

**TOWNSHIP OF UPPER PITTSBURGH
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2019**

INDEX

	Page
PART I	1
Independent Auditor's Report	2-4
CURRENT FUND	5
A Comparative Balance Sheet - Current Fund - Regulatory Basis	6-7
A-1 Comparative Statement of Operations and Change in Fund Balance - Current Fund - Regulatory Basis	8
A-2 Statement of Revenues - Current Fund - Regulatory Basis	9-10
A-3 Statement of Expenditures - Current Fund - Regulatory Basis	11-16
TRUST FUND	17
B Comparative Balance Sheet - Trust Fund - Regulatory Basis	18-19
GENERAL CAPITAL FUND	20
C Comparative Balance Sheet - General Capital Fund - Regulatory Basis	21
GENERAL FIXED ASSETS	22
D Comparative Statement of General Fixed Assets - Regulatory Basis	23
NOTES TO FINANCIAL STATEMENTS	24-45
SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSIONS (GASB 68 & GASB 71)	46
E-1 Schedule of the Township's Proportionate Share of the Net Pension Liability - PERS	47
E-2 Schedule of Township Contributions - PERS	48
SUPPLEMENTARY DATA	49
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards	50-51
CURRENT FUND	52
A-4 Schedule of Current Fund Cash - Treasurer	53
A-5 Schedule of Change Fund	54
A-6 Schedule of Grants Receivable	55
A-7 Schedule of Taxes Receivable and Analysis of Property Tax Levy	56-57
A-8 Schedule of Tax Title Liens Receivable	58
A-9 Schedule of Revenue Accounts Receivable	59
A-10 Schedule of 2018 Appropriation Reserves	60
A-11 Schedule of Due from State of New Jersey - Senior Citizen and Veterans Deductions	61
A-12 Schedule of Local District School Tax Payable	62
A-13 Schedule of Reserve for Master Plan	63
A-14 Schedule of Reserve for Reassessment	63
A-15 Schedule of Reserve for Grants - Appropriated	64
A-16 Schedule of Encumbrances Payable	65
A-17 Schedule of Deferred Charges - NJSA 40A:4-53: Special Emergency Authorization	66

**INDEX
(CONTINUED)**

	Page
TRUST FUND	67
B-1 Schedule of Trust Fund Cash - Treasurer	68
B-2 Schedule of Trust Fund Cash - Collector	69
B-3 Schedule of Reserve for Dog Fund Expenditures	70
B-4 Schedule of Deposits for Redemption of Tax Sale Certificates	71
B-5 Schedule of Deposits for Tax Sale Premiums	71
GENERAL CAPITAL FUND	72
C-1 Schedule of General Capital Cash - Treasurer	73
C-2 Analysis of General Capital Fund Cash	74
C-3 Schedule of Capital Improvement Fund	75
C-4 Schedule of Improvement Authorizations	76
PART II – LETTER OF COMMENTS AND RECOMMENDATIONS	77
General Comments	78-80
Other Comments	80
Status of Prior Recommendations	80
Findings and Recommendations	81-82

PART I

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Township Committee
Township of Upper Pittsgrove
431 Route 77
Elmer, New Jersey 08318

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Township of Upper Pittsgrove, as of December 31, 2019 and 2018, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Township of Upper Pittsgrove's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Township of Upper Pittsgrove as of December 31, 2019 and 2018, or changes in financial position for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis balance sheets and account group as of December 31, 2019 and 2018, 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, 2019, in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Upper Pittsgrove's basic financial statements. The supplementary information listed in the table of contents and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents is fairly stated, in all material respects, in relation to the basic 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 June 23, 2020, on our consideration of the Township of Upper Pittsgrove's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Upper Pittsgrove's internal control over financial reporting and compliance.

PETRONI & ASSOCIATES LLC



Nick L. Petroni
Certified Public Accountant
Registered Municipal Accountant #252

June 23, 2020

CURRENT FUND

COMPARATIVE BALANCE SHEET - CURRENT FUND - REGULATORY BASIS

ASSETS	Ref.	Balance Dec. 31, 2019	Balance Dec. 31, 2018
Regular Fund			
Cash - Treasurer	A-4	\$ 1,980,245.08	\$ 1,899,257.41
Cash - Certificates of Deposit	A-4	1,200,000.00	1,200,000.00
Change Fund	A-5	50.00	50.00
		<u>3,180,295.08</u>	<u>3,099,307.41</u>
Deferred Charges:			
Special Emergency Authorization	A-14	155,850.00	
Due from State of New Jersey - Senior Citizen and Veterans Deductions	A-11	2,419.72	3,169.72
		<u>158,269.72</u>	<u>3,169.72</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-7	301,852.46	282,231.53
Tax Title Liens Receivable	A-8	203,635.81	155,631.57
Due from Escrow Trust Fund	B	485.03	3,171.42
Due from Veterans Memorial Monument - Donations	B	0.17	0.38
Due from Animal Control Trust Fund	B	0.74	71.55
Due from Tax Sale Trust	B	5.81	18.52
Due from Affordable Housing	B	1,080.44	103.95
Due from Municipal Alliance Trust	B	1.79	1.56
Due from Federal and State Grant Fund	A		15,550.13
		<u>507,062.25</u>	<u>456,780.61</u>
		<u>3,845,627.05</u>	<u>3,559,257.74</u>
Federal and State Grant Fund			
Grants Receivable	A-6	22,152.44	74,679.84
Due from Current Fund	A	36,609.74	
		<u>58,762.18</u>	<u>74,679.84</u>
		<u>\$ 3,904,389.23</u>	<u>\$ 3,633,937.58</u>

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

COMPARATIVE BALANCE SHEET - CURRENT FUND - REGULATORY BASIS

LIABILITIES, RESERVES, AND FUND BALANCE	Ref.	Balance <u>Dec. 31, 2019</u>	Balance <u>Dec. 31, 2018</u>
Regular Fund			
Liabilities:			
Appropriation Reserves	A-3:A-10	\$ 301,196.87	\$ 208,035.02
Encumbrances Payable	A-16	24,666.74	24,793.53
Local School District Taxes Payable	A-12	1,326,989.00	1,293,366.00
Payroll Taxes Payable		3,367.50	1,845.68
Prepaid Taxes	A-4	173,438.44	155,054.34
Tax Overpayments		14,956.07	15,975.06
Reserve for Master Plan	A-13	10,034.65	10,034.65
Reserve for Reassessment	A-14	18,410.00	4,226.00
Due General Capital Fund	C	162,934.62	135,627.53
Due Federal and State Grant Fund	A	36,609.74	
		<u>2,072,603.63</u>	<u>1,848,957.81</u>
Reserve for Receivables		507,062.25	456,780.61
Fund Balance	A-1	<u>1,265,961.17</u>	<u>1,253,519.32</u>
		<u>3,845,627.05</u>	<u>3,559,257.74</u>
Federal and State Grant Fund			
Encumbrances Payable		850.00	850.00
Due Current Fund			15,550.13
Reserve for Grants Appropriated	A-15	57,912.18	58,279.71
		<u>58,762.18</u>	<u>74,679.84</u>
		<u>\$ 3,904,389.23</u>	<u>\$ 3,633,937.58</u>

