

**TOWNSHIP OF UPPER
REPORT OF AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2023**

**TOWNSHIP OF UPPER
TABLE OF CONTENTS**

<u>Exhibit</u>		<u>Page No.</u>
	<u>PART I</u>	
	Independent Auditor's Report	1 - 3
	<u>CURRENT FUND</u>	
A	Comparative Balance Sheet - Regulatory Basis	4 - 5
A - 1	Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis	6 - 7
A - 2	Statement of Revenues - Regulatory Basis	8 - 10
A - 3	Statement of Expenditures - Regulatory Basis	11 - 16
	<u>TRUST FUND</u>	
B	Comparative Balance Sheet - Regulatory Basis	17 - 18
	<u>GENERAL CAPITAL FUND</u>	
C	Comparative Balance Sheet - Regulatory Basis	19
C - 1	Statement of Fund Balance - Regulatory Basis	20
	<u>GENERAL FIXED ASSETS ACCOUNT GROUP</u>	
G	Comparative Balance Sheet - Regulatory Basis	21
	NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS	22 - 46
	<u>SUPPLEMENTARY INFORMATION</u>	
	Independent Auditor's Report - <i>Government Auditing Standards</i>	47 - 48
	Schedule of Findings and Responses	49 - 50
	Schedule of Prior Year Findings	50
	<u>CURRENT FUND</u>	
A - 4	Schedule of Cash - Treasurer	51
A - 5	Schedule of Cash - Collector	N/A
A - 6	Schedule of Taxes Receivable and Analysis of Property Tax Levy	52
A - 7	Schedule of Tax Title Liens	53
A - 8	Schedule of Revenue Accounts Receivable	54
A - 9	Schedule of Appropriation Reserves - Prior Year	55 - 57
A - 10	Schedule of Local District School Tax	58
A - 11	Schedule of Federal and State Grants Receivable	59
A - 12	Schedule of Appropriated Reserves for Federal and State Grants	60
A - 13	Schedule of Reserves for Federal and State Grants - Unappropriated	61

**TOWNSHIP OF UPPER
TABLE OF CONTENTS**

<u>Exhibit</u>		<u>Page No.</u>
<u>TRUST FUND</u>		
B - 1	Schedule of Animal Control Cash - Treasurer	62
B - 2	Schedule of Other Trust Cash - Treasurer	63
B - 3	Schedule of Reserve for Animal Control Expenditures	64
B - 4	Schedule of Due To (From) Current Fund	65
B - 5	Schedule of Amount Due To (From) State of New Jersey	N/A
<u>GENERAL CAPITAL FUND</u>		
C - 2	Schedule of Cash - Treasurer	N/A
C - 3	Analysis of Cash	66
C - 4	Schedule of Capital Improvement Fund	67
C - 5	Schedule of Deferred Charges to Future Taxation - Funded	68
C - 6	Schedule of Deferred Charges to Future Taxation - Unfunded	69
C - 7	Schedule of Improvement Authorizations	70
C - 8	Schedule of General Serial Bonds	71
C - 9	Schedule of Bond Anticipation Notes	72
C - 10	Schedule of Bonds and Notes Authorized But Not Issued	73
<u>PART II</u>		
	General Comments	74 - 76
	Findings and Recommendations	77

TOWNSHIP OF UPPER
PART I
REPORT ON AUDIT OF
FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED
DECEMBER 31, 2023



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • OCEAN CITY, NJ • 08226

PHONE 609.399.6333 • FAX 609.399.3710

www.ford-scott.com

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, 2023 and 2022, 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, 2023 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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 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 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 is 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 April 22, 2024, 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

April 22, 2024

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

**EXHIBIT - A
CURRENT FUND**

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

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
Regular Fund:		
Cash:		
Cash Treasurer	\$ 15,748,266.29	17,704,425.82
Cash - Change	400.00	400.00
Total Cash	<u>15,748,666.29</u>	<u>17,704,825.82</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	440,118.82	432,837.85
Tax Title and Other Liens	105,738.61	85,824.39
Property Acquired for Taxes - at Assessed Valuation	3,790,699.00	3,790,699.00
Revenue Accounts Receivable	1,444.08	3,814.94
Interfund Receivable:		
Trust - Other	2,434.20	944.80
Animal Control Trust Fund	1,054.29	759.18
Total Receivables and Other Assets	<u>4,341,489.00</u>	<u>4,314,880.16</u>
Total Regular Fund	<u>20,090,155.29</u>	<u>22,019,705.98</u>
Federal and State Grant Fund:		
Federal and State Grants Receivable	694,058.55	459,681.45
Due from Current Fund	<u>317,677.73</u>	<u>1,045,906.13</u>
Total Federal and State Grant Fund	<u>1,011,736.28</u>	<u>1,505,587.58</u>
Total Current Fund	<u>\$ 21,101,891.57</u>	<u>23,525,293.56</u>

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

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2023</u>	<u>2022</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 1,309,409.30	1,205,622.09
Reserve for Encumbrances/Accounts Payable	411,034.26	368,716.12
Payroll Taxes Payable	-	967.54
Prepaid Taxes	580,918.94	619,402.41
Overpaid Taxes	7,466.95	36,443.60
Local School Tax Payable	6,475,090.00	6,204,992.00
County Added Tax Payable	47,136.61	32,342.25
Due to State:		
Marriage Licenses	450.00	-
DCA Fees	4,042.00	3,733.00
Other	1,550.79	27,297.38
Dog Licenses	5.40	14.40
Hunting Licenses	88.75	215.25
Interfund Payable:		
General Capital Fund	564,286.28	3,933,081.06
Grant Fund	317,677.73	1,045,906.13
Other		
Reserve for Capital Projects	139,896.89	125,004.09
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	9,437.68	3,574.14
Reserve Municipal Relief Fund	645,806.08	322,971.76
	10,686,045.31	14,102,030.87
Reserve for Receivables and Other Assets	4,341,489.00	4,314,880.16
Fund Balance	5,062,620.98	3,602,794.95
Total Regular Fund	20,090,155.29	22,019,705.98
Federal and State Grant Fund:		
Unappropriated Reserves	133,267.17	162,667.17
Appropriated Reserves	754,651.77	293,089.40
Encumbrances Payable	123,817.34	1,049,831.01
Total Federal and State Grant Fund	1,011,736.28	1,505,587.58
Total Current Fund	\$ 21,101,891.57	23,525,293.56

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

	<u>2023</u>	<u>2022</u>
Revenue and Other Income Realized		
Fund Balance	\$ 1,755,000.00	1,650,000.00
Miscellaneous Revenue Anticipated	9,587,113.09	9,201,871.35
Receipts from Delinquent Taxes	427,677.68	485,925.17
Receipts from Current Taxes	41,243,325.64	39,568,180.22
Non Budget Revenue	387,790.22	241,936.01
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	1,100,808.31	449,160.57
Interfund Returned	1,703.98	1,734,812.98
Cancellation of Prior Year Payable	41,947.37	-
Total Income	<u>54,545,366.29</u>	<u>53,331,886.30</u>
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	5,075,015.00	5,045,860.00
Other Expenses	6,827,355.00	6,382,150.00
Public and Private Programs Offset by Revenues	589,762.99	1,084,620.28
Deferred Charges & Statutory Expenditures	1,029,476.00	974,583.00
Appropriations Excluded from "CAPS"		
Operations:		
Insurance (N.J.S.A. 40A:4-45.3(00))	131,504.00	-
Capital Improvements	140,000.00	80,000.00
Debt Service	1,434,331.67	1,215,199.99
Deferred Charges	-	-
Local District School Tax	27,550,179.00	27,009,979.00
County Tax	6,499,020.12	6,120,872.27
County Share of Added Tax	46,393.77	32,342.25
Interfund Created	3,488.49	1,703.98
Refund of Prior Year's Revenue	1,500.00	1,750.00
Cancellation of Grants	-	14,848.75
Other:		
Special District Tax	2,002,514.22	1,911,527.00
Total Expenditures	<u>51,330,540.26</u>	<u>49,875,436.52</u>
Excess in Revenue	<u>3,214,826.03</u>	<u>3,456,449.78</u>

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

	2023	2022
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year		
Total Adjustments	-	-
Statutory Excess to Fund Balance	3,214,826.03	3,456,449.78
Fund Balance January 1	3,602,794.95	1,796,345.17
	6,817,620.98	5,252,794.95
Decreased by:		
Utilization as Anticipated Revenue	1,755,000.00	1,650,000.00
Fund Balance December 31	\$ 5,062,620.98	3,602,794.95

