Pension plan fiduciary net position.*

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

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 13: POST-RETIREMENT BENEFITS**

During 2022, the Township provided post-retirement dental and Medicare Part B coverage to twenty-eight (28) retired employees. Starting in October 2021, major medical benefits are being provided to retirees under the State Health Benefit Program. 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.

A retiree must retire with at least 25 years of service, and 25 years in the pension system. Spousal benefits upon retiree's death are discontinued. The Township will contribute 100% the dental premium for retirees and eligible dependents.

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 91 total participants including 28 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.

**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, 2022, 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 4.31%. In addition, the unfunded actuarial accrued liability is being amortized over the maximum acceptable period of 20 years.

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

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

In the January 1, 2022, actuarial valuation, the Actuarially Determined Contribution for the year ending December 31, 2022, were projected as follows:

	<u>12/31/2022 **</u>	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>
Service Cost	\$ 158,795.00	1,546,552.00	971,751.00	851,021.00	868,997.00
20 Year Amortization of NOL at 1.93	408,701.00	3,533,627.00	3,039,006.00	2,788,372.00	2,629,941.00
Actuarily Determined Contribution	<u>567,496.00</u>	<u>5,080,179.00</u>	<u>4,010,757.00</u>	<u>3,639,393.00</u>	<u>3,498,938.00</u>
Actual Contribution	48,357.00	707,401.00	855,015.00	694,108.00	534,039.00
Excess Contribution	\$ <u>(519,139.00)</u>	<u>(4,372,778.00)</u>	<u>(3,155,742.00)</u>	<u>(2,945,285.00)</u>	<u>(2,964,899.00)</u>
Covered Payroll	\$ 4,073,651.00	3,596,136.00	3,854,447.00	3,723,621.00	3,432,599.00
Actuarily Determined Contribution as a % of Covered Payroll	13.93%	141.27%	104.06%	97.74%	101.93%

\*\* Benefit changes - Medical and Rx moved to NJ-SHBP at the end of 2021

The following reflects the change in the Total OPEB Liability as of the January 1, 2022 valuation date for the Year ended December 31, 2022.

	<u>12/31/2022 **</u>	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>
OPEB Liability, Beginning of Year	\$ 6,524,385.00	58,172,248.00	44,144,758.00	39,132,187.00	37,145,294.00
Changes for the Year:					
Service Cost	158,795.00	1,546,552.00	971,751.00	851,021.00	868,997.00
Interest	146,255.00	1,115,898.00	1,425,182.00	1,411,779.00	1,342,369.00
Changes of benefit terms	-	(48,507,436.00)			
Assumption Changes & Difference					
Between Actual & Expected Experience	(994,853.00)	(2,385,686.00)	1,235,075.00	93,144.00	309,566.00
Change in Assumptions	(2,025,649.00)	(2,709,790.00)	11,250,497.00	3,350,735.00	-
Benefit Payments	(48,358.00)	(707,401.00)	(855,015.00)	(694,108.00)	(534,039.00)
OPEB Liability, End of Year	\$ <u>3,760,575.00</u>	<u>6,524,385.00</u>	<u>58,172,248.00</u>	<u>44,144,758.00</u>	<u>39,132,187.00</u>
Covered payroll (for Covered Participants)	\$ 4,073,651.00	3,596,136.00	3,854,447.00	3,723,621.00	3,432,599.00
Total OPEB liability as a percentage of covered payroll	92.31%	181.43%	1509.22%	1185.53%	1140.02%

\*\* Benefit changes - Medical and Rx moved to NJ-SHBP at the end of 2021

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

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

The January 1, 2022, valuation was prepared using a discount rate of 4.31%. If the discount rate were 1% higher than what was used in this valuation, the Total OPEB Liability would decrease to \$3,084,045.00 or by 5.31%. If the discount rate were 1% lower than was used in this valuation, the Total OPEB Liability would increase to \$4,645,558.00 or by 3.31%.

Discount Rate			
	1% Decrease	Baseline 2.25%	1% Increase
Total OPEB Liability	\$ 4,645,558	\$ 3,760,575	\$ 3,084,045

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

The January 1, 2022, valuation was prepared using an initial trend rate of 5.00%. If the trend rate were 1% higher than what was used in this valuation, the total OPEB liability would increase to \$4,708,222.00 or by 6.00%. If the trend rate were 1% lower than was used in this valuation, the total OPEB liability would decrease to \$3,047,731.00 or by 4.00%.

Healthcare Cost Trend Rates			
	1% Decrease	Baseline 5.00%	1% Increase
Total OPEB Liability	\$ 3,047,731	\$ 3,760,575	\$ 4,708,222

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

For the year ended December 31, 2022, the Township's Actuarially determined OPEB expense was \$3,760,575.00. At December 31, 2022, 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, 2022 OPEB Liability due to Actuarial		
Differences between expected & actual experience	\$ 576,674.00	\$ 2,284,143.00
Changes of assumptions	5,617,111.00	3,362,145.00
Total	\$ 6,193,785.00	\$ 5,646,288.00



**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

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,		
2023	\$	1,672,095
2024		1,620,500
2025		(1,450,596)
2026		(431,500)
2027		(431,500)
2028		(431,502)
	\$	<u>547,497</u>

Through September 30, 2021 the Township utilized Horizon Blue Cross Blue Shield of New Jersey to provide post-retirement benefits.