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

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE
IN FUND BALANCE - CURRENT FUND - REGULATORY BASIS

Revenue and Other Income Realized	Ref.	Year 2019	Year 2018
Fund Balance Utilized	A-2	\$ 340,105.97	\$ 302,886.43
Miscellaneous Revenue Anticipated	A-2	590,622.89	611,135.28
Receipts from Delinquent Taxes	A-2	285,292.47	377,639.42
Receipts from Current Taxes	A-2	8,560,125.53	8,212,342.37
Non-Budget Revenue	A-2	99,511.82	109,558.16
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-10	199,809.30	168,435.44
Prior Year Encumbrances Canceled	A-16	16,154.98	5,000.00
Accounts Payable Canceled		240.34	
Interfund Loan Returned		16,979.55	33.32
Total Income		<u>10,108,842.85</u>	<u>9,787,030.42</u>
Expenditures			
Budget Appropriations Within "CAPS"			
Operations:			
Salaries and Wages	A-3	429,618.00	409,618.00
Other Expenses	A-3	787,463.26	647,402.94
Deferred Charges and Statutory Expenditures	A-3	119,121.55	75,649.00
Budget Appropriations Excluded From "CAPS"			
Operations:			
Other Expenses	A-3	77,767.31	83,032.15
Capital Improvements	A-3	210,000.00	218,000.00
County Taxes	A-7	3,820,379.25	3,635,496.78
Due County for Added Taxes	A-7	23,334.66	32,627.19
Local District School Tax	A-12	4,376,989.00	4,218,366.00
Farmland Preservation	A-7	67,472.00	33,774.00
Interfund Advances Originating			3,220.71
Total Expenditures		<u>9,912,145.03</u>	<u>9,357,186.77</u>
Excess in Revenue		196,697.82	429,843.65
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	A-3	155,850.00	
Statutory Excess to Fund Balance		<u>352,547.82</u>	<u>429,843.65</u>
Fund Balance			
Balance January 1	A	1,253,519.32	1,126,562.10
		<u>1,606,067.14</u>	<u>1,556,405.75</u>
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>340,105.97</u>	<u>302,886.43</u>
Balance December 31	A	<u>\$ 1,265,961.17</u>	<u>\$ 1,253,519.32</u>

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

STATEMENT OF REVENUES - CURRENT FUND - REGULATORY BASIS

	Ref.	Anticipated		Realized	Excess or (Deficit)
		Budget 2019	Special NJSA 40A:4-87		
Fund Balance Anticipated	A-1	\$ 340,105.97		\$ 340,105.97	
Miscellaneous Revenues:					
Fees and Permits	A-9	13,000.00		17,322.41	\$ 4,322.41
Fines and Costs					
Municipal Court	A-9	23,000.00		36,720.26	13,720.26
Interest and Costs on Taxes	A-9	62,000.00		65,047.49	3,047.49
Energy Receipts Tax	A-9	444,774.00		444,774.00	
Uniform Fire Safety Act	A-9	10,120.26		7,433.67	(2,686.59)
Clean Communities	A-6		\$ 15,156.06	15,156.06	
Recycling Tonnage Grant	A-6				
Municipal Alliance on Alcoholism and Drug Abuse	A-6	4,169.00		4,169.00	
Total Miscellaneous Revenues		<u>557,063.26</u>	<u>15,156.06</u>	<u>590,622.89</u>	<u>18,403.57</u>
Receipts from Delinquent Taxes	A-2	<u>280,000.00</u>		<u>285,292.47</u>	<u>5,292.47</u>
Subtotal General Revenues		<u>837,063.26</u>	<u>15,156.06</u>	<u>875,915.36</u>	<u>23,696.04</u>
Amount to be Raised by Taxation	A-2	<u>613,994.00</u>		<u>610,049.79</u>	<u>(3,944.21)</u>
Budget Totals		<u>1,791,163.23</u>	<u>15,156.06</u>	<u>1,826,071.12</u>	<u>19,751.83</u>
Non-Budget Revenue	A-2			99,511.82	(99,511.82)
		<u>\$ 1,791,163.23</u>	<u>\$ 15,156.06</u>	<u>\$ 1,925,582.94</u>	
	Ref.	A-3	A-3		

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

STATEMENT OF REVENUES - CURRENT FUND - REGULATORY BASIS

Analysis of Realized Revenue

	Ref.	
Allocation of Current Tax Collections:		
Revenue from Collections	A-7	\$ 8,560,125.53
Allocated to:		
School and County Taxes		8,220,702.91
Farmland Preservation		<u>67,472.00</u>
Deficiency Supported by Municipal Revenues		271,950.62
Decreased by: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>338,099.17</u>
Amount for Support of Municipal Budget Appropriation	A-2	<u><u>\$ 610,049.79</u></u>
Receipts from Delinquent Taxes:		
Delinquent Tax Collection and Tax Title Liens	A-7:A-8:A-2	<u><u>\$ 285,292.47</u></u>

Analysis of Non-Budget Revenue

Miscellaneous Revenue Not Anticipated:		
Revenue Accounts Receivable:		
Safety Award	A-9	\$ 3,255.00
Interest on Investments	A-9	19,665.29
Refunds	A-9	2,743.23
Recycling	A-9	9,398.56
Rent	A-9	2,164.75
Administrative Fee	A-9	651.99
CO's, Smoke Detectors	A-9	2,050.00
White Goods and Tires	A-9	3,030.00
Certified Tax List	A-9	90.00
Other Fees	A-9	9,691.00
SREC Sold from Solar	A-9	6,440.00
Elmer Shared Services	A-9	22,030.00
Miscellaneous	A-9	<u>18,302.00</u>
	A-2	<u><u>\$ 99,511.82</u></u>

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

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended		Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Reserved	
GENERAL GOVERNMENT					
General Administration					
Salaries and Wages	\$ 13,000.00	\$ 13,000.00	\$ 12,215.14	\$ 784.86	
Other Expenses	7,500.00	7,500.00	6,347.54	1,152.46	
Mayor and Township Committee					
Salaries and Wages	23,268.00	23,268.00	23,268.00		
Other Expenses	1,800.00	1,800.00	630.15	1,169.85	
Municipal Clerk					
Salaries and Wages	42,000.00	42,000.00	41,715.63	284.37	
Other Expenses	1,200.00	1,200.00	1,105.00	95.00	
Improvement Search Officer					
Salaries and Wages	50.00	50.00		50.00	
Financial Administration					
Salaries and Wages	28,000.00	28,000.00	27,999.98	0.02	
Other Expenses	17,000.00	17,000.00	16,402.03	597.97	
Audit Services					
Other Expenses	20,000.00	20,000.00	20,000.00		
Tax Assessment Administration					
Salaries and Wages	25,000.00	40,000.00	30,475.94	9,524.06	
Other Expenses	8,000.00	8,000.00	4,894.35	3,105.65	
Revaluation		155,850.00	155,850.00		
Revenue Administration (Tax Collection)					
Salaries and Wages	35,000.00	35,000.00	34,936.47	63.53	
Other Expenses	8,000.00	8,000.00	6,878.88	1,121.12	
Tax Search Officer					
Salaries and Wages	50.00	50.00		50.00	
Liquidation of Tax Title Liens and Foreclosed Property					
Other Expenses	5,000.00	5,000.00		5,000.00	
Legal Services and Costs					
Other Expenses	23,000.00	23,000.00	915.75	22,084.25	