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Fund Balance Anticipated	\$ 1,755,000.00		1,755,000.00	-
Total Fund Balance Anticipated	<u>1,755,000.00</u>	<u>-</u>	<u>1,755,000.00</u>	<u>-</u>
Miscellaneous Revenues:				
Section A: Local Revenues				
Licenses:				
Alcoholic Beverages	5,000.00		5,370.00	370.00
Fines and Costs:				
Municipal Court	45,000.00		39,772.21	(5,227.79)
Interest and Costs on Taxes	90,000.00		104,170.14	14,170.14
Interest on Investments and Deposits	80,000.00		500,379.27	420,379.27
EMS Ambulance Fees	327,500.00		377,287.87	49,787.87
Host Community Benefits	525,000.00		654,236.57	129,236.57
Cable TV Fees	60,000.00		67,480.05	7,480.05
Cell Tower Fees	110,000.00		110,814.10	814.10
Total Section A: Local Revenues	<u>1,242,500.00</u>	<u>-</u>	<u>1,859,510.21</u>	<u>617,010.21</u>
Section B: State Aid Without Offsetting Appropriations				
Energy Receipts Tax (P.L. 1997, Chapters 162 & 167)	6,191,482.00		6,234,279.72	42,797.72
Garden State Preservation Trust Fund	132,171.00		162,760.00	30,589.00
Municipal Relief Fund	322,971.76		322,971.76	-
Total Section B: State Aid Without Offsetting Appropriations	<u>6,646,624.76</u>	<u>-</u>	<u>6,720,011.48</u>	<u>73,386.72</u>
Section C: Uniform Construction Code Fees				
Uniform Construction Code Fees	225,000.00		273,458.20	48,458.20
Total Section C: Uniform Construction Code Fees	<u>225,000.00</u>	<u>-</u>	<u>273,458.20</u>	<u>48,458.20</u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Section F: Special Items - Public and Private Programs				
Municipal Alliance on Alcoholism and Drug Abuse	18,894.00		18,894.00	-
Emergency Management	39,400.00		39,400.00	-
Lead Grant Assistance Program		7,200.00	7,200.00	-
Spotted Lanternfly Grant Program		15,000.00	15,000.00	-
Clean Communities Program		41,464.49	41,464.49	-
CMC American Rescue Plan Act Infrastructure Grant Program		400,000.00	400,000.00	-
Cape May County Historic Presevation Trust Grant Program		29,500.00	29,500.00	-
SLFRF-Premium Pay EMS		33,581.00	33,581.00	-
 Total Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations	<u>58,294.00</u>	<u>526,745.49</u>	<u>585,039.49</u>	<u>-</u>
 Section G: Other Special Items				
Dennis Township & Corbin City - Municipal Court	125,000.00		149,093.71	24,093.71
 Total Section G: Other Special Items	<u>125,000.00</u>	<u>-</u>	<u>149,093.71</u>	<u>24,093.71</u>
 Total Miscellaneous Revenues:	<u>8,297,418.76</u>	<u>526,745.49</u>	<u>9,587,113.09</u>	<u>762,948.84</u>
Receipts from Delinquent Taxes	<u>429,723.50</u>		<u>427,677.68</u>	<u>(2,045.82)</u>
 Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes	5,316,177.86		6,242,839.15	926,661.29
 Total Amount to be Raised by Taxes for Support of Municipal Budget	<u>5,316,177.86</u>	<u>-</u>	<u>6,242,839.15</u>	<u>926,661.29</u>
 Budget Totals	<u>15,798,320.12</u>	<u>526,745.49</u>	<u>18,012,629.92</u>	<u>1,687,564.31</u>
 Non- Budget Revenues:				
Other Non- Budget Revenues:	-		387,790.22	387,790.22
	<u>\$ 15,798,320.12</u>	<u>526,745.49</u>	<u>18,400,420.14</u>	<u>2,075,354.53</u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Analysis of Realized Revenues

Allocation of Current Tax Collections:	
Revenue from Collections	41,243,325.64
Less: Reserve for Tax Appeals Pending	-
Net Revenue from Collections	41,243,325.64
Allocated to:	
School, County and Other Taxes	36,098,107.11
Balance for Support of Municipal Budget Appropriations	5,145,218.53
Increased by:	
Appropriation "Reserved for Uncollected Taxes"	1,097,620.62
Amount for Support of Municipal Budget Appropriations	6,242,839.15

Receipts from Delinquent Taxes:	
Delinquent Tax Collection	427,633.96
Tax Title Lien Collections	43.72
Total Receipts from Delinquent Taxes	427,677.68

Analysis of Non-Budget Revenue:	
Miscellaneous Revenue Not Anticipated:	
Township Facilities Use Fees	8,016.00
Boat Ramp Fees	24,040.00
Street Openings	510.00
Mining Permits	20,000.00
Planning and Zoning Board Deposits	26,315.00
MUA Permit Fees	15,803.44
State Wildlife	9,850.00
Property Lists	850.00
Raffle and Bingo Licenses	120.00
Clerk's Receipts	15,793.10
Engineer/Zoning Escrow Fees	7,975.00
Passport Fees	6,287.90
Tax Collector Receipts	2,016.77
Lease Gandy/Train Station/Friendship Sch	15.00
Fish and Game	161.00
Land Sale Fees Non-Ref	239.40
JIF Dividend	20,488.79
Campground Fees/Mobile Park Fees	18,186.00
Dog Park Receipts/Dog Excess	3,293.11
Administration Fees	1,873.44
Ambulance Fees Corbin City	21,303.18
W/C Employee Reimbursement	7,999.08
MAC Repayment	2,834.10
FEMA Reimbursement	6,814.70
Sale of Assets	153,768.00
Other Reimbursements & Refunds	12,473.25
Miscellaneous	763.96
Total Miscellaneous Revenue Not Anticipated:	387,790.22

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT:						
Mayor and Committee						
Salaries & Wages	\$ 73,500.00	73,500.00	73,499.92		0.08	-
Other Expenses	18,500.00	20,000.00	15,956.57	335.64	3,707.79	-
Township Clerk						
Salaries & Wages	195,500.00	188,500.00	186,884.24		1,615.76	-
Other Expenses	47,000.00	56,000.00	32,522.33	22,916.72	560.95	-
Financial Administration						
Salaries & Wages	182,000.00	157,000.00	154,611.60		2,388.40	-
Other Expenses						
Audit Services	38,000.00	38,000.00	38,000.00		-	-
Computer Services	182,797.00	192,797.00	168,499.90	15,619.44	8,677.66	-
Miscellaneous Other Expenses	12,900.00	17,900.00	10,314.47	5,508.00	2,077.53	-
General Administration						
Salaries & Wages	82,200.00	82,200.00	80,000.12		2,199.88	-
Other Expenses	62,300.00	42,300.00	21,479.91	8,178.36	12,641.73	-
Assessment of Taxes						
Salaries & Wages	147,000.00	130,500.00	119,638.00		10,862.00	-
Other Expenses	21,900.00	21,900.00	11,222.09	520.39	10,157.52	-
Collection of Taxes						
Salaries & Wages	163,500.00	163,500.00	155,969.84		7,530.16	-
Other Expenses						
Miscellaneous Other Expenses	8,000.00	8,000.00	6,478.75		1,521.25	-
Legal Services						
Other Expenses	200,000.00	200,000.00	141,376.83	6,500.00	52,123.17	-
Special Litigation						
Other Expenses	200,000.00	200,000.00	126,449.08	11,553.07	61,997.85	-
Engineering Services						
Salaries & Wages	120,790.00	60,490.00	60,393.45		96.55	-
Other Expenses	86,000.00	206,000.00	120,870.29	26,252.19	58,877.52	-

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, 2023**

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
INSURANCE						
General Liability	177,000.00	177,000.00	171,085.75		5,914.25	-
Workers Compensation Insurance	471,455.00	471,455.00	451,867.42		19,587.58	-
Employee Group Health	2,173,496.00	2,173,496.00	1,831,861.30	22,529.72	319,104.98	-
Health Benefit						
Salaries & Wages	8,000.00	8,000.00	2,000.00		6,000.00	-
LAND USE ADMINISTRATION						
Planning Board						
Salaries & Wages	23,200.00	25,200.00	24,367.97		832.03	-
Other Expenses	18,700.00	18,700.00	13,812.47	109.43	4,778.10	-
Zoning Board of Adjustment						
Salaries & Wages	23,200.00	23,200.00	22,057.76		1,142.24	-
Other Expenses	18,750.00	18,750.00	14,956.61	1,377.43	2,415.96	-
PUBLIC SAFETY						
First Aid Organization						
Salaries & Wages	975,000.00	915,000.00	872,079.74		42,920.26	-
Other Expenses	154,830.00	154,830.00	103,561.13	37,097.50	14,171.37	-
Emergency Management Services						
Salaries & Wages	4,300.00	5,000.00	5,000.00		-	-
Other Expenses	67,500.00	67,500.00	44,963.74	20,297.66	2,238.60	-
Crossing Guard						
Salaries & Wages	9,500.00	9,500.00	8,882.50		617.50	-
Other Expenses	1,000.00	1,000.00	50.00		950.00	-
Regional Dispatch - Contractual	261,032.00	267,632.00	267,615.16		16.84	-
Municipal Court						
Salaries & Wages	200,000.00	185,000.00	178,839.14		6,160.86	-
Other Expenses	43,650.00	43,650.00	15,328.54	1,826.59	26,494.87	-
Public Defender						
Other Expenses	25,165.00	25,165.00	25,162.80	0.20	2.00	-
Municipal Prosecutor						
Other Expenses	47,200.00	47,200.00	47,197.92	0.08	2.00	-

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
PUBLIC WORKS						
Road Repairs and Maintenance						
Salaries & Wages	877,000.00	840,000.00	771,827.86		68,172.14	-
Other Expenses						
Surfacing of Roads	29,000.00	3,000.00	219.26	825.00	1,955.74	-
Miscellaneous Other Expenses	386,600.00	386,600.00	301,958.10	65,714.99	18,926.91	-
Recycling						
Salaries & Wages	287,500.00	287,500.00	253,778.06		33,721.94	-
Other Expenses	139,000.00	139,000.00	84,151.26	19,626.45	35,222.29	-
Garbage and Trash						
Salaries & Wages	443,500.00	429,400.00	384,447.35		44,952.65	-
Other Expenses						
Tipping Fees	550,000.00	550,000.00	477,640.45		72,359.55	-
Miscellaneous Other Expenses	134,800.00	134,800.00	80,894.50	24,383.55	29,521.95	-
Public Buildings and Grounds						
Salaries & Wages	766,500.00	766,500.00	750,921.61		15,578.39	-
Other Expenses	338,200.00	408,200.00	341,939.86	66,246.06	14.08	-
Demolition						
Other Expenses	15,000.00	15,000.00	5,000.00		10,000.00	-
HEALTH AND WELFARE						
Dog Regulation						
Other Expenses	96,500.00	96,500.00	93,481.17		3,018.83	-
PARK AND RECREATION						
Emergency Shore Protection						
Other Expenses	52,000.00	52,000.00	7,375.41	28,928.80	15,695.79	-
Beach Protection						
Salaries & Wages	375,000.00	393,600.00	393,509.86		90.14	-
Other Expenses	28,680.00	26,180.00	23,960.83	443.38	1,775.79	-
Community Center						
Other Expenses	45,300.00	55,300.00	46,173.53	3,137.17	5,989.30	-
Affordable Housing						
Other Expenses	500.00	500.00	26.00	37.50	436.50	-
Sports and Recreation						
Salaries & Wages	96,500.00	86,500.00	75,084.16		11,415.84	-
Other Expenses	60,750.00	68,750.00	52,097.09	16,313.65	339.26	-
Gypsy Moth Program						
Other Expenses	53,200.00	53,200.00	20,961.28		32,238.72	-
Parking Enforcement						
Other Expenses	30,000.00	10,000.00	4,420.10		5,579.90	-