**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 \$788,189.39 in 2022 and \$686,575.35 in 2021. 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 2022, the Township received \$6,323,653.00, which represents approximately 40% 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, 2022 and 2021 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, 2022 AND 2021**

**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:

Calendar Year	Contributions	Interest Earned	Amount Reimbursed	Ending Balance
2022	\$ 40,807.60	817.32	27,121.56	172,894.90
2021	61,183.41	2,580.16	31,488.04	158,391.54
2020	37,694.48	2,045.93	30,069.72	126,116.01

**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.

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 19: INTERFUND BALANCES**

During the most current calendar year ended December 31, 2022, 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	\$	3,933,081.06
Grant Fund		1,045,906.13
Trust Other	944.80	
Animal Control Fund	759.18	
Grant Fund:		
Current Fund	1,045,906.13	
Trust Fund:		
Current - Tax Title Lien		944.80
Current - Animal Control		759.18
General Capital Fund:		
Current Fund	3,933,081.06	
	\$ <u>4,980,691.17</u>	<u>4,980,691.17</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: LEASE OBLIGATIONS**

Operating Leases

In August 2019, the Township entered into an agreement to lease a copy machine for Township Hall under an operating lease. The term for the lease is 60 months, and it will expire on August 30, 2024. The total monthly payment for the lease is \$201.99. The Township has the option to purchase this equipment at the termination of the lease for the fair market value.

In January 2022, the Township entered into an agreement to lease a postage machine for Township Hall under an operating lease. The term of the lease is 63 months, and it will expire in April 2027. The total monthly payment for the lease is \$165.00. The Township has the option to purchase the equipment at the termination of the lease for the fair market value.

The total operating lease payments in 2022 and 2021 were \$4,238.88 and \$2,423.88 respectively.

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

The following is a schedule of the future minimum lease payments under these leases and the net minimum lease payments at December 31, 2022.

<u>Year</u>	<u>Operating</u>
2023	\$ 4,403.88
2024	3,595.92
2025	1,980.00
2026	1,980.00
2027	660.00
Total minimum lease payments	12,619.80
Less amount representing interest	-
Present value of minimum lease payments	<u>\$ 12,619.80</u>

**NOTE 21: SUBSEQUENT EVENTS**

The Township has reviewed and evaluated all events and transactions that occurred between December 31, 2022 through May 5, 2023 the date that the financial statements were issued for possible disclosure and recognition in the financial statements. The following events were identified:

<u>Purpose</u>	<u>Date</u>	<u>Amount</u>
Bonds and Notes:		
Various Capital Improvements and the Acquisition of Various Pieces of Capital Equipment	Introduced: February 13, 2023 Adopted: March 13, 2023	   <u>\$ 3,494,500.00</u>
		\$ 3,494,500.00

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## **SUPPLEMENTARY INFORMATION**



# FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT**  
**ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER**  
**MATTER BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE**  
**WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, 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 financial statements – regulatory basis, as listed in the accompanying table of contents, of the Township of Upper, State of New Jersey, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated May 5, 2023, which was adverse due to being presented in accordance with the New Jersey Regulatory Basis of Accounting. Our report disclosed that, as described in Note 1 to the financial statements, the Township of Upper prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), that demonstrates compliance with a modified accrual basis of accounting and the budget laws of the State of New Jersey.

**Report Internal Control over Financial Reporting**

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

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

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

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township'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 financial statement. 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

May 5, 2023



**FORD - SCOTT**

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT**  
**ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER**  
**COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE & NJ OMB 15-08**

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

***Report on Compliance for Each Major Federal and State Program***

***Opinion on Each Major Federal Program***

We have audited the Township of Upper's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and NJ OMB 15-08 that could have a direct and material effect on each of Upper Township's major federal and state programs for the year ended December 31, 2022. The Township of Upper's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Township of Upper complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2022.

***Basis for Opinion on Each Major Federal and State Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and NJ OMB 15-08. Our responsibilities under those standards, OMB Circular Uniform Guidance and NJ OMB 15-08 are further described in the Auditor's Responsibilities for the Audit of Compliance section of this report.

We are required to be independent of Township of Upper and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of Upper Township's compliance with the compliance requirements referred to above.



### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to its Federal and State programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Township of Upper's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and NJ OMB 15-08 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Township of Upper's compliance with the requirements of each major federal or state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Township of Upper's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Township of Upper's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJ OMB 15-08, but not for the purpose of expressing an opinion on the effectiveness of Township of Upper's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the Uniform Guidance or NJ OMB 15-08.

### ***Report on Internal Control Over Compliance***

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular Uniform Guidance and NJ OMB 15-08. Accordingly, this report is not suitable for any other purpose.

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

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

**May 5, 2023**

**SCHEDULE OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

Federal or State Grantor/Pass-Through Grantor/Program Title	AL Number	Grant Period		Program or Award Amount	Receipts or Revenue Recognized	Budgetary Expenditures			
		From	To			Source		Total	(MEMO) Passed Through to Sub-Recipients
						Pass Through	Direct		
<b>FEDERAL:</b>									
U.S. Department of Treasury:									
Passed thru New Jersey Department of Community Affairs:									
Coronavirus State and Local									
Fiscal Recovery Funds	21.027	3/3/2021	12/31/2026	1,247,335.17	\$ 623,667.59	794,093.01		794,093.01	-
Total U.S. Department of Treasury					623,667.59	794,093.01	-	794,093.01	-
U.S. Department of Homeland Security									
Passed thru New Jersey Department of Emergency Management									
Flood Mitigation Assistance Grant	97.029	10/1/2018	4/1/2022	25,000.00		-		-	-
Disaster Relief Fund, Federal Emergency Management Agency	97.036	4/19/2021	6/21/2022	181,023.66	45,328.83	45,328.83		45,328.83	-
Total U.S. Department of Homeland Security					45,328.83	45,328.83	-	45,328.83	-
Total Federal Assistance					\$ 668,996.42	839,421.84	-	839,421.84	-

See Accompanying Notes to Schedule of Federal Awards

**NOTES TO SCHEDULE EXPENDITURES OF  
FEDERAL AWARDS FINANCIAL ASSISTANCE  
YEAR ENDED DECEMBER 31, 2022**

**Note 1: General**

The accompanying schedule of federal awards includes the federal grant activity of the Township of Upper, State of New Jersey and is presented on the basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than generally accepted accounting principles. Encumbrances are considered in determining single audit threshold on major programs. The Township has elected not to use the 10% de minimis indirect cost rate.