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

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended		Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Reserved	
Engineering Services and Costs					
Other Expenses	16,000.00	16,000.00	15,561.73	438.27	
LAND USE ADMINISTRATION					
Municipal Land Use Law (NJSA 40:55D-1)					
Land Use Board					
Salaries and Wages	7,600.00	7,600.00	7,287.96	312.04	
Other Expenses	7,000.00	7,000.00	772.00	6,228.00	
Zoning Administrator and Housing Officer					
Salaries and Wages	9,200.00	9,200.00	8,952.00	248.00	
Other Expenses	1,300.00	1,300.00	651.60	648.40	
INSURANCE					
Liability Insurance	21,786.00	21,786.00	21,786.00		
Workers' Compensation Insurance	36,421.00	36,421.00	27,328.00	9,093.00	
Employee Group Insurance	49,284.00	49,284.00	43,502.64	5,781.36	
Other Insurance Premiums	3,252.00	3,252.00	3,252.00		
Health Insurance Waivers	4,500.00	4,500.00	4,500.00		
PUBLIC SAFETY					
Aid to Volunteer Fire Companies	70,000.00	70,000.00	70,000.00		
First Aid Organization - Contribution	37,350.00	37,350.00	37,350.00		
Office of Emergency Management					
Salaries and Wages	4,000.00	4,000.00	3,896.40	103.60	
Other Expenses	1,000.00	1,000.00		1,000.00	
Uniform Fire Safety Act					
Salaries and Wages	6,400.00	6,400.00	6,267.96	132.04	
Other Expenses	10,120.26	10,120.26	655.00	9,465.26	
PUBLIC WORKS					
Road Repair and Maintenance					
Salaries and Wages	158,000.00	158,000.00	147,667.84	10,332.16	
Other Expenses	75,000.00	63,000.00	32,693.32	30,306.68	

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

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended		Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Reserved	
Solid Waste Collection (Disposal)					
Salaries and Wages	53,000.00	53,000.00	45,230.71	7,769.29	
Other Expenses					
Contractual	35,000.00	35,000.00	27,806.00	7,194.00	
Miscellaneous Other Expenses	13,000.00	13,000.00	4,089.64	8,910.36	
Public Buildings and Grounds					
Salaries and Wages	4,050.00	4,050.00	3,519.96	530.04	
Other Expenses	20,000.00	20,000.00	11,450.90	8,549.10	
Vehicle Maintenance					
Other Expenses	10,000.00	10,000.00	5,221.94	4,778.06	
HEALTH & HUMAN SERVICES					
Board of Health					
Other Expenses	200.00	200.00		200.00	
Registrar of Vital Statistics					
Other Expenses	400.00	400.00	325.00	75.00	
Hepatitis Program					
Other Expenses	3,000.00				
Dog Regulation					
Salaries and Wages	6,000.00	6,000.00	5,655.96	344.04	
Other Expenses	3,500.00	3,500.00		3,500.00	
PARK AND RECREATION					
Recreation Services and Programs					
Other Expenses	4,500.00	4,500.00	415.85	4,084.15	
Maintenance of Parks					
Other Expenses	1,500.00	1,500.00	540.00	960.00	

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

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended		Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Reserved	
UTILITIES					
Electricity	7,000.00	7,000.00	3,582.50	3,417.50	
Street Lighting	9,000.00	9,000.00	2,942.35	6,057.65	
Telephone	4,000.00	4,000.00	2,227.04	1,772.96	
Natural Gas	4,000.00	4,000.00	3,180.76	819.24	
Telecommunications	7,000.00	7,000.00	6,906.28	93.72	
Gasoline	20,000.00	20,000.00	8,147.19	11,852.81	
LANDFILL/SOLID WASTE DISPOSAL COSTS					
Salem County Utilities Authority	76,000.00	76,000.00	73,863.25	2,136.75	
Sanitary Landfill					
Other Expenses	3,000.00	3,000.00	3,000.00		
Total Operations Within "CAPS"	<u>1,060,231.26</u>	<u>1,216,081.26</u>	<u>1,023,864.64</u>	<u>192,216.62</u>	
Contingent	<u>1,000.00</u>	<u>1,000.00</u>		<u>1,000.00</u>	
Total Operations Including Contingent Within "CAPS"	<u>1,061,231.26</u>	<u>1,217,081.26</u>	<u>1,023,864.64</u>	<u>193,216.62</u>	
Detail:					
Salaries and Wages	414,618.00	429,618.00	399,089.95	30,528.05	
Other Expenses	646,613.26	787,463.26	624,774.69	162,688.57	
	<u>1,061,231.26</u>	<u>1,217,081.26</u>	<u>1,023,864.64</u>	<u>193,216.62</u>	

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

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended		Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Reserved	
DEFERRED CHARGES & STATUTORY EXPENDITURES - MUNICIPAL STATUTORY EXPENDITURES					
Deferred Charges					
Overexpenditure of Capital Reserve-Farmland Prior Year Bills - Year 2017	36,866.69	36,866.69	36,866.69		
Shared Service Agreement-Municipal Court	138.86	138.86			\$ 138.86
Contributions to:					
Public Employees' Retirement System	44,116.00	44,116.00	44,116.00		
Social Security System (OASI)	34,000.00	34,000.00	30,938.53	3,061.47	
Unemployment Compensation Insurance (NJSA 43:21-3 et seq.)	2,000.00	2,040.00	2,039.40	0.60	
New Jersey Disability Insurance	2,000.00	1,960.00	291.34	1,668.66	
Total Deferred and Statutory Expenditures	<u>119,121.55</u>	<u>119,121.55</u>	<u>114,251.96</u>	<u>4,730.73</u>	<u>138.86</u>
Total General Operations Within "CAPS"	<u>1,180,352.81</u>	<u>1,336,202.81</u>	<u>1,138,116.60</u>	<u>197,947.35</u>	<u>138.86</u>
SHARED SERVICE AGREEMENTS					
Municipal Court					
Other Expenses	53,400.00	53,400.00	39,238.00	14,162.00	
Uniform Construction Code Official					
Other Expenses	4,000.00	4,000.00		4,000.00	
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES					
Municipal Alliance on Alcohol and Drug Abuse	5,211.25	5,211.25	5,211.25		
Clean Communities		15,156.06	15,156.06		
Total Operations Excluded from "CAPS"	<u>62,611.25</u>	<u>77,767.31</u>	<u>59,605.31</u>	<u>18,162.00</u>	
Detail:					
Other Expenses	<u>62,611.25</u>	<u>77,767.31</u>	<u>59,605.31</u>	<u>18,162.00</u>	

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

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended		Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Reserved	
CAPITAL IMPROVEMENTS					
Capital Improvement Fund	100,000.00	100,000.00	100,000.00		
Farmland Preservation	110,000.00	110,000.00	24,912.48	85,087.52	
Total Capital Improvements	<u>210,000.00</u>	<u>210,000.00</u>	<u>124,912.48</u>	<u>85,087.52</u>	
MUNICIPAL DEBT SERVICE					
Interest on Notes	100.00	100.00			100.00
Total Municipal Debt Service	<u>100.00</u>	<u>100.00</u>			<u>100.00</u>
Total General Appropriations Excluded from "CAPS"	<u>272,711.25</u>	<u>287,867.31</u>	<u>184,517.79</u>	<u>103,249.52</u>	<u>100.00</u>
Subtotal General Appropriations	1,453,064.06	1,624,070.12	1,322,634.39	301,196.87	238.86
RESERVE FOR UNCOLLECTED TAXES	<u>338,099.17</u>	<u>338,099.17</u>	<u>338,099.17</u>		
TOTAL GENERAL APPROPRIATIONS	<u>\$ 1,791,163.23</u>	<u>\$ 1,962,169.29</u>	<u>\$ 1,660,733.56</u>	<u>\$ 301,196.87</u>	<u>\$ 238.86</u>
	Ref. A-2			A	
		Ref. A-3	\$ 1,791,163.23		
Budget		A-14	155,850.00		
Special Emergency Appropriation		A-2	15,156.06		
Appropriations by 40A:4-87			<u>\$ 1,962,169.29</u>		
		Ref. A-2	\$ 338,099.17		
Reserve for Uncollected Taxes		A-15	20,367.31		
Reserve for Federal & State Grants - Appropriated		A-17	155,850.00		
Special Emergency Appropriation		A-16	10,654.74		
Encumbered		A-4	1,135,762.34		
Disbursed			<u>\$ 1,660,733.56</u>		