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, 2023**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
UNIFORM CONSTRUCTION CODE						
State Uniform Construction Code						
Construction Official						
Salaries & Wages	239,000.00	229,000.00	224,493.37		4,506.63	-
Other Expenses	9,800.00	19,800.00	12,034.96	4,755.29	3,009.75	-
Zoning/Code Official						
Salaries & Wages	16,225.00	15,825.00	15,519.28		305.72	-
Other Expenses	1,250.00	1,250.00			1,250.00	-
UNCLASSIFIED						
Celebration of Public Events	23,000.00	23,000.00	22,926.60		73.40	-
Compensation for Accumulated Absence	100.00	100.00			100.00	-
Drug and Alcohol Testing	5,000.00	5,000.00	4,940.00		60.00	-
UTILITY EXPENSES AND BULK PURCHASES						
Street Lighting	270,000.00	310,000.00	262,357.70		47,642.30	-
TOTAL OPERATIONS WITHIN "CAPS"	11,914,770.00	11,902,370.00	10,336,996.99	411,034.26	1,154,338.75	-
Contingent	-	-			-	-
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	11,914,770.00	11,902,370.00	10,336,996.99	411,034.26	1,154,338.75	-
Detail:						
Salaries & Wages	5,309,015.00	5,075,015.00	4,813,805.83	-	261,209.17	-
Other Expenses	6,605,755.00	6,827,355.00	5,523,191.16	411,034.26	893,129.58	-
DEFERRED CHARGES AND STATUTORY EXPENDITURES:						
Deferred Charges:						
None	-	-			-	-
Statutory Expenditures:						
Contributions to:						
Public Employees' Retirement System	615,776.00	628,176.00	628,139.28		36.72	-
Social Security System (O.A.S.I.)	385,000.00	385,000.00	362,449.89		22,550.11	-
Unemployment Compensation Insurance	3,800.00	3,800.00	3,328.77		471.23	-
Defined Contribution Retirement Program	12,500.00	12,500.00	11,991.51		508.49	-

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, 2023**

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	1,017,076.00	1,029,476.00	1,005,909.45	-	23,566.55	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	12,931,846.00	12,931,846.00	11,342,906.44	411,034.26	1,177,905.30	-
OPERATIONS - EXCLUDED FROM "CAPS"						
(A) Operations - Excluded from "CAPS"						
Employee Group Health	131,504.00	131,504.00			131,504.00	-
	131,504.00	131,504.00	-	-	131,504.00	-
(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		-	-
Emergency Management	39,400.00	39,400.00	39,400.00		-	-
Clean Communities Grant		41,464.49	41,464.49		-	-
Cape May County Historic Presevation Trust Grant Program		29,500.00	29,500.00		-	-
CMC American Rescue Plan Act Infrastructure Grant		400,000.00	400,000.00		-	-
Lead Grant Assistance Program		7,200.00	7,200.00		-	-
Spotted Lanternfly Grant Program		15,000.00	15,000.00		-	-
SLFRF-Premium Pay EMS		33,581.00	33,581.00		-	-
Total Public and Private Programs Off-Set by Revenues	63,017.50	589,762.99	589,762.99	-	-	-
Total Operations - Excluded from "CAPS"	194,521.50	721,266.99	589,762.99	-	131,504.00	-
Detail:						
Salaries & Wages	-	-	-	-	-	-
Other Expenses	63,017.50	589,762.99	589,762.99	-	-	-
(C) Capital Improvements						
Capital Improvement Fund	100,000.00	100,000.00	100,000.00		-	-
Beach Replenishment Fund	40,000.00	40,000.00	40,000.00		-	-
Total Capital Improvements	140,000.00	140,000.00	140,000.00	-	-	-

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
(D) Debt Service						
Payment of Bond Principal	720,000.00	720,000.00	720,000.00		-	-
Payment of Bond Anticipation Notes and Capital Notes	450,000.00	450,000.00	450,000.00		-	-
Interest on Bonds	168,000.00	168,000.00	168,000.00		-	-
Interest on Notes	96,332.00	96,332.00	96,331.67		-	0.33
Total Debt Service	<u>1,434,332.00</u>	<u>1,434,332.00</u>	<u>1,434,331.67</u>	<u>-</u>	<u>-</u>	<u>0.33</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>1,768,853.50</u>	<u>2,295,598.99</u>	<u>2,164,094.66</u>	<u>-</u>	<u>131,504.00</u>	<u>0.33</u>
SUBTOTAL GENERAL APPROPRIATIONS	<u>14,700,699.50</u>	<u>15,227,444.99</u>	<u>13,507,001.10</u>	<u>411,034.26</u>	<u>1,309,409.30</u>	<u>0.33</u>
(M) Reserve for Uncollected Taxes	<u>1,097,620.62</u>	<u>1,097,620.62</u>	<u>1,097,620.62</u>		-	-
TOTAL GENERAL APPROPRIATIONS	<u>\$ 15,798,320.12</u>	<u>16,325,065.61</u>	<u>14,604,621.72</u>	<u>411,034.26</u>	<u>1,309,409.30</u>	<u>0.33</u>
Budget Appropriations by 40A:4-87		15,798,320.12 526,745.49 <u>16,325,065.61</u>			Cancelled Overexpended	0.33 - <u>0.33</u>
Reserve for Uncollected Taxes			1,097,620.62			
Federal and State Grants			589,762.99			
Deferred Charges			-			
Capital Improvement Fund Disbursements			140,000.00 12,777,238.11 <u>14,604,621.72</u>			

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

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

**EXHIBIT - B
TRUST FUND**

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

	2023	2022
<u>Assets</u>		
<u>Animal Control Fund</u>		
Cash and Investments	\$ 6,776.63	6,776.63
	6,776.63	6,776.63
<u>Other Funds</u>		
Cash and Investments - Treasurer	3,580,858.70	3,581,213.08
Revenue Accounts Receivable - POAA	-	18.00
	3,580,858.70	3,581,231.08
	\$ 3,587,635.33	3,588,007.71

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

	2023	2022
<u>Liabilities, Reserves and Fund Balance</u>		
<u>Animal Control Fund</u>		
Reserve for Animal Control Expenditures	\$ 5,722.34	6,017.45
Due to Current Fund	1,054.29	759.18
	6,776.63	6,776.63
<u>Other Funds</u>		
Deposits for Tax Title Lien Certificates	204.87	1,201.99
Premiums Received at Tax Sale	190,200.00	194,300.00
Due to Current Fund	2,434.20	944.80
Reserve for Fire Safety	18,114.40	15,114.40
Reserve for Unemployment Compensation	182,051.68	172,894.90
Reserve for Developers' Escrow	76,923.03	30,406.75
Reserve for Client Funds Escrow	505,801.55	767,699.78
Reserve for Landfill Closure Fund	36,085.50	34,965.57
Reserve for Planning Board Escrow	130,535.66	84,694.41
Reserve for Recycling	355,089.32	326,318.55
Reserve for Recreation Fund	34,402.51	38,661.51
Reserve for Municipal Alliance	12,240.81	12,046.19
Reserve for Sick Pay	319,952.65	325,785.63
Reserve for Affordable Housing Trust	1,705,492.79	1,566,183.87
Reserve for UT Cafeteria Fund	465.21	465.21
Reserve for Recreation Donations	10,756.52	9,441.52
Reserve for Parking Offenses Adjudication Act	108.00	106.00
	3,580,858.70	3,581,231.08
	\$ 3,587,635.33	3,588,007.71

EXHIBIT - C
GENERAL CAPITAL FUND

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

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
Deferred Charges to Future Taxation -		
Unfunded	\$ 6,779,775.00	3,910,000.00
Funded	5,560,000.00	6,280,000.00
Interfunds and Receivables		
Due from Current Fund	564,286.28	3,933,081.06
	<u>12,904,061.28</u>	<u>14,123,081.06</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Encumbrances Payable	434,564.76	574,368.02
Bond Anticipation Notes Payable	3,000,000.00	3,450,000.00
General Serial Bonds	5,560,000.00	6,280,000.00
Improvement Authorizations:		
Funded	495,224.39	1,438,319.06
Unfunded	1,965,412.29	907,309.14
Reserve for PW Equipment	50,000.00	50,000.00
Reserve for Beach Replenishment	625,000.00	585,000.00
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	110,646.50	100,146.50
Reserve to Pay Debt Service-2019 Bond Sale	54,358.80	54,358.80
Capital Improvement Fund	227,103.45	301,828.45
Fund Balance	80,000.00	80,000.00
	<u>\$ 12,904,061.28</u>	<u>14,123,081.06</u>

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

2022	460,000.00
2023	3,779,775.00

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

	2023	2022
Beginning Balance January 1,	\$ 80,000.00	80,000.00
Increased by:		
None	-	-
Decreased by:		
None	-	-
Ending Balance December 31,	\$ 80,000.00	80,000.00

EXHIBIT - G
GENERAL FIXED ASSETS ACCOUNT GROUP

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

	<u>2023</u>	<u>2022</u>
General Fixed Assets:		
Land	\$ 23,676,664.00	23,731,406.00
Buildings	12,003,092.00	11,996,077.00
Machinery and Equipment	<u>8,291,578.00</u>	<u>8,545,395.00</u>
Total General Fixed Assets	<u><u>43,971,334.00</u></u>	<u><u>44,272,878.00</u></u>
Investment in General Fixed Assets	<u><u>\$ 43,971,334.00</u></u>	<u><u>44,272,878.00</u></u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

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.