**Note 2: Relationship to General Purpose Financial Statements**

Amounts reported in the accompanying schedule do not agree with amounts reported in the Township's financial statements. Receipts from Federal grants are realized as revenue when anticipated in the Township's budget. Expenditures are recognized when they become payable. Following is a reconciliation of expenditures:

Expenditures - Schedule of Federal Awards	\$	839,421.84
Reimbursements		(45,328.83)
State Grants		357,267.84
Other Grants		13,634.58
Expenditures reported on Schedule A-12	\$	<u>1,164,995.43</u>

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## Part I -- Summary of Auditor's Results

A) Type of auditor's report issued:	<u>Adverse - GAAP Basis, Unmodified Regulatory Basis</u>			
B) Internal control over financial reporting:				
1) Material weakness(es) identified?	<u>                    </u>	yes	<u>    X    </u>	no
2) Were significant deficiencies identified that were not considered to be material weaknesses?	<u>                    </u>	yes	<u>    X    </u>	no
C) Noncompliance material to general-purpose financial statements noted?		yes	X	no

D)	Dollar threshold used to determine Type A programs:	\$ 750,000.00			
E)	Auditee qualified as low-risk auditee?	_____	yes	_____ X _____	no _____ n/a
F)	Type of auditor's report on compliance for major programs	_____ Unmodified _____			
G)	Internal Control over compliance:				
	1) Material weakness(es) identified?	_____	yes	_____ X _____	no
	2) Were significant deficiencies identified that were not considered to be material weaknesses?	_____	yes	_____ X _____	no
H)	Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance	_____	yes	_____ X _____	no
I)	Identification of major programs:				

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds

**TOWNSHIP OF UPPER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2022**

***Part I -- Summary of Auditor's Results***

**State Awards Section -**

**Not Applicable**

- J) Dollar threshold used to determine Type A programs: \_\_\_\_\_
- K) Auditee qualified as low-risk auditee? \_\_\_\_\_ yes \_\_\_\_\_ no \_\_\_\_\_ n/a
- L) Type of auditor's report on compliance for major programs \_\_\_\_\_
- M) Internal Control over compliance:
- 1) Material weakness(es) identified? \_\_\_\_\_ yes \_\_\_\_\_ no
- 2) Were reportable condition(s) identified that were not considered to be material weaknesses? \_\_\_\_\_ yes \_\_\_\_\_ no
- N) Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular 15-08? \_\_\_\_\_ yes \_\_\_\_\_ no
- O) Identification of major programs:

GMIS Number(s)

Name of State Program

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

***Part 2 - Schedule of Financial Statement Findings***

None

***Part 3 - Schedule of Federal Award Findings and Questioned Costs***

None

***STATUS OF PRIOR YEAR FINDINGS***

None

**CURRENT FUND  
SCHEDULE OF CASH - TREASURER**

		<u>Current Fund</u>
Balance December 31, 2021	\$	14,666,844.78
Increased by Receipts:		
Tax Collector	40,206,636.12	
Revenue Accounts Receivable	8,013,747.16	
Miscellaneous Revenue	239,857.93	
Due from State - Veterans and Senior Citizens	102,128.08	
Accrued Payroll Taxes	5,901,519.21	
Marriage & Civil Union License Fees Due to State	500.00	
Hunting and Fishing License Fees Due to State	5,286.00	
Dog License Fees Due to State	1,158.60	
DCA Training Fees Due to State	20,528.00	
Petty Cash & Change Funds	100.00	
Due from Federal and State Grant Fund	2,892,506.54	
Due from Other Trusts	1,452.61	
Due from Animal Control	5,013.58	
Reserve National Opioid Settlements	3,574.14	
Reserve Municipal Relief Fund	322,971.76	
Reserve for Capital Projects	89,240.00	
		<u>57,806,219.73</u>
		72,473,064.51
Decreased by Disbursements:		
Current Year Appropriation	12,060,402.15	
Prior Year Appropriations	708,146.37	
Accounts Payable	1,002.72	
County Taxes	6,153,214.52	
Local District School Taxes	26,745,170.00	
Special District Taxes	1,911,527.00	
Refund of Tax Overpayments	20,964.59	
Payroll Taxes and Deductions	5,901,240.01	
Due State For Marriage Licenses & Civil Unions	1,050.00	
Due State for Hunting and Fishing Licenses	5,070.75	
Due to State for Dog Licenses	1,144.20	
Due State for DCA Training Fees	21,908.00	
Due to General Capital	928,485.35	
Due to Animal Control	2,799.30	
Due to Federal and State Grant Fund	133,707.67	
Reserve for Capital Projects	172,806.06	
		<u>54,768,638.69</u>
Balance December 31, 2022	\$	<u><u>17,704,425.82</u></u>