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

TRUST FUND

COMPARATIVE BALANCE SHEET - TRUST FUND - REGULATORY BASIS

ASSETS	Ref.	Balance Dec. 31, 2019	Balance Dec. 31, 2018
Animal Control Trust Fund			
Cash - Treasurer	B-1	\$ 1,631.74	\$ 3,110.35
Landfill Closure Trust Fund			
Cash - Treasurer	B-1	1,907.09	13,069.71
Cash - Certificates of Deposit	B-1	174,177.58	172,828.25
		<u>176,084.67</u>	<u>185,897.96</u>
Developer's Escrow Trust Fund			
Cash - Treasurer	B-1	180,616.35	169,089.18
Cash - Certificates of Deposit	B-1	5,034.55	4,999.92
Escrow Receivables		8,373.26	8,641.60
		<u>194,024.16</u>	<u>182,730.70</u>
Donations Veterans' Memorial Monument			
Cash - Treasurer	B-1	653.27	653.48
Tax Sale Redemption Trust Fund			
Cash - Collector	B-2	12,005.81	95,601.72
Municipal Alliance Trust Fund			
Cash - Treasurer	B-1	7,083.37	4,650.07
Affordable Housing Trust			
Cash - Treasurer	B-1	409,796.59	402,483.32
Farmland Preservation Trust			
Cash - Treasurer	B-1	64,856.23	69,648.76
		<u>\$ 866,135.84</u>	<u>\$ 944,776.36</u>

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

COMPARATIVE BALANCE SHEET - TRUST FUND - REGULATORY BASIS

LIABILITIES, RESERVES, AND FUND BALANCE	Ref.	Balance Dec. 31, 2019	Balance Dec. 31, 2018
Animal Control Trust Fund			
Due Current Fund	A	\$ 0.74	\$ 71.55
Reserve for Dog Fund Expenditures	B-3	1,631.00	3,038.80
		<u>1,631.74</u>	<u>3,110.35</u>
Landfill Closure Trust Fund			
Reserve for Alternative Escrow Closure Fund		150,802.67	160,779.72
Reserve for Landfill Closure Escrow Fund		25,282.00	25,118.24
		<u>176,084.67</u>	<u>185,897.96</u>
Developer's Escrow Trust Fund			
Due Current Fund	A	485.03	3,171.42
Encumbrances Payable		867.41	176.00
Reserve for Escrow Fees		192,671.72	179,383.28
		<u>194,024.16</u>	<u>182,730.70</u>
Donations Veterans' Memorial Monument			
Due Current Fund	A	0.17	0.38
Reserve for Donations Veterans' Memorial Monument		653.10	653.10
		<u>653.27</u>	<u>653.48</u>
Tax Sale Redemption Trust Fund			
Due Current Fund	A	5.81	18.52
Reserve for Tax Sale Redemptions			41,783.20
Reserve for Tax Sale Premiums	B-5	12,000.00	53,800.00
		<u>12,005.81</u>	<u>95,601.72</u>
Municipal Alliance Trust Fund			
Due Current Fund	A	1.79	1.56
Reserve for Municipal Alliance		7,081.58	4,648.51
		<u>7,083.37</u>	<u>4,650.07</u>
Affordable Housing Trust			
Due Current Fund	A	1,080.44	103.95
Reserve for Affordable Housing		408,716.15	402,379.37
		<u>409,796.59</u>	<u>402,483.32</u>
Farmland Preservation Trust			
Encumbrances Payable			2,100.00
Due General Capital Fund	C	64,856.23	67,531.14
Reserve for Farmland Preservation			17.62
		<u>64,856.23</u>	<u>69,648.76</u>
		<u>\$ 866,135.84</u>	<u>\$ 944,776.36</u>

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

GENERAL CAPITAL FUND

EXHIBIT C

COMPARATIVE BALANCE SHEET - GENERAL CAPITAL FUND - REGULATORY BASIS

		Balance	Balance
	Ref.	Dec. 31, 2019	Dec. 31, 2018
ASSETS			
Cash - Treasurer	C-1	\$ 452,534.93	\$ 268,127.16
Cash - Certificates of Deposit			202,744.27
Deficit in Reserve for Farmland Preservation Program			36,866.69
Due Current Fund	A	162,934.62	135,627.53
Due From Farmland Preservation	B	64,856.23	67,531.14
		<u>\$ 680,325.78</u>	<u>\$ 710,896.79</u>
LIABILITIES, RESERVES, AND FUND BALANCE			
Capital Improvement Fund	C-3	\$ 572,333.09	\$ 690,333.09
Improvement Authorization - Funded	C-4	107,992.69	20,563.70
		<u>\$ 680,325.78</u>	<u>\$ 710,896.79</u>

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

GENERAL FIXED ASSETS

EXHIBIT D

COMPARATIVE STATEMENT OF GENERAL FIXED ASSETS - REGULATORY BASIS

	Balance Dec. 31, 2019	Balance Dec. 31, 2018
General Fixed Assets:		
Buildings and Grounds	\$ 1,351,616.25	\$ 1,351,616.25
Equipment	1,313,291.44	1,315,525.43
Transportation Equipment	614,925.03	614,925.03
Furniture	34,703.00	34,703.00
	<u>\$ 3,314,535.72</u>	<u>\$ 3,316,769.71</u>
Investment in General Fixed Assets	<u>\$ 3,314,535.72</u>	<u>\$ 3,316,769.71</u>

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

NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF UPPER PITTSBORO
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Township of Upper Pittsgrove is located in Salem County, New Jersey.

The Township is governed by an appointed Mayor and four elected committeemen.

The financial statements of the Township of Upper Pittsgrove included every board, body, officer, or commission supported and maintained wholly or in part by funds appropriated by the Township of Upper Pittsgrove, as required by NJSA 40A:5-5.

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 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 the taxes. The Township has no component units.

B. Description of Funds and Account Groups

The accounting policies of the Township of Upper Pittsgrove 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 respect to public funds. Under this method of accounting, the Township of Upper Pittsgrove accounts for its transactions through the following separate funds, which differ from the funds required by GAAP.

Current Fund - Resources and expenditures for governmental operations of a general nature, including Federal and State Grant Funds.

Trust Fund - 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 capital facilities, other than those acquired in the Current Fund. In addition, the fund is used to track the status of debt authorized for capital projects.

General Fixed Assets - To account for fixed assets used in governmental operations.

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities in the State of New Jersey differ in certain respects from accounting principles generally accepted in the United States of America, applicable to local governmental units. A modified accrual basis of accounting is followed with minor exceptions. The more significant policies in New Jersey follow.