{This space intentionally left blank}

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

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, 2023 AND 2022**

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.

{This space intentionally left blank}

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

F. Recent Accounting Pronouncements Not Yet Effective

In April 2022, the Governmental Accounting Standards Board (GASB) issued Statement No.99, “Omnibus 2022”. This statement, and the requirements related to leases, PPP’s and SBITAs which is effective for fiscal years beginning after June 15, 2022, and all reporting periods, thereafter, may have an effect on the Township’s financial statements. This statement, and the requirements related financial guarantees and the classification and reporting of derivative instruments which is effective for fiscal years beginning after June 15, 2023, and all reporting periods, thereafter, 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.

In December 2023, the Governmental Accounting Standards Board (GASB) issued Statement No. 102, “Certain Risk Disclosures”. This statement, which is effective for fiscal years beginning after June 15, 2024, will not have any significant 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 2023 and 2022, the following significant budget insertions were approved:

<u>Budget Category</u>	<u>2023</u>	<u>2022</u>
Clean Communities Program	\$ 41,464.49	\$ 36,968.52
US Dept of Treasury Coronavirus State & Local Fiscal Recovery Funds		375,400.00
Youth Leadership Grant Program		3,634.26
Lead Grant Assistance Program	7,200.00	
Spotted Lanternfly Grant Program	15,000.00	
CMC American Rescue Plan Act Infrastructure Grant Program	400,000.00	
Cape May County Historic Presevation Trust Grant Program	29,500.00	
SLFRF-Premium Pay EMS	33,581.00	

The township may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. As of December 31, 2023, the Township did not have any special emergency appropriations.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

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 2023 and 2022 statutory budgets included a reserve for uncollected taxes in the amount of \$1,097,620.62 and \$1,059,886.67. To balance the budget, the township is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2023 and 2022 statutory budgets was \$1,755,000.00 and \$1,650,000.00.

The Chief Financial Officer has the discretion of approving intra-department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1 these transfers can be made in the form of a resolution and approved by the Township Committee. The following significant budget transfers were approved in the 2023 and 2022 calendar years:

<u>Budget Category - Current Fund:</u>	<u>2023</u>	<u>2022</u>
Financial Administration		
Salaries and Wages	\$ (25,000.00)	(83,100.00)
Engineering Services		
Salaries and Wages	(60,300.00)	
Other Expenses	120,000.00	68,000.00
First Aid Organization		
Salaries and Wages	(60,000.00)	42,000.00
Road Repairs and Maintenance		
Salaries and Wages	(37,000.00)	
Other Expenses	(26,000.00)	
Public Buildings and Grounds		
Other Expenses	70,000.00	32,500.00
Utility - Street Lighting	40,000.00	

NOTE 3: INVESTMENTS

As of December 31, 2023 and 2022, the township held certificates of deposit in the amount of \$36,085.50 and \$34,965.57 respectively with Ocean First Bank. The certificates matured in 2023 and were rolled over for one year with an interest rate of 4.5%.

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 township places no limit on the amount the township can invest in any one issuer.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

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 township'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, 2023, \$48,303.14 of the government's bank balance of \$19,338,737.78 was exposed to custodial credit risk. 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.

NOTE 5: FIXED ASSETS

The following schedules are a summarization of the changes in general fixed assets for the calendar years ended December 31, 2023 and 2022:

	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>

	Balance 12/31/2022	Additions	Deletions	Balance 12/31/2023
Land	\$ 23,731,406.00	46,458.00	(101,200.00)	23,676,664.00
Building	11,996,077.00	7,015.00		12,003,092.00
Machinery and Equipment	8,545,395.00	528,076.00	(781,893.00)	8,291,578.00
	<u>\$ 44,272,878.00</u>	<u>581,549.00</u>	<u>(883,093.00)</u>	<u>43,971,334.00</u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 6: SHORT-TERM OBLIGATIONS

	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>
	Balance 12/31/2022	Issued	Retired	Balance 12/31/2023
Bond Anticipation Notes payable:				
General	\$ 3,450,000.00	3,000,000.00	3,450,000.00	3,000,000.00
	<u>\$ 3,450,000.00</u>	<u>3,000,000.00</u>	<u>3,450,000.00</u>	<u>3,000,000.00</u>

The Capital Bond Anticipation Note was issued in the amount of \$3,000,000.00 on August 15, 2023 and due and payable on August 14, 2024 with interest at 4.250%. As of December 31, 2023, the township has authorized but not issued bonds in the amount of \$3,779,775.00 in the General Capital Fund.

NOTE 7: LONG TERM DEBT

Long-term debt as of December 31, 2023 and 2022 consisted of the following:

	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>
	Balance 12/31/2022	Issued	Retired	Balance 12/31/2023	Due Within One Year
Other liabilities:					
Compensated					
Absences Payable	\$ 788,189.39		381,155.14	407,034.25	
General Capital Fund					
Bonds Payable	6,280,000.00		720,000.00	5,560,000.00	800,000.00
Total long-term liabilities	<u>7,068,189.39</u>	<u>-</u>	<u>1,101,155.14</u>	<u>5,967,034.25</u>	<u>800,000.00</u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

Description of Bonds and Loans Payable

At December 31, 2023, 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, 2023, is \$5,560,000.00.

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

Year Ending December 31	General Capital Fund	
	Principal	Interest
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	1,000,000.00	40,800.00
2029	1,040,000.00	20,800.00
	<u>\$ 5,560,000.00</u>	<u>497,200.00</u>

Summary of Municipal Debt

	<u>Year 2023</u>	<u>Year 2022</u>	<u>Year 2021</u>
<u>Issued:</u>			
General - Bonds and Notes	\$ 8,560,000.00	\$ 9,730,000.00	\$ 10,720,000.00
Total Issued	<u>8,560,000.00</u>	<u>9,730,000.00</u>	<u>10,720,000.00</u>
<u>Authorized but not issued:</u>			
General - Bonds and Notes	3,779,775.00	460,000.00	460,000.00
Total Authorized But Not Issued	<u>3,779,775.00</u>	<u>460,000.00</u>	<u>460,000.00</u>
Total Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 12,339,775.00</u>	<u>\$ 10,190,000.00</u>	<u>\$ 11,180,000.00</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.484%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ -	-	-
General Debt	12,339,775.00	165,005.30	12,174,769.70
	<u>\$ 12,339,775.00</u>	<u>165,005.30</u>	<u>12,174,769.70</u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

Net Debt \$12,174,769.70 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$2,517,595,447.00 = 0.484%.

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

3 1/2 % of Equalized Valuation Basis (Municipal)	\$	88,115,841.00
Net Debt		12,174,769.70
Remaining Borrowing Power	\$	<u><u>75,941,071.30</u></u>

NOTE 8: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2023 and 2022, 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>2024</u>	<u>2023</u>
Current Fund	\$	2,155,000.00	1,755,000.00

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>12/31/2023</u>	<u>12/31/2022</u>
Balance of Tax	\$ 13,775,090.00	\$ 13,504,992.00
Deferred	7,300,000.00	7,300,000.00
Tax Payable	<u>\$ 6,475,090.00</u>	<u>\$ 6,204,992.00</u>

NOTE 10: TAXES COLLECTED IN ADVANCE

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

	<u>Balance</u>	<u>Balance</u>
	<u>12/31/2023</u>	<u>12/31/2022</u>
Prepaid Taxes	<u>\$ 580,918.94</u>	<u>\$ 619,402.41</u>
Cash Liability for Taxes Collected in Advance	<u>\$ 580,918.94</u>	<u>\$ 619,402.41</u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

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 eleven 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 17.61% of covered payroll. The township's contributions to PERS for the years ended December 31, 2023, 2022, and 2021 were \$615,626.00, \$582,883.00, and \$521,124.00.

The total payroll for the year ended December 31, 2023, 2022, and 2021 was \$4,268,811.87, \$4,396,194.40, and \$4,126,857.16. Payroll covered by PERS was \$3,614,431.00, \$3,637,159.00, and \$3,542,368.00.

Significant Legislation

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

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

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ of 1% for each month that the member is under age 65.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

- 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 1/60th from 1/55th, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined a 1/7th of the required amount, beginning in fiscal years 2013.

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

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

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

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, 2022:

Public Employees’ Retirement System

The Township has a liability of \$7,367,399.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021, that was rolled forward to June 30, 2022. 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, 2022, the Township’s proportion would be 0.04881860080%, which would be a decrease of 1.91% from its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, the Township would have recognized pension expense of (\$544,371.00). At December 31, 2022, 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	\$ 53,174	\$ (46,892)
Changes of assumptions	22,827	(1,103,191)
Changes in proportion	374,917	(338,405)
Net difference between projected and actual earnings on pension plan investments	304,930	
Total	<u>\$ 755,848</u>	<u>\$ (1,488,488)</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,	
2023	\$ (669,673)
2024	(246,637)
2025	(17,329)
2026	202,574
2027	(1,575)
Total	<u>\$ (732,640)</u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

Actuarial Assumptions

The total pension liability for the June 30, 2022, measurement date was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	
Price	2.75%
Wage	3.25%
Salary increases:	2.75% – 6.55% (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, 2021, valuation was based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2022) 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 weighing 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, 2022, are summarized in the following table:

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US equity	27.00%	8.12%
Non-U.S. developed markets equity	13.50%	8.38%
Emerging markets equity	5.50%	10.33%
Private equity	13.00%	11.80%
Real estate	8.00%	11.19%
Real assets	3.00%	7.60%
High yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment grade credit	7.00%	3.38%
Cash equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Risk mitigation strategies	3.00%	4.91%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. 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	\$ 8,835,022	\$ 7,367,399	\$ 6,119,781

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, 2023 AND 2022**

NOTE 13: OTHER POST-RETIREMENT BENEFITS - STATE

General Information about the Plan:

The Township offers Other Post-Retirement Benefits (OPEB) to its employees through the State Health Benefit Local Government Retired Employees Plan (the Plan) a cost-sharing multiple employer defined benefit other postemployment benefit plan. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Annual Comprehensive Financial Report (ACFR), which can be found at:

<https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of post-retirement medical coverage for employees and their dependents who:

1) retired on a disability pension;

or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer;

or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer;

or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011, will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Allocation Methodology:

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense, however under the Regulatory Basis of Accounting followed by the Municipality these amounts are not accrued or recorded in the financial statements and the information listed in this note is for disclosure purposes only. Statewide across all member employers, the special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. For the special funding situation and the nonspecial funding situation, the Collective Total OPEB liabilities for the year ended June 30, 2022, were \$3,361,552,823 and \$3,872,142,278, respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2021 through June 30, 2022. Employer and non-employer allocation percentages have been rounded for presentation purposes.