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

Year	Balance Dec. 31, 2021	Current Year Levy	Added Taxes	Collections by Cash		Adjustments	Transferred To Tax Title Lien	Balance Dec. 31, 2022
				2021	2022			
Arrears	\$ -							-
2021	484,103.64				485,925.17	(1,890.00)	68.47	0.00
	<u>484,103.64</u>	-	-	-	<u>485,925.17</u>	<u>(1,890.00)</u>	<u>68.47</u>	<u>0.00</u>
2022	-	40,059,775.46	3,934.67	523,216.24	39,044,963.98	59,529.67	3,162.39	432,837.85
	<u>-</u>	<u>40,059,775.46</u>	<u>3,934.67</u>	<u>523,216.24</u>	<u>39,044,963.98</u>	<u>59,529.67</u>	<u>3,162.39</u>	<u>432,837.85</u>
\$	<u>484,103.64</u>	<u>40,059,775.46</u>	<u>3,934.67</u>	<u>523,216.24</u>	<u>39,530,889.15</u>	<u>57,639.67</u>	<u>3,230.86</u>	<u>432,837.85</u>
					39,479,951.10	Cash Receipts		
					100,894.52	Senior Citizens and Veterans		
					(49,956.47)	Other		
					<u>39,530,889.15</u>			
<u>Analysis of Current Year Tax Levy</u>								
		Tax Yield:						
		General Property Tax			38,148,248.46			
		Special District Taxes			1,911,527.00			
		Added Taxes (54:4-63.1 et. Seq.)			<u>3,934.67</u>			
						<u>40,063,710.13</u>		
		Tax Levy:						
		General County Taxes			5,153,381.51			
		County Library Taxes			747,639.06			
		County Health Service Taxes			-			
		County Open Space Taxes			219,851.70			
		County Added and Omitted Taxes			<u>32,342.25</u>			
		Total County Taxes				6,153,214.52		
		Local School District Tax				27,009,979.00		
		Additional Local School District Tax						
		Special District Tax				1,911,527.00		
		Local Tax for Municipal Purposes			4,764,871.78			
		Add: Additional Tax Levied			<u>224,117.83</u>			
						<u>4,988,989.61</u>		
						<u>40,063,710.13</u>		

See Accompanying Auditor's Report

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

Balance December 31, 2021		\$	82,987.57
Increased by:			
Transfers from Taxes Receivable	3,230.86		
Interest and Costs Accrued by Sale			
December 6, 2022	61.02		
	<hr/>		<hr/>
			3,291.88
			86,279.45
Decreased by:			
Adjustment	455.06		
	<hr/>		<hr/>
			455.06
Balance December 31, 2022		\$	<u><u>85,824.39</u></u>

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

	Balance Dec. 31, 2021	Accrued in 2022	Collected by		Balance Dec. 31, 2022
			Collector	Treasurer	
Licenses:					
Alcoholic Beverages	\$ -	5,300.00		5,300.00	-
Fines and Costs:					
Municipal Court	4,082.71	47,122.89		47,390.66	3,814.94
Interest and Costs on Taxes	-	107,282.61	107,282.61		-
Interest Earned on Investments	-	84,545.49		84,545.49	-
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	-	366,647.83		366,647.83	-
Host Community Benefits	-	566,326.42		566,326.42	-
Cable TV Fees	-	64,637.19		64,637.19	-
Cell Tower Fees	-	125,382.09		125,382.09	-
Dennis Twp & Corbin City - Municipal Court	-	146,592.48		146,592.48	-
Uniform Construction Code Fees	-	284,216.80		284,216.80	-
Miscellaneous Revenue Not Anticipated	-	241,936.01		241,936.01	-
	<u>\$ 4,082.71</u>	<u>8,363,642.81</u>	<u>107,282.61</u>	<u>8,256,627.97</u>	<u>3,814.94</u>

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

	Balance Dec. 31, 2021	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
<b>OPERATIONS WITHIN "CAPS"</b>					
<b>GENERAL GOVERNMENT:</b>					
Mayor and Committee					
Other Expenses	\$ 5,024.09	5,024.09	408.46	4,615.63	-
Township Clerk					
Other Expenses	15,335.46	15,335.46	4,210.27	11,125.19	-
Financial Administration					
Other Expenses					
Computer Services	27,250.32	27,250.32	25,526.34	1,723.98	-
Miscellaneous Other Expenses	3,066.39	3,066.39	3,066.39	0.00	-
Assessment of Taxes					
Other Expenses	2,688.21	2,688.21	2,688.21	-	-
Collection of Taxes					
Miscellaneous Other Expenses	1,612.35	1,612.35	336.12	1,276.23	-
Legal Services					
Other Expenses	17,950.96	17,950.96	14,326.25	3,624.71	-
Special Litigation					
Other Expenses	83,936.06	83,936.06	64,562.55	19,373.51	-
Engineering Services					
Other Expenses	26,166.26	26,166.26	15,248.15	10,918.11	-
<b>INSURANCE</b>					
Workers Compensation Insurance	22,304.83	22,304.83	6,610.00	15,694.83	-
Employee Group Health	231,319.76	231,319.76	207,053.14	24,266.62	-
Health Benefit					
Salaries & Wages	6,134.02	6,134.02	1,666.70	4,467.32	-
<b>LAND USE ADMINISTRATION</b>					
Planning Board					
Other Expenses	9,141.73	9,141.73	651.70	8,490.03	-
Zoning Board of Adjustment					
Other Expenses	2,189.81	2,189.81	2,189.81	-	-