TOWNSHIP OF UPPER PITTSBORO
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Revenues - are recorded when 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; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Township which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received. This method of revenue recognition differs from accounting principles generally accepted in the United States of America which recognizes revenue in the accounting period in which it is earned net of allowances for doubtful accounts.

Expenditures - are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods and 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 and constitute part of the Township's regulatory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31 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 and utility bonds and notes are provided on the cash basis; interest on general capital and utility capital indebtedness is on the cash basis. This method differs from accounting principles generally accepted in the United States of America which requires that expenditures be recorded when services are rendered or goods are received. Under accounting principles generally accepted in the United States of America, appropriation reserves do not exist and encumbrances do not constitute expenditures.

Property 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 the 11th day of the 11th month in the 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. The inclusion of the "Reserve for Uncollected Taxes" appropriation in the Township's annual budget protects the Township from those taxes not paid. The minimum amount of the reserve is determined by the percentage of collections experienced in the preceding year, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations. Under accounting principles generally accepted in the United States of America, a "Reserve for Uncollected Taxes" would not be an appropriation.

Interest on Delinquent Taxes - It is the policy of the Township 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

TOWNSHIP OF UPPER PITTSBORO
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Interest on Delinquent Taxes (Continued) - 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 (10) day grace period.

Foreclosed Property - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. Under accounting principles generally accepted in the United States of America, foreclosed property would be recorded at historical cost and no reserve would be provided.

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. Under accounting principles generally accepted in the United States of America, interfunds are not reserved.

Inventories of Supplies - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. Under accounting principles generally accepted in the United States of America, inventory would be recorded as an asset on the balance sheet.

Insurance - Cost of insurance for all funds are recorded as expenditures at the time of payment. Insurance costs chargeable to future periods are not carried as prepayments.

General Fixed Assets - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, the Township has developed a fixed assets accounting and reporting system. 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 recorded 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. The Township capitalizes fixed assets with an original cost in excess of \$1,000.00.

Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

No depreciation has been provided for in the financial statements.

Fixed assets acquired through grants in aid or contributed capital, have not been accounted for separately.

TOWNSHIP OF UPPER PITTSBORO
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

General Long-Term Debt - General Long-Term Debt is accounted for in the General Capital and Sewer Utility Capital Fund. Accounting principles generally accepted in the United States of America require General Long-Term Debt to be accounted for in the General Long-Term Debt Account Group.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America or the regulatory 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.

Tax Appeals and Other Contingent Losses - Losses which arise from tax appeals and other contingent losses are recognized at the time an unfavorable decision is rendered by an administrative or judicial body.

D. 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 revenues - regulatory basis and the statement of expenditures - regulatory basis since their inclusion would make the statements unduly complex and difficult to read.

E. Recent Accounting Pronouncements Adopted

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, "Fiduciary Activities." The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

F. Recent Effective Accounting Pronouncements Postponed by Statement No. 95

In May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance." The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. As a result of GASB 95, the effective dates of the following statements are postponed by one year:

Statement No. 83, "Certain Asset Retirement Obligations." This Statement addresses accounting and financial reporting for certain asset retirement obligations (ARO's). This Statement, originally effective for period's beginning after June 15, 2018, is postponed until June 15, 2019. Management has not yet determined the impact of this Statement on the financial statements.

TOWNSHIP OF UPPER PITTSBORO
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Recent Effective Accounting Pronouncements Postponed by Statement No. 95 (Continued)

In April 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements." This Statement, originally effective for periods beginning after June 15, 2018, is postponed until June 15, 2019. Management has not yet determined the impact of this Statement on the financial statements.

In August 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 90, "Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61." This Statement, originally effective for periods beginning after December 15, 2018, is postponed until December 15, 2019, and will not have any effect on financial reporting.

In January 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 92, "Omnibus 2020." This Statement, originally effective for periods beginning after December 15, 2020, is postponed until December 15, 2021. Management has not yet determined the impact of this Statement on the financial Statements.

In March 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 93, "Replacement of Interbank Offered Rate." This Statement, except for paragraph 11b originally effective for periods beginning after June 15, 2020, is postponed until June 15, 2021. The requirement in paragraph 11b originally effective for periods beginning after December 31, 2021, is postponed until December 31, 2022. Management has not yet determined the impact of this Statement on the financial statements.

G. Recent Accounting Pronouncements Not Yet Effective

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, "Leases." The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement, originally effective for periods beginning after December 15, 2019, is postponed until June 15, 2021, due to the issuance of Statement No. 95. Management does not expect this Statement will have an impact on the financial statements.

In June 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 89, "Accounting for Interest Costs Incurred Before the End of a Construction Period." The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement, originally effective for periods beginning after December 15, 2019, is postponed until December 15, 2020, due to the issuance of Statement No. 95. Management does not expect this Statement will have an impact on the financial statements.

TOWNSHIP OF UPPER PITTSBORO
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Recent Accounting Pronouncements Not Yet Effective (Continued)

In May 2019, the Governmental Accounting Standards Board (GASB) issued Statement No. 91, "Conduit Debt Obligations." The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations and related note disclosures. This Statement, originally effective for periods beginning after December 15, 2020, is postponed until December 15, 2021, due to the issuance of Statement No. 95. Management does not expect this Statement will have an impact on the financial statements.

In March 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements." The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement is effective for periods beginning after June 15, 2022. Management does not expect this Statement will have an impact on the financial statements.

In May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 96, "Subscription-Based Information Technology Arrangements." This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement is effective for periods beginning after June 15, 2022. Management does not expect this Statement will have an impact on the financial statements.

NOTE 2: BUDGETARY INFORMATION

The Township must adopt an annual budget in accordance with NJSA 40A:4 et seq. This budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. This protects the Township from taxes not paid currently. Once approved, the Township may make emergency appropriations for a purpose which is not foreseen at the time the budget is adopted per NJSA 40A:4-46 and 54. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, or welfare prior to the next succeeding fiscal year.

Emergency appropriations, except those classified as a special emergency, must be raised in the budget of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. Budget transfers between appropriation accounts are prohibited until the last two months of the year. Budget transfers during the year were not significant. After approval from the Director, the Township can also make amendments for any special item of revenue made available by any public or private funding source as per NJSA 40A:4-87.

The Township amended the budget during the year by the insertion of Special Items of Revenue in the amount of \$15,156.06 for a grant as detailed on Exhibit A-2.

TOWNSHIP OF UPPER PITTSBORO
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 3: CASH AND CASH EQUIVALENTS

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 able to recover the value of its deposits or investments. Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution’s trust department or agent but not in the government’s name. The municipality’s policy is based on New Jersey Statutes requiring cash to be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Unit Deposit Protection Act (GUDPA) or in qualified investments established in NJSA 40A:5-15.1(a) that are treated as cash equivalents.

At December 31, 2019 and 2018, the carrying amount of the Township’s deposits was \$4,490,592.59 and \$4,506,313.60, respectively. As of December 31, 2019, and 2018, \$0 of the municipality’s bank balance of \$4,502,546.62 and \$4,502,090.15, respectively, was exposed to Custodial Credit Risk.

NOTE 4: INVESTMENTS

As of December 31, 2019, the Township had no investments.

Interest Rate Risk - The Township 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, NJSA 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk - NJSA 40A:5-15.1(a) limits municipal investments to those specified in the statutes. The type of allowable investments are Bonds or other obligations of the United States or obligations guaranteed by the United States, Bonds or other obligations of the Township or Bonds or other obligations of the Township school district, Bonds or other obligations having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of Treasury for investment by local units, 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 may invest in any one issuer.