Net OPEB Liability:

Components of Net OPEB Liability

The components of the collective net OPEB liability of the participating employers in the Plan as of June 30, 2022, is as follows:

	June 30, 2022	
	Collective Total	Proportionate Share
Total OPEB Liability	\$ 16,090,925,144	\$ 13,780,751
Plan Fiduciary Net Position (Deficit)	(58,670,334)	(50,247)
Net OPEB Liability	<u>\$ 16,149,595,478</u>	<u>\$ 13,830,998</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	-0.36%	-0.36%

At June 30, 2022 the Township's proportionate share of the Collective Net OPEB Liability was \$13,830,998. The Township's proportion of the Collective Net OPEB Liability was 0.085643% which was no change from the prior year.

For the Year ended June 30, 2022 the Township's Total OPEB Expense was \$2,532,703.00.

The total OPEB liability as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2021, which was rolled forward to June 30, 2022. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Investment Rate of Return Including Inflation rate	3.54%	
Salary increases*:		
PERS	<u>Completed Years of Service</u>	<u>Annual Rate of Increase (%)</u>
	0	6.55
	5	5.75
	10	4.75
	15	3.75
	20	3.15
	25	2.85
	>=29	2.75
PFRS	<u>Completed Years of Service</u>	<u>Annual Rate of Increase (%)</u>
	0	16.25
	5	11.00
	10	6.00
	15	4.00
	>=17	3.25

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

Mortality:

Pre-Retirement Healthy Mortality:

PERS: Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021

PFRS: Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021

Post-Retirement Healthy Mortality

Chapter 330 Retirees: PUB-2010 "Safety" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Other Retirees: PUB-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Disable Retiree Mortality:

PERS Future Disabled Retirees: PUB-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

PFRS Future Disabled Retirees: PUB-2010 "Safety" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Chapter 330 Current Retirees: PUB-2010 "Safety" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Other Current Retirees: PUB-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Actuarial assumptions used in the July 1, 2021, valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2018 to June 30, 2021 and July 1, 2018 to June 30, 2021, respectively.

100% of active members are considered to participate in the Plan upon retirement.

Discount Rate

The discount rate for June 30, 2022, was 3.54%. The discount rate will change each year based on the Bond Buyer Go 20-Bond Municipal Bond Index each year.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the Net OPEB liability as of June 30, 2023, calculated using the discount rate as disclosed above as well as what the Net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	1% Decrease -2.54%	Discount Rate -3.54%	1% Increase -4.54%
Collective			
Net OPEB Liability	\$ 18,720,632,230	16,149,595,478	14,080,955,857
Proportionate Share			
Net OPEB Liability	\$ 16,032,911	13,830,998	12,059,353

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate

The following presents the net OPEB liability as of June 30, 2022, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Healthcare cost Trend Rate	1% Increase
Collective			
Net OPEB Liability	\$ 13,700,188,049	16,149,595,478	19,286,596,671
Proportionate Share			
Net OPEB Liability	\$ 11,733,252	13,830,998	16,517,620

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

At June 30, 2022, the State reported deferred outflows of resources and deferred inflows of resources related to retired employees' OPEB from the following sources:

	Collective Totals		Proportionate Share	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 833,982,363	(2,993,448,535)	714,248	(2,563,679)
Changes of assumptions	2,155,230,462	(5,511,545,572)	1,845,804	(4,720,253)
Net difference between projected and actual earnings on OPEB plan investments	4,251,491		3,641	
Changes in proportion and differences between contributions and proportionate share of contributions			16,391,323	
Total	\$ 2,993,464,316	(8,504,994,107)	18,955,016	(7,283,932)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retired employees' OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Collective Totals	Proportionate Share
2023	\$ (1,463,380,541)	3,098,820
2024	(1,464,672,406)	3,101,555
2025	(1,156,630,075)	2,449,252
2026	(516,557,746)	1,093,850
2027	(115,810,526)	245,238
Thereafter	(794,478,497)	1,682,369
Total	<u>\$ (5,511,529,791)</u>	<u>11,671,084</u>

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

Collective OPEB Expenses reported by the State of New Jersey

The components of allocable OPEB Expense related to specific liabilities of individual employers for the year ending June 30, 2022, are as follows:

Service cost	\$ 796,654,029
Interest on Total OPEB Liability	401,372,615
Expected Investment Return	86,955
Administrative Expenses	12,334,441
Changes of Benefit Terms	402,474,416
Current Period Recognition (Amortization) of Deferred Inflows/ Outflows of Resources:	
Differences between Expected and Actual Experience	(630,413,303)
Changes in Assumptions	(835,585,441)
Differences between Projected and Actual Investment Earnings on OPEB Plan Investments	4,032,008
Total Collective OPEB Expense	<u>\$ 150,955,720</u>

Schedule of Township's Share of Net OPEB Liability

	<u>2022</u>
Township's Proportionate Share of Net OPEB Liability	\$ 0.085643%
Township's Share of Net OPEB Liability	13,830,998
Township's Covered Payroll	3,637,159
Township's Proportionate Share of the Net OPEB Liability as a percentage of its Covered-Employee Payroll	380.27%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	-0.36%

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 14: POST-RETIREMENT BENEFITS - LOCAL

During 2023, 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, 2023, 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.

{This space intentionally left blank}

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

Other Post-employment Benefit Costs and Obligations

In the January 1, 2023, actuarial valuation, the Actuarially Determined Contribution for the year ending December 31, 2023, were projected as follows:

	<u>12/31/2023</u>	<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	\$ 97,337.00	158,795.00	1,546,552.00	971,751.00	851,021.00	868,997.00
20 Year Amortization of NOL at 1.93	284,358.00	408,701.00	3,533,627.00	3,039,006.00	2,788,372.00	2,629,941.00
Actuarially Determined Contribution	<u>381,695.00</u>	<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	57,214.00	48,357.00	707,401.00	855,015.00	694,108.00	534,039.00
Excess Contribution	\$ <u>(324,481.00)</u>	<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	\$ 4,101,151.00	4,073,651.00	3,596,136.00	3,854,447.00	3,723,621.00	3,432,599.00
Actuarially Determined Contribution as a % of Covered Payroll	9.31%	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, 2023, valuation date for the year ended December 31, 2023.

	<u>12/31/2023</u>	<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	\$ 3,760,575.00	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	97,337.00	158,795.00	1,546,552.00	971,751.00	851,021.00	868,997.00
Interest	160,848.00	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	9,647.00	(994,853.00)	(2,385,686.00)	1,235,075.00	93,144.00	309,566.00
Change in Assumptions	293,223.00	(2,025,649.00)	(2,709,790.00)	11,250,497.00	3,350,735.00	-
Benefit Payments	(57,217.00)	(48,358.00)	(707,401.00)	(855,015.00)	(694,108.00)	(534,039.00)
OPEB Liability, End of Year	\$ <u>4,264,413.00</u>	<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)	\$ 4,101,151.00	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	103.98%	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, 2023 AND 2022**

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

The January 1, 2023, valuation was prepared using a discount rate of 4.00%. If the discount rate were 1% higher than what was used in this valuation, the Total OPEB Liability would decrease to \$3,484,809.00 or by 5.00%. If the discount rate were 1% lower than was used in this valuation, the Total OPEB Liability would increase to \$5,286,452.00 or by 3.00%.

	Discount Rate		
	1% Decrease	Baseline 4.00%	1% Increase
Total OPEB Liability \$	5,286,452	4,264,416	3,484,809

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

The January 1, 2023, 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 \$5,363,267.00 or by 6.00%. If the trend rate were 1% lower than was used in this valuation, the total OPEB liability would decrease to \$3,440,454.00 or by 4.00%.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 5.00%	1% Increase
Total OPEB Liability \$	3,440,454	4,264,416	5,363,267

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

For the year ended December 31, 2023, the Township's Actuarially determined OPEB expense was \$4,264,416.00. At December 31, 2023, 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, 2023 OPEB Liability due to Actuarial		
Differences between expected & actual experience	\$ 270,808.00	\$ 1,664,884.00
Changes of assumptions	3,059,890.00	2,530,809.00
Total	<u>\$ 3,330,698.00</u>	<u>\$ 4,195,693.00</u>

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,	
2024	\$ 1,663,767
2025	(1,407,329)
2026	(388,233)
2027	(388,233)
2028	(388,235)
2029	43,268
	<u>\$ (864,995)</u>

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 15: ACCRUED SICK AND VACATION BENEFITS

The Township has permitted employees to accrue unused vacation, personal and sick time. It is the Township’s policy that any unused vacation time may be carried forward into the next succeeding year only. Personal days must be taken during the current calendar year. Any unused personal time may not be carried forward into the next succeeding year. Employees will be paid for earned but unused sick days upon retirement at a maximum of \$15,000.00. It is estimated that the cost for the most current calendar year of such unpaid compensation would approximate \$407,034.25 in 2023 and \$788,189.39 in 2022. 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 16: ECONOMIC DEPENDENCY

The Township of Upper has a major source of revenue from the State of New Jersey in the form of the Energy Receipts Tax, Garden State Trust and Municipal Relief Fund Aid. For 2023, the Township received \$6,720,011.48, which represents approximately 41% of budgeted revenues. Any significant reduction in this State aid would have a negative impact on the Township, specifically in the form of a significant effect on the local tax levy. The Township utilizes State Police protection. Any change in this would have a negative impact on the Township.