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

	Balance Dec. 31, 2021	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
<b>PUBLIC SAFETY</b>					
First Aid Organization					
Other Expenses	17,948.41	17,948.41	13,727.83	4,220.58	-
Emergency Management Services					
Other Expenses	31,201.21	31,201.21	30,521.65	679.56	-
Municipal Court					
Other Expenses	16,422.21	16,422.21	72.58	16,349.63	-
<b>PUBLIC WORKS</b>					
Road Repairs and Maintenance					
Salaries & Wages	52,819.91	52,819.91	13,590.00	39,229.91	-
Other Expenses					
Surfacing of Roads	1,117.22	1,117.22	766.96	350.26	-
Miscellaneous Other Expenses	81,420.80	65,420.80	42,996.02	22,424.78	-
Recycling					
Salaries & Wages	47,688.62	47,688.62	5,119.00	42,569.62	-
Other Expenses	30,256.50	30,256.50	11,492.43	18,764.07	-
Garbage and Trash					
Salaries & Wages	54,529.44	54,529.44	9,760.00	44,769.44	-
Other Expenses					
Tipping Fees	95,199.51	95,199.51	85,548.23	9,651.28	-
Miscellaneous Other Expenses	48,976.03	48,976.03	10,575.19	38,400.84	-
Public Buildings and Grounds					
Salaries & Wages	22,697.28	22,697.28	14,458.00	8,239.28	-
Other Expenses	51,262.19	51,262.19	25,709.99	25,552.20	-
<b>HEALTH AND WELFARE</b>					
Dog Regulation					
Other Expenses	3,922.65	3,922.65	2,250.00	1,672.65	-
<b>PARK AND RECREATION</b>					
Emergency Shore Protection					
Other Expenses	27,309.43	27,309.43	25,548.99	1,760.44	-
Beach Protection					
Other Expenses	10,770.26	10,770.26	10,290.16	480.10	-
Community Center					
Other Expenses	9,069.08	9,069.08	5,262.26	3,806.82	-
Sports and Recreation					
Other Expenses	23,418.70	23,418.70	19,423.45	3,995.25	-

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

	Balance Dec. 31, 2021	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
<b>UNIFORM CONSTRUCTION CODE</b>					
State Uniform Construction Code					
Construction Official					
Other Expenses	1,565.37	1,565.37	1,544.24	21.13	-
<b>UNCLASSIFIED</b>					
Compensation for Accumulated Absense	25,000.00	25,000.00	25,000.00	-	-
Drug and Alcohol Testing	1,330.00	1,330.00	601.00	729.00	-
<b>UTILITY EXPENSES AND BULK PURCHASES</b>					
Street Lighting	7,197.45	23,197.45	22,291.67	905.78	-
All Other Accounts - No Change	59,011.79	59,011.79		59,011.79	-
	<u>1,174,254.31</u>	<u>1,174,254.31</u>	<u>725,093.74</u>	<u>449,160.57</u>	<u>-</u>
\$					

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

Balance December 31, 2021		
School Tax Payable	\$ 5,940,183.00	
School Tax Deferred	<u>7,300,000.00</u>	
		\$ 13,240,183.00
Increased by:		
Levy - School Year July 1, 2022 to June 30, 2023		<u>27,009,979.00</u>
		40,250,162.00
Decreased by:		
Payments		<u>26,745,170.00</u>
Balance December 31, 2022		
School Tax Payable	6,204,992.00	
School Tax Deferred	<u>7,300,000.00</u>	
		<u>13,504,992.00</u>
Current Year Liability for Local School District School Tax:		
Tax Paid		26,745,170.00
Tax Payable Ending		<u>6,204,992.00</u>
		32,950,162.00
Less: Tax Payable Beginning		<u>5,940,183.00</u>
Amount charged to Current Year Operations		<u>\$ 27,009,979.00</u>

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

<u>Purpose</u>	<u>Balance Dec. 31, 2021</u>	<u>Transferred From 2022 Revenues</u>	<u>Received</u>	<u>Cancelled</u>	<u>Balance Dec. 31, 2022</u>
<b>FEDERAL GRANTS:</b>					
FEMA Energy Mitigation Grant	\$ 23,660.00			23,660.00	-
FEMA Energy Mitigation Grant - 2020	15,000.00			15,000.00	-
Total Federal	<u>38,660.00</u>	<u>-</u>	<u>-</u>	<u>38,660.00</u>	<u>-</u>
<b>STATE GRANTS:</b>					
Clean Communities	296.53				296.53
Clean Communities-2022	-	36,968.52	36,968.52		-
NJ Hazardous Site Remediation	94,935.00			94,935.00	-
2019 Municipal Aid - NJ DOT	37,500.00				37,500.00
CM Open Space - Harbor Road Bike/Pedestrian Gateway	500,000.00		500,000.00		-
Cape May County Open Space Grant-Harbor Rd Bike Gateway	1,706,000.00		1,706,000.00		-
NJ Transportation Trust Fund Authority Act-Bayview Ph 4	175,000.00				175,000.00
NJ Transportation Trust Fund Authority Act	-	160,000.00			160,000.00
Youth Leadership Grant Program	-	3,634.26			3,634.26
Total State	<u>2,513,731.53</u>	<u>200,602.78</u>	<u>2,242,968.52</u>	<u>94,935.00</u>	<u>376,430.79</u>
<b>LOCAL GRANTS:</b>					
Municipal Alliance	74,764.68				74,764.68
Municipal Alliance-2021	5,462.41				5,462.41
Municipal Alliance-2022	-	18,894.00	15,870.43		3,023.57
Main Street Market Assessment	86.00			86.00	-
Total Local	<u>80,313.09</u>	<u>18,894.00</u>	<u>15,870.43</u>	<u>86.00</u>	<u>83,250.66</u>
	<u>\$ 2,632,704.62</u>	<u>219,496.78</u>	<u>2,258,838.95</u>	<u>133,681.00</u>	<u>459,681.45</u>