NOTE 5: TAXES COLLECTED IN ADVANCE

Taxes collected in advance are recorded as cash liabilities in the financial statements. The following is a comparison of the liability for the current and previous year:

	Balance Dec. 31, 2019	Balance Dec. 31, 2018
Prepaid Taxes - Cash Liability	\$ 173,438.44	\$ 155,054.34

TOWNSHIP OF UPPER PITTSBORO
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 6: FIXED ASSETS

The following is a summary of changes in the General Fixed Assets Account Group for the year ending December 31, 2019:

	Balance Dec. 31, 2018	Additions	Retirements	Balance Dec. 31, 2019
Buildings and Grounds	\$ 1,351,616.25			\$ 1,351,616.25
Equipment	1,315,525.43	\$ 4,374.96	\$ 6,608.95	1,313,291.44
Transportation Equipment	614,925.03			614,925.03
Furniture	34,703.00			34,703.00
	<u>\$ 3,316,769.71</u>	<u>\$ 4,374.96</u>	<u>\$ 6,608.95</u>	<u>\$ 3,314,535.72</u>

NOTE 7: FUND BALANCES APPROPRIATED

	Year	Balance December 31,	Utilized in Budget of Succeeding Year
	2019	\$ 1,265,961.17	\$ 369,354.08
	2018	1,253,519.32	340,105.97
Current Fund	2017	1,126,562.10	302,886.43
	2016	1,084,954.15	258,744.00
	2015	1,079,991.31	271,553.00

NOTE 8: JOINT VENTURES

On June 10, 2003, The Township of Upper Pittsgrove entered into a joint venture agreement with Pilesgrove Township to establish the Pilesgrove/Upper Pittsgrove Municipal Court effective July 1, 2003. A Pilesgrove/Upper Pittsgrove Municipal Court Committee was formed consisting of one (1) representative appointed by Pilesgrove and one (1) representative appointed by Upper Pittsgrove. This Pilesgrove/Upper Pittsgrove Municipal Court Committee shall be convened and determine such other details regarding the administration of the Court that do not require action by the governing bodies.

On December 9, 2003, Alloway Township Municipal Court entered into the joint venture agreement. Total expenditures for compensation and expenses for each year shall be shared between the municipalities depending upon the ticket activity for each municipality. All fees collected shall be paid over to the municipality in which the complaint or charge arose.

TOWNSHIP OF UPPER PITTSBORO
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 9: INTERFUND RECEIVABLES AND PAYABLES

The following schedule reconciles interfund receivables and payables for the year ended December 31, 2019:

	<u>Due From</u>	<u>Due To</u>
Current Fund:		
Tax Sale Trust	\$ 5.81	
Escrow Trust	485.03	
General Capital		\$ 162,934.62
Animal Control Trust	0.74	
Municipal Alliance Trust	1.79	
Veterans Memorial Donations	0.17	
Affordable Housing	1,080.44	
Grant Fund		36,609.74
Grant Fund:		
Current Fund	36,609.74	
Veterans Memorial Donations:		
Current Fund		0.17
General Capital Fund:		
Farmland Preservation	64,856.23	
Current Fund	162,934.62	
Farmland Preservation Trust Fund:		
General Capital		64,856.23
Animal Control Trust Fund:		
Current Fund		0.74
Affordable Housing:		
Current Fund		1,080.44
Municipal Alliance Trust Fund:		
Current Fund		1.79
Tax Sale Trust Fund:		
Current Fund		5.81
Escrow Trust Fund:		
Current Fund		485.03
	<u>\$ 265,974.57</u>	<u>\$ 265,974.57</u>

The amount due to Federal and State Grant Fund from Current Fund is due to the fact that there is only one bank account maintained.

NOTE 10: LONG-TERM DEBT

Summary of Municipal Debt Service

During the calendar year 2019, there was no municipal debt incurred by the Township.

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%.

TOWNSHIP OF UPPER PITTSBORO
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 10: LONG-TERM DEBT (CONTINUED)

Summary of Statutory Debt Condition – Annual Debt Statement (Continued)

	Gross Debt	Deductions	Net Debt
Local School District Debt	None	None	None
General Debt	None	None	None
	<u>None</u>	<u>None</u>	<u>None</u>

Net Debt \$0/Equalized Valuation Basis per NJSA 40A:2-2 as amended \$318,084,381.33 = 0%.

Borrowing Power Under NJSA 40A:2-6 as Amended

3 1/2 % of Equalized Valuation Basis (Municipal)	\$ 11,132,953.35
Net Debt	None
Remaining Borrowing Power	<u>\$ 11,132,953.35</u>

NOTE 11: PENSION FUNDS

Description of Plans - Substantially all eligible employees of the Township are covered by the Public Employees' Retirement System, (PERS), a cost-sharing, multiple-employer defined benefit pension plan which has been established by state statute and is administered by the New Jersey Division of Pension 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 Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees' Retirement System. The reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295 or can be accessed on the internet at: <http://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955, under the provisions of NJSA 43:15A to provide retirement, death, disability, and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing, multiple-employer plan. Membership is generally required for substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another state-administered retirement system or other state or local jurisdiction.

Defined Contribution Retirement Program (DCRP) - The Township established Defined Contribution Retirement Program by ordinance on September 9, 2008, as required by Chapter 92 of the Laws of 2007 and NJSA 43:15C-1 et seq. DCRP is a cost-sharing, multiple-employer defined contribution pension fund. 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 in NJSA 43:15C-1 et seq. DCRP provides for employee contributions of 5.5% of employees' annual base salary. Employers are required to contribute 3% of the employees' base salary.

TOWNSHIP OF UPPER PITTSBORO
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 11: PENSION FUNDS (CONTINUED)

Funding Policy - The contribution policy is set by NJSA 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997, and NJSA 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. The PERS provide for employee contributions of 7.50% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in the PERS. The PERS rate in effect for 2019 is 14.11% of covered payroll, as reported on June 30, 2017. The actuarially determined contribution includes funding for, cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The Township's contributions to the PERS for the years ending December 31, 2019, 2018, and 2017, were \$44,116.00, \$38,309.00, and \$36,141.00, respectively, equal to the required contributions for each year.

The Township's contributions to DCRP for the years ending December 31, 2019, 2018, and 2017, were \$0.00, \$0.00, and \$0.00, respectively, equal to the required contributions for each year.

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) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

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

- New members of the PERS hired on or after June 28, 2011, (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011, (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- 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).

TOWNSHIP OF UPPER PITTSBORO
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 11: PENSION FUNDS (CONTINUED)

Significant Legislation (Continued)

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, special retirement under the PFRS, and employer contributions to the retirement systems.

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of the PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of the PERS to 1/60th from 1/55th and it provided that new members of the 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 the 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. For new members of the PFRS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for Social Security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. 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 as 1/7th of the required amount, beginning in fiscal years 2012.

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

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

NOTE 12: POST-RETIREMENT BENEFITS

Plan Description - The Township of Upper Pittsgrove contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit postemployment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. The SHBP was established in 1961 under NJSA 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

TOWNSHIP OF UPPER PITTSBORO
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 12: POST-RETIREMENT BENEFITS (CONTINUED)

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 2009, the Township of Upper Pittsgrove authorized participation in the SHBP's post-retirement benefit program and prescription drug program through resolution adopted August 11, 2009, effective August 1, 2009. The Township's policies provide for health insurance and prescription coverage, to eligible retirees and their spouses that participate in the SHBP's post-retirement benefit program with the local unit.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issue a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at: www.state.nj.us/treasury/pensions/hb-employers.shtml.