NOTE 17: RISK MANAGEMENT

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

Property and Liability Insurance - The Township maintains commercial insurance coverage for property, liability and surety bonds. During the year ended December 31, 2023 and 2022 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.

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
2023	\$ 30,321.80	2,889.62	24,054.64	182,051.68
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

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 18: DEFERRED COMPENSATION

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

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

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

The plans are administered by Nationwide and Mass Mutual Financial Group.

NOTE 19: CONTINGENT LIABILITIES

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

NOTE 20: INTERFUND BALANCES

During the most current calendar year ended December 31, 2023, the following interfunds were included on the balance sheets of the various funds of the Township of Upper:

	Due From	Due To
	<u> </u>	<u> </u>
Current Fund:		
General Capital Fund	\$	564,286.28
Grant Fund		317,677.73
Trust Other	2,434.20	
Animal Control Fund	1,054.29	
Grant Fund:		
Current Fund	317,677.73	
Trust Fund:		
Current - Tax Title Lien		2,434.20
Current - Animal Control		1,054.29
General Capital Fund:		
Current Fund	564,286.28	
	<u>\$ 885,452.50</u>	<u>885,452.50</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.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 21: 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 2023 and 2022 were \$4,403.88 and \$4,238.88 respectively.

The following is a schedule of the future minimum lease payments under these leases and the net minimum lease payments at December 31, 2023.

<u>Year</u>	<u>Operating</u>
2024	\$ 3,595.92
2025	1,980.00
2026	1,980.00
2027	660.00
Total minimum lease payments	<u>8,215.92</u>
Less amount representing interest	-
Present value of minimum lease payments	<u>\$ 8,215.92</u>

NOTE 22: SUBSEQUENT EVENTS

The Township has reviewed and evaluated all events and transactions that occurred between December 31, 2023, through April 22, 2024, the date that the financial statements were issued for possible disclosure and recognition in the financial statements. No items have come to the attention of the Township that would require disclosure.

{This space intentionally left blank}

SUPPLEMENTARY INFORMATION



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • OCEAN CITY, NJ • 08226

PHONE 609.399.6333 • FAX 609.399.3710

www.ford-scott.com

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, 2023, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated April 22, 2024, 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

April 22, 2024

TOWNSHIP OF UPPER
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDING DECEMBER 31, 2023

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

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

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

In accordance with Government Auditing Standards, our audit disclosed the following finding relating to the financial statements – regulatory basis that is required to be reported.

Finding 2023-1:

Criteria or Specific Requirement:

Prior to a contract being awarded or authorized the Township must certify that there are sufficient funds available.

Condition:

The Township awarded a contract without verifying there was funding for the project.

Context:

The Township awarded a contract in which there was no funding for the project.

Effect:

The project required funding sources.

Cause:

Prior to a contract being awarded the Township did not verify that there were sufficient funds available.

Finding 2023-1 (Continued):

Recommendation:

That no contract be awarded, or purchase order be approved unless there is sufficient funding in the proper budget line.

Views of Responsible Officials and Planned Corrective Action:

The Township has taken corrective action and funded the project.

MANAGEMENT RESPONSES

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

A corrective action plan is required for 2023.

STATUS OF PRIOR YEAR FINDINGS

There were no prior year audit findings.

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

		Current Fund
Balance December 31, 2022	\$	17,704,425.82
Increased by Receipts:		
Tax Collector		41,633,261.63
Revenue Accounts Receivable		8,572,310.51
Miscellaneous Revenue		386,298.59
Due from State - Veterans and Senior Citizens		93,671.91
Accrued Payroll Taxes		5,799,515.19
Marriage & Civil Union License Fees Due to State		1,000.00
Hunting and Fishing License Fees Due to State		4,446.25
Dog License Fees Due to State		1,329.00
DCA Training Fees Due to State		20,552.00
Due from General Capital		10,500.00
Due from Federal and State Grant Fund		321,262.39
Due from Other Trusts		944.80
Due from Animal Control		4,681.00
Reserve National Opioid Settlements		5,863.54
Reserve Municipal Relief Fund		645,806.08
Reserve for Capital Projects		18,031.75
		57,519,474.64
		75,223,900.46
Decreased by Disbursements:		
Current Year Appropriation		12,777,238.11
Prior Year Appropriations		456,582.53
County Taxes		6,530,619.53
Local District School Taxes		27,280,081.00
Special District Taxes		2,002,514.22
Refund of Tax Overpayments		21,466.79
Payroll Taxes and Deductions		5,800,669.72
Due State For Marriage Licenses & Civil Unions		550.00
Due State for Hunting and Fishing Licenses		4,572.75
Due to State for Dog Licenses		1,338.00
Due State for DCA Training Fees		20,243.00
Due to General Capital		3,519,294.78
Due to Animal Control		3,110.50
Due to Federal and State Grant Fund		1,054,214.29
Reserve for Capital Projects		3,138.95
		59,475,634.17
Balance December 31, 2023	\$	15,748,266.29

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

Year	Balance Dec. 31, 2022	Current Year Levy	Added Taxes	Collections by Cash		Adjustments	Transferred To Tax Title Lien	Balance Dec. 31, 2023
				2022	2023			
Arrears	\$ -							-
2022	<u>432,837.85</u>				427,633.96	(1,462.16)	6,666.05	(0.00)
	432,837.85	-	-	-	427,633.96	(1,462.16)	6,666.05	(0.00)
2023		<u>41,723,832.37</u>	<u>3,403.80</u>	<u>619,402.41</u>	<u>40,623,923.23</u>	<u>32,011.51</u>	<u>11,780.20</u>	<u>440,118.82</u>
	\$ <u>432,837.85</u>	<u>41,723,832.37</u>	<u>3,403.80</u>	<u>619,402.41</u>	<u>41,051,557.19</u>	<u>30,549.35</u>	<u>18,446.25</u>	<u>440,118.82</u>
					40,948,128.83	Cash Receipts		
					95,918.50	Senior Citizens and Veterans		
					7,509.86	Other		
					<u>41,051,557.19</u>			
<u>Analysis of Current Year Tax Levy</u>								
Tax Yield:								
					39,721,318.15			
					2,002,514.22			
					3,403.80			
						<u>41,727,236.17</u>		
Tax Levy:								
					5,365,164.79			
					876,197.10			
					-			
					257,658.23			
					46,393.77			
						6,545,413.89		
						27,550,179.00		
						-		
						2,002,514.22		
					5,316,177.86			
					312,951.20			
						<u>5,629,129.06</u>		
						<u>41,727,236.17</u>		

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

Balance December 31, 2022		\$ 85,824.39
Increased by:		
Transfers from Taxes Receivable	18,446.25	
Interest and Costs Accrued by Sale December 5, 2023	1,511.69	
	<hr/>	<hr/>
		19,957.94
		105,782.33
Decreased by:		
Collections	43.72	
	<hr/>	<hr/>
		43.72
Balance December 31, 2023		\$ <u><u>105,738.61</u></u>

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	Balance	Accrued	Collected by		Balance
	Dec. 31, 2022	in 2023	Collector	Treasurer	Dec. 31, 2023
Licenses:					
Alcoholic Beverages	\$ -	5,370.00		5,370.00	-
Fines and Costs:					
Municipal Court	3,814.94	37,401.35		39,772.21	1,444.08
Interest and Costs on Taxes	-	104,170.14	104,170.14		-
Interest Earned on Investments	-	500,379.27		500,379.27	-
Energy Receipts Tax	-	6,234,279.72		6,234,279.72	-
Garden State Preservation Trust Fund	-	162,760.00		162,760.00	-
Municipal Relief Fund	-	322,971.76		322,971.76	-
EMS Ambulance Fees	-	377,287.87		377,287.87	-
Host Community Benefits	-	654,236.57		654,236.57	-
Cable TV Fees	-	67,480.05		67,480.05	-
Cell Tower Fees	-	110,814.10		110,814.10	-
Dennis Twp & Corbin City - Municipal Court	-	149,093.71		149,093.71	-
Uniform Construction Code Fees	-	273,458.20		273,458.20	-
Miscellaneous Revenue Not Anticipated	-	387,790.22		387,790.22	-
	<u>\$ 3,814.94</u>	<u>9,387,492.96</u>	<u>104,170.14</u>	<u>9,285,693.68</u>	<u>1,444.08</u>

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

	Balance Dec. 31, 2022	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
OPERATIONS WITHIN "CAPS"					
GENERAL GOVERNMENT:					
Mayor and Committee					
Other Expenses	\$ 3,604.11	3,604.11	3,440.95	163.16	-
Township Clerk					
Other Expenses	11,802.85	11,802.85	10,036.73	1,766.12	-
Financial Administration					
Other Expenses					
Computer Services	25,298.56	25,298.56	8,791.38	16,507.18	-
Miscellaneous Other Expenses	7,945.08	7,945.08	7,932.78	12.30	-
Assessment of Taxes					
Other Expenses	10,704.31	10,704.31	3,496.80	7,207.51	-
Collection of Taxes					
Miscellaneous Other Expenses	3,378.03	3,378.03	257.09	3,120.94	-
Legal Services					
Other Expenses	46,095.00	46,095.00	18,686.50	27,408.50	-
Special Litigation					
Other Expenses	21,345.64	21,345.64	17,071.13	4,274.51	-
Engineering Services					
Other Expenses	127,007.04	127,007.04	57,059.84	69,947.20	-
INSURANCE					
General Liability	6,309.83	6,309.83	4,167.70	2,142.13	-
Employee Group Health	600,270.84	600,270.84	43,350.39	556,920.45	-
LAND USE ADMINISTRATION					
Planning Board					
Other Expenses	3,595.90	3,595.90	1,888.00	1,707.90	-
Zoning Board of Adjustment					
Other Expenses	12,434.31	12,434.31	1,033.00	11,401.31	-