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

	Balance December 31, 2021		2022 Appropriations	Disbursed	Cancelled	Encumbrances	Balance Dec. 31, 2022
	Appropriated	Reserve for Encumbrances					
<b>FEDERAL GRANTS:</b>							
FEMA Energy Mitigation Grant	\$ 23,660.00				23,660.00		-
FEMA Energy Mitigation Grant - 2018	5,800.00				5,800.00		-
FEMA Energy Mitigation Grant - 2019	20,003.63				20,003.63		-
FEMA Energy Mitigation Grant - 2020	660.00	7,450.00		7,450.00	660.00		-
American Rescue Plan:							
Stormwater Pump Project	-		400,000.00			337,931.01	62,068.99
Sewer Study- Marmora	-		85,000.00	80,762.00			4,238.00
Stormwater Infrastructure	-		375,400.00			375,400.00	-
Total Federal	50,123.63	7,450.00	860,400.00	88,212.00	50,123.63	713,331.01	66,306.99
<b>STATE GRANTS:</b>							
Clean Communities	46,492.38						46,492.38
Clean Communities-2021	15,878.62	4,350.00		6,435.70			13,792.92
Clean Communities-2022	-		36,968.52	18,682.14		1,500.00	16,786.38
Drunk Driving Enforcement	125.68						125.68
NJ Hazardous Site Remediation	68,261.50				68,261.50		-
Sustainable Jersey Grant	361.12				361.12		-
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
NJ Transportation Trust Fund Authority Act-Bayview Ph 4	175,000.00					175,000.00	-
N.J. Transportation Trust Fund Authority Act	-		160,000.00			160,000.00	-
Youth Leadership Grant Program	-		3,634.26				3,634.26
Total State	348,119.30	4,350.00	200,602.78	25,117.84	68,622.62	336,500.00	122,831.62
<b>LOCAL GRANTS:</b>							
Municipal Alliance	58,518.06						58,518.06
Municipal Alliance-2021	19,309.40	1,762.00		17,477.88			3,593.52
Municipal Alliance-2022	-		23,617.50	2,899.95			20,717.55
Main Street Market Assessment	86.00				86.00		-
CM Open Space - Harbor Road Bike/Pedestrian Gateway	16,140.41	4,981.25					21,121.66
Total Local	94,053.87	6,743.25	23,617.50	20,377.83	86.00	-	103,950.79
	\$ 492,296.80	18,543.25	1,084,620.28	133,707.67	118,832.25	1,049,831.01	293,089.40

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

<u>Purpose</u>	<u>Balance Dec. 31, 2021</u>	<u>Transferred To 2022 Appropriations</u>	<u>Received</u>	<u>Balance Dec. 31, 2022</u>
<b>FEDERAL GRANTS:</b>				
American Rescue Plan	\$ 359,999.58	860,400.00	623,667.59	123,267.17
Total Federal	<u>359,999.58</u>	<u>860,400.00</u>	<u>623,667.59</u>	<u>123,267.17</u>
<b>STATE GRANTS:</b>				
Emergency Management	29,400.00		10,000.00	39,400.00
Total State	<u>29,400.00</u>	<u>-</u>	<u>10,000.00</u>	<u>39,400.00</u>
	<u>\$ 389,399.58</u>	<u>860,400.00</u>	<u>633,667.59</u>	<u>162,667.17</u>

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

Balance December 31, 2021		\$	7,672.01
Increased By Receipts:			
Dog License Fees	2,799.30		
Interest Earned	41.00		
			<u>2,840.30</u>
			10,512.31
Decreased By Disbursements:			
Paid to Current Fund - Interest Earned	41.00		
Due to Current Fund - Statutory Excess	2,194.68		
Animal Control Expenditures	1,500.00		
			<u>3,735.68</u>
Balance December 31, 2022		\$	<u><u>6,776.63</u></u>

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

Balance December 31, 2021		\$ 3,579,100.13
Increased By Receipts:		
Recycling	48,998.11	
UT Cafeteria Fund	1,425.00	
Fire Safety		
Developers Escrow	100,000.00	
Sick Pay Reserve	26,386.50	
Affordable Housing Trust	218,917.27	
Client Funds Escrow Deposits	4,984.05	
Landfill Closure	34.95	
Planning Board Escrow Review Fees	48,975.00	
Municipal Alliance	63.20	
Unemployment Compensation	41,553.03	
Tax Sale Premiums	82,200.00	
TTL Redemptions	67,249.62	
Recreation	2,320.00	
Recreation Donations	100.00	
Parking Offenses Adjudication Act	18.00	
Health Reimbursement Trust	36,022.06	
Interest Earned on Deposits - Due to Current Fund	3,656.42	
	<hr/>	<hr/>
		682,903.21
		4,262,003.34
Decreased By Disbursements:		
Sick Pay Reserve	25,293.08	
UT Cafeteria Fund	2,943.92	
Client Funds Escrow Deposits	41,137.96	
Recreation	100.00	
Planning Board Escrow	12,816.25	
Recycling	21,145.00	
Developers Escrow	91,628.25	
Affordable Housing Trust	160,806.00	
Municipal Alliance	1,000.00	
Unemployment Compensation	27,049.67	
Refunds - Tax Sale Certificates	86,583.84	
Tax Sale Premiums	170,100.00	
Health Reimbursement Trust	36,022.06	
Payments to Current Fund - Revenues	4,164.23	
	<hr/>	<hr/>
		680,790.26
Balance December 31, 2022		\$ <u><u>3,581,213.08</u></u>