Funding Policy - Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994 medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Township of Upper Pittsgrove on a monthly basis. Plan members receiving benefits are not required to make contributions.

The Township of Upper Pittsgrove's contributions to the SHBP for healthcare of employees and retirees for the years ended December 31, 2019, 2018, and 2017, were \$49,283.04, \$46,954.54, and \$62,749.67. Included in this amount is the amount paid for retirees for the years ended December 31, 2019, 2018, and 2017, were \$7,565.04, \$12,400.00, and \$9,759.42, respectively, which equaled the required contributions for each year.

NOTE 13: FINANCIAL INFORMATION RELATED TO GASB 68 & GASB 71 FOR PUBLIC RETIREMENT SYSTEMS

New Jersey municipalities do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the net pension liability as a liability on their balance sheets. However, NJAC 5:30-6.1(c)(2) requires municipalities and counties to disclose GASB 68 & GASB 71 information in the Notes to the Financial Statements. The following disclosures meet the requirements of GASB 68 & GASB 71 for the PERS retirement system.

Public Employee's Retirement System - At December 31, 2019, the Township's proportionate share of the net pension liability was \$796,758. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019 and 2018, the Township's proportion was 0.0044218937% and 0.0044352100%, respectively.

TOWNSHIP OF UPPER PITTSBORO
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 13: FINANCIAL INFORMATION RELATED TO GASB 68 & GASB 71 FOR PUBLIC RETIREMENT SYSTEMS (CONTINUED)

Public Employee’s Retirement System (Continued) - For the year ended December 31, 2019, the Township’s pension expense would be \$29,507 if New Jersey municipalities followed GAAP accounting principles. The Township’s deferred outflows of resources and deferred inflows of resources (which are not recorded) related to the PERS are from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience		\$ 5,797
Changes of Assumptions		240,910
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		20,104
Changes in Proportion and Differences Between the Township's Contributions and Proportionate Share of Contributions	\$ 35,636	
	\$ 35,636	\$ 266,811

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are not recognized in pension expense since New Jersey municipalities do not follow GAAP accounting principles.

If GAAP accounting principles were followed, the other amounts reported as deferred outflows of resources and deferred inflows of resources would have been recognized in pension expense as follows:

Year Ended June 30,	Amount
2020	\$ (58,945)
2021	(75,838)
2022	(63,767)
2023	(29,124)
2024	(3,501)
	\$ (231,175)

Additional information – Collective balances at June 30, 2019 and 2018, are as follows:

TOWNSHIP OF UPPER PITTSBORO
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 13: FINANCIAL INFORMATION RELATED TO GASB 68 & GASB 71 FOR PUBLIC RETIREMENT SYSTEMS (CONTINUED)

Public Employee’s Retirement System (Continued)

	June 30, 2019	June 30, 2018
Collective Deferred Outflows of Resources	\$ 3,149,522,616	\$ 4,684,852,302
Collective Deferred Inflows of Resources	7,645,087,574	7,646,736,226
Collective Net Pension Liability	18,018,482,972	19,689,501,539
Township's Proportion	0.0044218937%	0.0044352100%

Contributions - The contribution policy for the PERS is set by NJSA 15A and requires contributions by active members and contributing employers. The Township’s contribution amount was based on an actuarially determined rate which includes the normal cost and unfunded accrued liability.

Actuarial Assumptions

The total pension liability for the June 30, 2019, measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00 – 6.00% Based on Age
Thereafter	3.00 – 7.00% Based on Age
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 disabled 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 a generational basis. Mortality improvement is based on Scale MP-2019.

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

Detailed information about the pension plan’s fiduciary net position is available in the separately issued State of New Jersey Division of Pension and Benefits financial report at: <http://www.state.nj.us/treasury/pensions/gasb-notices.shtml>.

TOWNSHIP OF UPPER PITTSBORO
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 14: FINANCIAL INFORMATION RELATED TO GASB 75 FOR PUBLIC RETIREMENT SYSTEMS

New Jersey municipalities do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the net other postemployment benefit (OPEB) liability as a liability on their balance sheets. However, NJAC 5:30-6.1(c)(2) requires municipalities and counties to disclose GASB 75 information in the Notes to the Financial Statements. The following OPEB liability note information is reported at the State's level and is not specific to the municipality. The following disclosures meet the requirements of GASB 75 for the PERS and PFRS retirement systems.

Actuarial Assumptions

The total OPEB liability as of June 30, 2019, was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. 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:

Inflation Rate	2.50%
Salary Increases (PERS):	
Through 2026	2.00 – 6.00% Based on Age
Thereafter	3.00 – 7.00% Based on Age
Salary Increases (PFRS):	
All Future Years	3.25 – 15.25% Based on Age
Discount Rate	3.50%

Pre-retirement mortality rates were based on the (PERS): PUB-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using the Scale MP-2019 and (PFRS): PUB-2010 "Safety" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using the Scale MP-2019.

Post-retirement health mortality rates were based on (Chapter 330 Retirees): the PUB-2010 "Safety" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using the Scale MP-2019. Other Retirees: PUB-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using the Scale MP-2019.

Disability mortality was based on the PUB-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using the Scale MP-2019 for PERS Future Disabled Retirees and Other Current Retirees. For PFRS Future Disabled Retirees and Chapter 330 Current Retirees were based on PUB-2010 "Safety" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using the Scale MP-2019.

Certain actuarial assumptions used in the June 30, 2018 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – The Police and Firemen Retirement System (PFRS) and the Public Employees Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

TOWNSHIP OF UPPER PITTSBORO
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 14: FINANCIAL INFORMATION RELATED TO GASB 75 FOR PUBLIC RETIREMENT SYSTEMS (CONTINUED)

Actuarial Assumptions (Continued)

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Bond index.

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Division of Pensions and Benefits financial report at: <http://www.state.nj.us/treasury/pensions/gasb-notices-opeb.shtml>.

Changes in the Total Net OPEB Liability reported by the State of New Jersey:

Total OPEB Liability

Service Cost	\$ 666,574,660
Interest	636,082,461
Changes of Benefit Terms	(1,903,958)
Differences Between Expected and Actual Experience	(1,399,921,930)
Changes in Assumptions or Other Inputs	(1,635,760,217)
Benefit Payments	(470,179,613)
Contributions - Members	43,249,952
Net Change in OPEB Liability	<u>(2,161,858,645)</u>
Total OPEB Liability Beginning	15,981,103,227
Total OPEB Liability Ending	<u><u>\$ 13,819,244,582</u></u>

Plan Fiduciary Net Position

Contributions - Employer	\$ 346,415,056
Contributions - Non-Employer Contributing Entities	43,854,500
Contributions - Members	43,249,952
Net Investment Income	4,826,936
Benefit Payments	(470,179,613)
Administrative Expense	(9,478,435)
Net Change in Plan Fiduciary Net Position	<u>(41,311,604)</u>
Plan Fiduciary Net Position Beginning	314,485,086
Plan Fiduciary Net Position Ending	<u><u>\$ 273,173,482</u></u>

Net OPEB Liability Ending	<u><u>\$ 13,546,071,100</u></u>
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There were no changes in benefit terms during the year.

Differences Between Expected and Actual Experiences: The decrease in the liability from June 30, 2018 to June 30, 2019, is due to changes in the census, claims and premiums experience.