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

	Balance Dec. 31, 2022	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
PUBLIC SAFETY					
First Aid Organization					
Other Expenses	33,567.76	33,567.76	16,327.45	17,240.31	-
Emergency Management Services					
Other Expenses	14,143.90	14,143.90	9,497.55	4,646.35	-
Municipal Court					
Other Expenses	10,273.26	10,273.26	562.24	9,711.02	-
PUBLIC WORKS					
Road Repairs and Maintenance					
Other Expenses					
Miscellaneous Other Expenses	62,838.95	62,838.95	38,975.59	23,863.36	-
Recycling					
Other Expenses	19,998.19	19,998.19	10,910.62	9,087.57	-
Garbage and Trash					
Other Expenses					
Tipping Fees	125,409.80	125,409.80	78,790.45	46,619.35	-
Miscellaneous Other Expenses	49,530.48	49,530.48	18,150.29	31,380.19	-
Public Buildings and Grounds					
Other Expenses	41,249.59	41,249.59	28,689.99	12,559.60	-
HEALTH AND WELFARE					
Dog Regulation					
Other Expenses	3,342.83	3,342.83	2,200.00	1,142.83	-
PARK AND RECREATION					
Emergency Shore Protection					
Other Expenses	37,267.71	37,267.71	31,175.26	6,092.45	-
Beach Protection					
Other Expenses	9,397.34	9,397.34	8,583.68	813.66	-
Community Center					
Other Expenses	6,052.79	6,052.79	4,106.34	1,946.45	-
Sports and Recreation					
Other Expenses	5,095.73	5,095.73	4,727.18	368.55	-

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

	<u>Balance Dec. 31, 2022</u>	<u>Balance After Transfers</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>	<u>Over- Expended</u>
UNIFORM CONSTRUCTION CODE					
State Uniform Construction Code					
Construction Official					
Other Expenses	3,138.22	3,138.22	123.64	3,014.58	-
UNCLASSIFIED					
Compensation for Accumulated Absense	253.25	253.25	250.00	3.25	-
UTILITY EXPENSES AND BULK PURCHASES					
Street Lighting	30,067.75	30,067.75	26,299.96	3,767.79	-
All Other Accounts - No Change	225,971.79	225,971.79		225,971.79	-
	<u>\$ 1,557,390.84</u>	<u>1,557,390.84</u>	<u>456,582.53</u>	<u>1,100,808.31</u>	<u>-</u>

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

Balance December 31, 2022			
School Tax Payable	\$	6,204,992.00	
School Tax Deferred		<u>7,300,000.00</u>	
			\$ 13,504,992.00
Increased by:			
Levy - School Year July 1, 2023 to June 30, 2024			<u>27,550,179.00</u>
			41,055,171.00
Decreased by:			
Payments			<u>27,280,081.00</u>
Balance December 31, 2023			
School Tax Payable		6,475,090.00	
School Tax Deferred		<u>7,300,000.00</u>	
			<u>13,775,090.00</u>
Current Year Liability for Local School District School Tax:			
Tax Paid			27,280,081.00
Tax Payable Ending			<u>6,475,090.00</u>
			33,755,171.00
Less: Tax Payable Beginning			<u>6,204,992.00</u>
Amount charged to Current Year Operations			<u>\$ 27,550,179.00</u>

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

<u>Purpose</u>	<u>Balance Dec. 31, 2022</u>	<u>Transferred From 2023 Revenues</u>	<u>Received</u>	<u>Cancelled</u>	<u>Balance Dec. 31, 2023</u>
FEDERAL GRANTS:					
CMC American Rescue Plan Act Infrastructure Grant Program	\$ -	400,000.00			400,000.00
SLFRF Premium Pay EMS	-	33,581.00			33,581.00
Total Federal	<u>-</u>	<u>433,581.00</u>	<u>-</u>	<u>-</u>	<u>433,581.00</u>
STATE GRANTS:					
Clean Communities	296.53				296.53
Clean Communities-2023	-	41,464.49	41,464.49		-
2019 Municipal Aid - NJ DOT	37,500.00				37,500.00
NJ Transportation Trust Fund Authority Act-Bayview Ph 4	175,000.00		124,299.75		50,700.25
NJ Transportation Trust Fund Authority Act	160,000.00		120,000.00		40,000.00
Youth Leadership Grant Program	3,634.26				3,634.26
Lead Grant Assistance Program	-	7,200.00	7,200.00		-
Spotted Lanternfly Grant Program	-	15,000.00			15,000.00
Total State	<u>376,430.79</u>	<u>63,664.49</u>	<u>292,964.24</u>	<u>-</u>	<u>147,131.04</u>
LOCAL GRANTS:					
Municipal Alliance	74,764.68				74,764.68
Municipal Alliance-2021	5,462.41				5,462.41
Municipal Alliance-2022	3,023.57				3,023.57
Municipal Alliance-2023	-	18,894.00	18,298.15		595.85
Cape May County Historic Presevation Trust Grant Program	-	29,500.00			29,500.00
Total Local	<u>83,250.66</u>	<u>48,394.00</u>	<u>18,298.15</u>	<u>-</u>	<u>113,346.51</u>
	<u>\$ 459,681.45</u>	<u>545,639.49</u>	<u>311,262.39</u>	<u>-</u>	<u>694,058.55</u>

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

	Balance December 31, 2022		2023 Appropriations	Disbursed	Cancelled	Encumbrances	Balance Dec. 31, 2023
	Appropriated	Reserve for Encumbrances					
FEDERAL GRANTS:							
American Rescue Plan:							
Stormwater Pump Project #1	\$ 62,068.99	337,931.01		278,680.66		121,319.34	0.00
Sewer Study- Marmora	4,238.00						4,238.00
Stormwater Infrastructure	-	375,400.00		375,400.00			-
CMC American Rescue Plan Act Infrastructure Grant	-		400,000.00				400,000.00
SLFRF Premium Pay EMS	-		33,581.00	-			33,581.00
Total Federal	66,306.99	713,331.01	433,581.00	654,080.66	-	121,319.34	437,819.00
STATE GRANTS:							
Clean Communities	46,492.38						46,492.38
Clean Communities-2021	13,792.92						13,792.92
Clean Communities-2022	16,786.38	1,500.00		18,123.47			162.91
Clean Communities-2023	-		41,464.49	25,456.12		2,498.00	13,510.37
Drunk Driving Enforcement	125.68						125.68
NJ Office of Emergency Management	-		39,400.00				39,400.00
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			-
NJ Transportation Trust Fund Authority Act-Prescott Ave	-	160,000.00		160,000.00			-
Youth Leadership Grant Program	3,634.26						3,634.26
Lead Grant Assistance Program	-		7,200.00				7,200.00
Spotted Lanternfly Grant Program	-		15,000.00				15,000.00
Total State	122,831.62	336,500.00	103,064.49	378,579.59	-	2,498.00	181,318.52
LOCAL GRANTS:							
Municipal Alliance	58,518.06						58,518.06
Municipal Alliance 2021-2022	3,593.52						3,593.52
Municipal Alliance 2022-2023	20,717.55			19,329.09			1,388.46
Municipal Alliance 2023-2024	-		23,617.50	2,224.95			21,392.55
CM Open Space - Harbor Road Bike/Pedestrian Gateway	21,121.66						21,121.66
Cape May County Historic Preservation Trust Grant Program	-		29,500.00				29,500.00
Total Local	103,950.79	-	53,117.50	21,554.04	-	-	135,514.25
	\$ 293,089.40	1,049,831.01	589,762.99	1,054,214.29	-	123,817.34	754,651.77

CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS - UNAPPROPRIATED RESERVES

<u>Purpose</u>	<u>Balance Dec. 31, 2022</u>	<u>Transferred To 2023 Appropriations</u>	<u>Received</u>	<u>Balance Dec. 31, 2023</u>
FEDERAL GRANTS:				
American Rescue Plan	\$ 123,267.17			123,267.17
Total Federal	<u>123,267.17</u>	<u>-</u>	<u>-</u>	<u>123,267.17</u>
STATE GRANTS:				
Emergency Management	39,400.00	39,400.00	10,000.00	10,000.00
Total State	<u>39,400.00</u>	<u>39,400.00</u>	<u>10,000.00</u>	<u>10,000.00</u>
	<u>\$ 162,667.17</u>	<u>39,400.00</u>	<u>10,000.00</u>	<u>133,267.17</u>

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

Balance December 31, 2022		\$	6,776.63
Increased By Receipts:			
Dog License Fees	3,110.50		
Interest Earned	131.60		
			3,242.10
			10,018.73
Decreased By Disbursements:			
Paid to Current Fund - Interest Earned	131.60		
Due to Current Fund - Statutory Excess	1,570.50		
Animal Control Expenditures	1,540.00		
			3,242.10
Balance December 31, 2023		\$	6,776.63