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

Balance December 31, 2021		\$ 6,776.63
Increased By:		
Dog Licenses Fees	2,066.40	
Interest on Deposits	41.00	
Duplicate & Late Fees Collected	752.50	
	<hr/>	<hr/>
		2,859.90
		<hr/>
		9,636.53
Decreased By Disbursements:		
Animal Control Expenditures	1,500.00	
Due to Current - Statutory Excess	2,078.08	
Interest Paid to Current Fund	41.00	
	<hr/>	<hr/>
		3,619.08
		<hr/>
Balance December 31, 2022		\$ <u><u>6,017.45</u></u>

License and Other Fees Collected	<u>Year</u>	
	2020	3,155.01
	2021	2,862.44
		<hr/>
	\$	<u><u>6,017.45</u></u>

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

Balance December 31, 2021		\$ 895.38
Increased By:		
Dog License Fees Collected In Current Fund	2,818.90	
Interest Paid to Current Fund	41.00	
Due to Current Fund - Statutory Excess	2,194.68	
	<hr/>	<hr/>
		5,054.58
		5,949.96
Decreased By:		
Dog License Fees Received from Current Fund	2,799.30	
Interest Earned	41.00	
Due from Current Fund - Statutory Excess	2,078.08	
	<hr/>	<hr/>
		4,918.38
Balance December 31, 2022		\$ <u><u>759.18</u></u>

**GENERAL CAPITAL FUND  
ANALYSIS OF CASH**

	Balance Dec. 31, 2021	Receipts		Disbursements		Transfers		Balance Dec. 31, 2022
		Miscellaneous	Debt Issued	Improvement Authorizations	Miscellaneous	From	To	
Fund Balance	\$ 80,000.00							80,000.00
Capital Improvement Fund	261,828.45						40,000.00	301,828.45
Encumbrances Payable	508,388.89					508,388.89	574,368.02	574,368.02
Due from Current Fund	(4,781,566.41)	928,485.35				80,000.00		(3,933,081.06)
Reserve to Pay Debt Service-2019 Bond Sale	54,358.80							54,358.80
Reserve for PW Equipment	50,000.00							50,000.00
Reserve for Beach Replenishment	545,000.00						40,000.00	585,000.00
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	100,146.50							100,146.50
Reserve for Construction of Recreation Facilities	9,004.24							9,004.24
Reserve for Asbestos Abatement	86,700.00							86,700.00
<u>Improvement Authorizations:</u>								
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	308,091.18			8,402.10			8,374.10	308,063.18
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	635,115.49			162.00			78.00	635,031.49
15-12 Sand Fence Replacement	122,175.00							122,175.00
5-13 Multi-Purpose Equipment/Paving	195,835.31			756.00			364.00	195,443.31
10-13 Street Signs	1,696.50							1,696.50
08-16 Various Improvements	101,148.69			783.00			377.00	100,742.69
12-18 Various Improvements	544,337.46			117,632.48		662,500.00	455.00	(235,340.02)
20-19 Various Improvements	408,566.06			149,229.61		82,591.00	94,900.00	271,645.45
10-20 Various Improvements	487,960.10			125,785.46		679,693.76	403,840.79	86,321.67
09-22 Various Improvements	-			525,734.70		49,583.26	900,000.00	324,682.04
	<u>\$ 0.00</u>	<u>928,485.35</u>	<u>-</u>	<u>928,485.35</u>	<u>-</u>	<u>2,062,756.91</u>	<u>2,062,756.91</u>	<u>-</u>

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

Balance December 31, 2021		\$	261,828.45
Increased by:			
Current Fund Budget Appropriations	40,000.00		
	<hr/>		<hr/>
			40,000.00
			<hr/>
			301,828.45
Decreased by:			
Improvement Authorizations Funded	-		
	<hr/>		<hr/>
			-
			<hr/>
Balance December 31, 2022		\$	<u><u>301,828.45</u></u>



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

Balance December 31, 2021		\$	6,920,000.00
Increased by:			
None	-		
			-
			6,920,000.00
Decreased by:			
Serial Bonds Paid	640,000.00		
			640,000.00
Balance December 31, 2022		\$	6,280,000.00

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

Ord #	Improvement Description	Balance Dec. 31, 2021	2022 Authorizations	Raised in Budget	Balance Dec. 31, 2022	Analysis of Balance		
						Bond Anticipation Notes	Expenditures	Unexpended Improvement Authorizations
19-11	Beach Replenishment	\$ 160,000.00			160,000.00			160,000.00
12-18	Various Improvements	300,000.00			300,000.00		235,340.02	64,659.98
20-19	Various Improvements	1,900,000.00		175,000.00	1,725,000.00	1,725,000.00		-
10-20	Various Improvements	1,900,000.00		175,000.00	1,725,000.00	1,725,000.00		-
		<u>\$ 4,260,000.00</u>	<u>-</u>	<u>350,000.00</u>	<u>3,910,000.00</u>	<u>3,450,000.00</u>	<u>235,340.02</u>	<u>224,659.98</u>
Improvement Authorizations Unfunded								907,309.14
Less:								
Unexpended Proceeds of Bond								
Anticipation Notes Issued:								
<u>Ord. Number</u>								
20-19	Various Improvements						(271,645.45)	
10-20	Various Improvements						(86,321.67)	
09-22	Various Improvements						<u>(324,682.04)</u>	
								<u>224,659.98</u>
								<u>-</u>

**GENERAL CAPITAL FUND  
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ord #	Improvement Description	Ord. Date	Amount	Balance December 31, 2021		Authorizations		Re-Appropriated	Paid or Charged	Balance December 31, 2022	
				Funded	Unfunded	Other Funding	Deferred Charges to Future Taxation			Funded	Unfunded
1-00	Improvements	4/10/2000	16,000	\$ 2,511.45						2,511.45	
7-00	Comm'y Center Improvements	9/1/2000	11,000	2,179.00						2,179.00	
14-06	Imp to Recreation Fields	5/8/2006	163,730	1,728.75						1,728.75	
12-07	Purchase of Ambulance	7/9/2007	190,000	3,810.23						3,810.23	
13-08	Beach Replenishment	8/11/2008	3,000,000	308,091.18					28.00	308,063.18	
16-09	Street Sweeper	7/13/2009	250,000	55,725.00						55,725.00	
09-10	Ambulance	8/23/2010	90,000	5,122.20						5,122.20	
11-10	Phone System	10/18/2010	23,000	4,090.26						4,090.26	
19-11	Beach Replenishment	8/9/2011	4,400,000	635,115.49	160,000.00				84.00	635,031.49	160,000.00
15-12	Sand Fence Replacement	12/17/2012	255,000	122,175.00						122,175.00	
05-13	Multi-Purpose Equipment/Paving	4/8/2013	3,748,000	195,835.31					392.00	195,443.31	
10-13	Street Signs	8/12/2013	20,000	1,696.50						1,696.50	
08-16	Various Improvements	4/25/2016	2,970,300	101,148.69					406.00	100,742.69	
12-18	Various Improvements	9/24/2018	3,238,500	544,337.46	300,000.00			(662,500.00)	117,177.48	-	64,659.98
20-19	Various Improvements	12/9/2019	2,000,000		408,566.06			(42,500.00)	94,420.61		271,645.45
10-20	Various Improvements	11/9/2020	2,000,000		487,960.10			(195,000.00)	206,638.43		86,321.67
09-22	Various Improvements	5/9/2022	900,000					900,000.00	575,317.96		324,682.04
				\$ 1,983,566.52	1,356,526.16	-	-	-	994,464.48	1,438,319.06	907,309.14

See Accompanying Auditor's Report

**GENERAL CAPITAL FUND  
SCHEDULE OF GENERAL SERIAL BONDS**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance	Increased	Decreased	Balance		
			December 31, 2022							Dec. 31, 2021	Dec. 31, 2022
			Date	Amount							
General Improvement Bonds, Series 2019	12/18/2019	\$ 8,000,000	11/15/2023	\$ 720,000.00	3.000%	\$ 6,920,000.00		640,000.00	6,280,000.00		
			11/15/2024	800,000.00	3.000%						
			11/15/2025	840,000.00	3.000%						
			11/15/2026	920,000.00	3.000%						
			11/15/2027	960,000.00	3.000%						
			11/15/2028	1,000,000.00	2.000%						
			11/15/2029	1,040,000.00	2.000%						
						\$ 6,920,000.00	-	640,000.00	6,280,000.00		

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

Improvement Description	Ordinance Number	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2021	Increased	Decreased	Balance Dec. 31, 2022
Various Improvements	20-2019	8/18/2021	8/17/2022	8/16/2023	2.800%	\$ 1,900,000.00	1,725,000.00	1,900,000.00	1,725,000.00
Various Improvements	10-2020	8/18/2021	8/17/2022	8/16/2023	2.800%	1,900,000.00	1,725,000.00	1,900,000.00	1,725,000.00
						<u>\$ 3,800,000.00</u>	<u>3,450,000.00</u>	<u>3,800,000.00</u>	<u>3,450,000.00</u>

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2021	2022 Authorizations	Notes Issued	Balance Dec. 31, 2022
19-11	Beach Replenishment	\$ 160,000.00			160,000.00
12-18	Various Improvements	300,000.00			300,000.00
		<u>\$ 460,000.00</u>	<u>-</u>	<u>-</u>	<u>460,000.00</u>

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**TOWNSHIP OF UPPER**

**PART II**

**GENERAL COMMENTS AND RECOMMENDATIONS**

**FOR THE YEAR ENDED**

**DECEMBER 31, 2022**



## **GENERAL COMMENTS**

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

N.J.S.A. 40A:11-4 states, "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. Effective July 1, 2020, the bid threshold is \$44,000.

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:

Reconstruction of Bayview Drive Phase IV & Prescott Avenue  
Stormwater Pumping  
Roof Replacement for the Gandy House & Tuckahoe Train Station

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 2022.

This Resolution shall take effect January 1, 2022.

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 December 6, 2022 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>
2022	79
2021	93
2020	96

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 2022 and 2023 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>
2022 \$	40,063,710.13	39,568,180.22	98.76%
2021	38,383,623.56	37,864,632.38	98.65%
2020	36,707,796.75	36,228,777.22	98.70%
2019	35,793,298.97	35,286,876.66	98.59%
2018	34,778,553.49	34,217,112.66	98.39%

### Comparative Schedule of Tax Rate Information

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Tax Rate	\$ 2.005	1.931	1.856	1.811	1.764
Apportionment of Tax Rate:					
Municipal	0.252	0.219	0.201	0.196	0.183
County	0.325	0.302	0.288	0.283	0.278
Local School	1.428	1.410	1.367	1.332	1.303
Assessed Valuation	1,892,524,400	1,878,392,400	1,870,526,600	1,871,535,900	1,864,327,932

### 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>
2022 \$	85,824.39	432,837.85	518,662.24	1.29%
2021	82,987.57	484,103.64	567,091.21	1.48%
2020	338,292.45	431,376.26	769,668.71	2.10%
2019	164,611.96	442,372.30	606,984.26	1.70%
2018	141,452.43	495,853.28	637,305.71	1.83%

### Uniform Construction Code

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

### Deposit of Municipal Funds

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

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

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

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

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## **FINDINGS AND RECOMMENDATIONS**

None

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

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

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

*Leon P. Costello*

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

**May 5, 2023**