TRUST FUND
SCHEDULE OF OTHER TRUST CASH - TREASURER

Balance December 31, 2022	\$	3,581,213.08
Increased By Receipts:		
Recycling	33,244.98	
UT Cafeteria Fund	600.00	
Fire Safety	3,000.00	
Developers Escrow	213,270.68	
Sick Pay Reserve	4,470.42	
Affordable Housing Trust	157,123.42	
Client Funds Escrow Deposits	239,442.82	
Landfill Closure	1,119.93	
Planning Board Escrow Review Fees	68,965.00	
Municipal Alliance	194.62	
Unemployment Compensation	33,211.42	
Tax Sale Premiums	111,000.00	
TTL Redemptions	135,643.00	
Recreation	3,670.00	
Recreation Donations	1,315.00	
Parking Offenses Adjudication Act	20.00	
Health Reimbursement Trust	72,945.84	
Interest Earned on Deposits - Due to Current Fund	12,758.23	
	<hr/>	1,091,995.36
		<hr/> <u>4,673,208.44</u>
Decreased By Disbursements:		
Sick Pay Reserve	10,303.40	
UT Cafeteria Fund	600.00	
Client Funds Escrow Deposits	501,341.05	
Recreation	7,929.00	
Planning Board Escrow	23,123.75	
Recycling	4,474.21	
Developers Escrow	166,754.40	
Affordable Housing Trust	17,814.50	
Unemployment Compensation	24,054.64	
Refunds - Tax Sale Certificates	136,640.12	
Tax Sale Premiums	115,100.00	
Health Reimbursement Trust	72,945.84	
Payments to Current Fund - Revenues	11,268.83	
	<hr/>	1,092,349.74
Balance December 31, 2023	\$	<u><u>3,580,858.70</u></u>

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

Balance December 31, 2022		\$ 6,017.45
Increased By:		
Dog Licenses Fees	2,240.00	
Interest on Deposits	131.60	
Duplicate & Late Fees Collected	870.50	
		3,242.10
		9,259.55
Decreased By Disbursements:		
Animal Control Expenditures	1,540.00	
Due to Current - Statutory Excess	1,865.61	
Interest Paid to Current Fund	131.60	
		3,537.21
Balance December 31, 2023		\$ 5,722.34

License and Other Fees Collected	<u>Year</u>	
	2021	2,862.44
	2022	2,859.90
		5,722.34
	\$	5,722.34

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

Balance December 31, 2022	\$	759.18
Increased By:		
Dog License Fees Collected In Current Fund	3,110.50	
Interest Paid to Current Fund	131.60	
Due to Current Fund - Statutory Excess	1,570.50	
	4,812.60	
		5,571.78
Decreased By:		
Dog License Fees Received from Current Fund	3,110.50	
Interest Earned	131.60	
Due from Current Fund - Statutory Excess	1,865.61	
	5,107.71	
Balance December 31, 2023	\$	1,054.29

**GENERAL CAPITAL FUND
ANALYSIS OF CASH**

	Balance Dec. 31, 2022	Receipts		Disbursements		Transfers		Balance Dec. 31, 2023
		Miscellaneous	Debt Issued	Improvement Authorizations	Miscellaneous	From	To	
Fund Balance	\$ 80,000.00							80,000.00
Capital Improvement Fund	301,828.45					174,725.00	100,000.00	227,103.45
Encumbrances Payable	574,368.02					574,368.02	434,564.76	434,564.76
Due from Current Fund	(3,933,081.06)	3,508,794.78				140,000.00		(564,286.28)
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	585,000.00						40,000.00	625,000.00
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	10,500.00						110,646.50
Reserve for Construction of Recreation Facilities	9,004.24							9,004.24
Reserve for Asbestos Abatement	86,700.00							86,700.00
Improvement Authorizations:								
1-00 Rescue Squad Improvements	2,511.45							2,511.45
7-00 Community Center	2,179.00							2,179.00
14-06 Imp to Recreation Fields	1,728.75							1,728.75
12-07 Purchase of Ambulance	3,810.23							3,810.23
13-08 Beach Replenishment	308,063.18			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	635,031.49			795,031.49				(160,000.00)
15-12 Sand Fence Replacement	122,175.00							122,175.00
5-13 Multi-Purpose Equipment/Paving	195,443.31							195,443.31
10-13 Street Signs	1,696.50							1,696.50
08-16 Various Improvements	100,742.69							100,742.69
12-18 Various Improvements	(235,340.02)							(235,340.02)
20-19 Various Improvements	271,645.45			44,949.61		2,141.49	40,091.00	264,645.35
10-20 Various Improvements	86,321.67			323,774.09		167,919.76	484,693.76	79,321.58
09-22 Various Improvements	324,682.04			143,635.26			49,583.26	230,630.04
02-23 Various Improvements & Equipment	-			1,903,841.15		264,503.51	174,725.00	(1,993,619.66)
	\$ (0.00)	3,519,294.78	-	3,519,294.78	-	1,323,657.78	1,323,657.78	-

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

Balance December 31, 2022		\$ 301,828.45
Increased by:		
Current Fund Budget Appropriations	100,000.00	
	100,000.00	100,000.00
		401,828.45
Decreased by:		
Improvement Authorizations Funded	174,725.00	
	174,725.00	174,725.00
Balance December 31, 2023		\$ <u>227,103.45</u>

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

Balance December 31, 2022		\$ 6,280,000.00
Increased by:		
None	-	
		-
		6,280,000.00
Decreased by:		
Serial Bonds Paid	720,000.00	
		720,000.00
Balance December 31, 2023		\$ <u>5,560,000.00</u>

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

Ord #	Improvement Description	Balance Dec. 31, 2022	2023 Authorizations	Raised in Budget	Balance Dec. 31, 2023	Analysis of Balance		Unexpended Improvement Authorizations
						Bond Anticipation Notes	Expenditures	
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	1,725,000.00		225,000.00	1,500,000.00	1,500,000.00		-
10-20	Various Improvements	1,725,000.00		225,000.00	1,500,000.00	1,500,000.00		-
02-23	Various Improvements & Equipment	-	3,319,775.00		3,319,775.00	-	1,993,619.66	1,326,155.34
		<u>\$ 3,910,000.00</u>	<u>3,319,775.00</u>	<u>450,000.00</u>	<u>6,779,775.00</u>	<u>3,000,000.00</u>	<u>2,388,959.68</u>	<u>1,390,815.32</u>
Improvement Authorizations Unfunded								1,965,412.29
Less:								
Unexpended Proceeds of Bond								
Anticipation Notes Issued:								
	<u>Ord. Number</u>							
	20-19				Various Improvements	(264,645.35)		
	10-20				Various Improvements	(79,321.58)		
	09-22				Various Improvements	(230,630.04)		
						<u>(574,596.97)</u>		<u>1,390,815.32</u>
								<u>-</u>

**GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ord #	Improvement Description	Ord. Date	Amount	Balance December 31, 2022		Authorizations		Paid or Charged	Balance December 31, 2023		
				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	308,063.18				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	635,031.49	160,000.00			795,031.49	-		
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	195,443.31					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	100,742.69					100,742.69		
12-18	Various Improvements	9/24/2018	3,238,500		64,659.98				-	64,659.98	
20-19	Various Improvements	12/9/2019	2,000,000		271,645.45			7,000.10		264,645.35	
10-20	Various Improvements	11/9/2020	2,000,000		86,321.67			7,000.09		79,321.58	
09-22	Various Improvements	5/9/2022	900,000		324,682.04			94,052.00		230,630.04	
02-23	Various Improvements & Equipment	3/13/2023	3,494,500			174,725.00	3,319,775.00	2,168,344.66		1,326,155.34	
				\$	<u>1,438,319.06</u>	<u>907,309.14</u>	<u>174,725.00</u>	<u>3,319,775.00</u>	<u>3,379,491.52</u>	<u>495,224.39</u>	<u>1,965,412.29</u>

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2023		Interest Rate	Balance Dec. 31, 2022	Increased	Decreased	Balance Dec. 31, 2023
			Date	Amount					
General Improvement Bonds, Series 2019	12/18/2019	\$ 8,000,000	11/15/2024	\$ 800,000.00	3.000%	\$ 6,280,000.00		720,000.00	5,560,000.00
			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%				
						\$ 6,280,000.00	-	720,000.00	5,560,000.00

**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, 2022	Increased	Decreased	Balance Dec. 31, 2023
Various Improvements	20-2019	8/18/2021	8/17/2022	8/16/2023	2.800%	\$ 1,725,000.00		1,725,000.00	-
			8/15/2023	8/14/2024	4.250%	-	1,500,000.00	1,500,000.00	
Various Improvements	10-2020	8/18/2021	8/17/2022	8/16/2023	2.800%	1,725,000.00		1,725,000.00	-
			8/15/2023	8/14/2024	4.250%		1,500,000.00	1,500,000.00	
						<u>\$ 3,450,000.00</u>	<u>3,000,000.00</u>	<u>3,450,000.00</u>	<u>3,000,000.00</u>

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2022	2023 Authorizations	Notes Issued	Balance Dec. 31, 2023
19-11	Beach Replenishment	\$ 160,000.00			160,000.00
12-18	Various Improvements	300,000.00			300,000.00
02-23	Various Improvements & Equipment	-	3,319,775.00		3,319,775.00
		<u>\$ 460,000.00</u>	<u>3,319,775.00</u>	<u>-</u>	<u>3,779,775.00</u>

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

TOWNSHIP OF UPPER
PART II
GENERAL COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED
DECEMBER 31, 2023

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:

2023 Road Paving Project
Antenna License Agreements on the Cellular Tower Site Located at 2028 Tuckahoe Road

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 2023.

This Resolution shall take effect January 1, 2023.

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 5, 2023 and was complete.

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

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

<u>Year</u>	<u>Number</u>
2023	86
2022	79
2021	93

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 2023 and 2024 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>
2023 \$	41,727,236.17	41,243,325.64	98.84%
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%

Comparative Schedule of Tax Rate Information

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Tax Rate	\$ 2.075	2.005	1.931	1.856	1.811
Apportionment of Tax Rate:					
Municipal	0.280	0.252	0.219	0.201	0.196
County	0.344	0.325	0.302	0.288	0.283
Local School	1.451	1.428	1.410	1.367	1.332
Assessed Valuation	1,899,628,000	1,892,524,400	1,878,392,400	1,870,526,600	1,871,535,900

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>
2023 \$	105,738.61	440,118.82	545,857.43	1.31%
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%

Uniform Construction Code

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

Deposit of Municipal Funds

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

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

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

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

{This space intentionally left blank}

RECOMMENDATIONS

2023-1

That no contract be awarded, or purchase order be approved unless there is sufficient funding in the proper budget line.

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

April 22, 2024