TOWNSHIP OF UPPER PITTSBORO
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 14: FINANCIAL INFORMATION RELATED TO GASB 75 FOR PUBLIC RETIREMENT SYSTEMS (CONTINUED)

Actuarial Assumptions (Continued)

Changes in Assumptions: The decrease in the liability from June 30, 2018 to June 30, 2019, is due to the combined effect of the decrease in the assumed discount rate from 3.87% as of June 30, 2018 to 3.50% as of June 30, 2019, and changes in the trend, excise tax, updated decrements, PPO/HMO future retiree elections, salary scale, and mortality assumptions.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate: The following represents the collective net OPEB liability of the participating employers as of June 30, 2019, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percent-point lower or 1-percent-point higher than the current rate.

	1% Decrease 2.50%	Current Rate 3.50%	1% Increase 4.50%
Net OPEB Liability	\$ 15,662,704,137	\$ 13,546,071,100	\$ 11,826,026,995

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate: The following presents the net OPEB liability as of June 30, 2019 as well as what the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	1% Decrease	Health Care Costs Trend Rate	1% Increase
Net OPEB Liability	\$ 11,431,214,644	\$ 13,546,071,100	\$ 16,243,926,531

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

At December 31, 2019, the Township would have reported a liability of \$1,332,392 for its proportionate share of the net OPEB liability if New Jersey municipalities followed GAAP accounting principles. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Township's proportion of the net OPEB liability was based on a projection of the Township's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2019, the Township's proportion was 0.009836 percent.

For the year ended December 31, 2019, the Township would have recognized net OPEB expense of \$30,901 if New Jersey municipalities followed GAAP accounting principles. The Township's deferred outflows of resources and deferred inflows of resources (which are not recorded) are from the following sources:

TOWNSHIP OF UPPER PITTSBORO
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 14: FINANCIAL INFORMATION RELATED TO GASB 75 FOR PUBLIC RETIREMENT SYSTEMS (CONTINUED)

OPEB Liability, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience		\$ 389,643
Differences Between Projected and Actual Investment Earnings	\$ 1,098	
Changes in Assumptions		472,170
Changes in Proportions		79,065
	\$ 1,098	\$ 940,878

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

Year Ending		
2020	\$	(158,264)
2021		(158,263)
2022		(158,346)
2023		(158,485)
2024		(158,614)
Thereafter		(147,808)
	\$	(939,780)

NOTE 15: ACCUMULATED ABSENCE BENEFITS

Vacation time earned must be used prior to January 1. Under extenuating circumstances, vacation time may be carried over to succeeding years if formally approved by the Township Committee. Upon termination of employment, an employee shall be paid for unused earned vacation provided that said employee:

1. has been employed at least 12 months,
2. has given the required written notice, and
3. is not being dismissed for misconduct or improper actions.

Sick leave for actual illness is allowed with pay accrued on the basis of one (1) working day for each full month of service. Sick leave may be accumulated up to a maximum of sixty (60) days. All sick leave will terminate as of the date of separation and no reimbursement for said sick leave terminated will be forthcoming.

TOWNSHIP OF UPPER PITTSBORO
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 16: RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage for property, liability, and surety bonds. Any potential liability of the Township with respect to loss claims would be equal to the deductibles associated with policies and an event, which may exceed coverage limits. There have not been any significant reductions in insurance coverage amounts.

NOTE 17: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

At December 31, 2019, the following deferred charges are shown on the balance sheets of the various funds:

	Balance Dec. 31, 2019	Raised in 2020 Budget	To be Raised in Subsequent Budgets
Special Emergency Authorization	<u>\$ 155,850.00</u>	<u>\$ 31,170.00</u>	<u>\$ 124,680.00</u>

NOTE 18: ECONOMIC DEPENDENCY

The Township of Upper Pittsgrove is not economically dependent on any one business or industry within the Township.

NOTE 19: CONTINGENCIES

The Township participates in federal and state assistance grant programs. The Township is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

It is the Township of Upper Pittsgrove Counsel's opinion there exists no litigation or contingent liability that may be pending against the Township of Upper Pittsgrove that would have an adverse effect on the financial position in the future.

NOTE 20: INVESTMENT IN SOLAR RENEWABLE ENERGY CERTIFICATES (SREC'S)

The SREC program provides a means for Solar Renewable Energy Certificates (SREC's) to be created for every megawatt-hour of solar electricity created. The SREC is sold separately from the electricity and represents the "solar" aspect of the electricity that was produced. The value of a SREC is determined by the market subject to supply and demand constraints. The SREC's can be sold to electricity suppliers needing to meet their solar RPS requirement. The market is typically capped by a fine or solar alternative compliance payment paid by any electricity suppliers for every SREC they fall short of the requirement. As of December 31, 2019, the investment in the SREC's was \$0. All the SREC's available as of December 31, 2019, were sold by year-end and the amount recorded as a receivable was \$0.

TOWNSHIP OF UPPER PITTSBURGH
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 21: SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred between December 31, 2019 and June 23, 2020, the date that the financial statements were issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact the collection of certain anticipated revenues, such as licenses, fees and permits. Other financial impact could occur though such potential impact is unknown at this time.

**SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSIONS
(GASB 68 & GASB 71)**

Schedule of the Township's Proportionate Share of the Net Pension Liability - PERS
Last Six Fiscal Years

	Year Ended					
	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Township's Proportion of the Net Pension Liability (Asset)	0.0044218937%	0.0044352100%	0.0041352851%	0.0040681654%	0.0039326218%	0.0058052932%
Township's Proportionate Share of the Net Pension Liability (Asset)	\$ 796,758	\$ 873,271	\$ 962,628	\$ 1,204,874	\$ 882,795	\$ 1,086,910
Township's Covered-Employee Payroll	294,888	294,559	301,904	293,717	296,604	289,248
Township's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	270.19%	296.47%	318.85%	410.22%	297.63%	375.77%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.27%	53.59%	48.10%	40.14%	47.92%	52.08%
Measurement Date	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014

Schedule of Township Contributions - PERS
Last Six Fiscal Years

	Year Ended					
	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Contractually Required Contribution	\$ 44,116	\$ 38,309	\$ 36,140	\$ 33,810	\$ 47,858	\$ 31,515
Contributions in Relation to the Contractually Required Contribution	44,116	38,309	36,140	33,810	47,858	31,515
Contribution Deficiency (Excess)	None	None	None	None	None	None
Township's Covered-Employee Payroll	\$ 294,888	\$ 294,559	\$ 301,904	\$ 293,717	\$ 296,604	\$ 289,248
Contributions as a Percentage of Covered-Employee Payroll	14.96%	13.01%	11.97%	11.51%	16.14%	10.90%
Measurement Date	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014

SUPPLEMENTARY DATA

PETRONI & ASSOCIATES LLC

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MEMBER: AMERICAN INSTITUTE OF
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Mary A. Carey, RMA
Wendy G. Fama, CPA
Denise R. Nevico, CPA
Deanna L. Roller, CPA, RMA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Independent Auditor's Report

Honorable Mayor and Members
of the Township Committee
Township of Upper Pittsgrove
431 Route 77
Elmer, New Jersey 08318

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; and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the accompanying balance sheets - regulatory basis of the various funds and account group, the related statement of operations and changes in fund balance - regulatory basis, the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the Township of Upper Pittsgrove, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Township of Upper Pittsgrove's basic financial statements, and have issued our report thereon dated June 23, 2020, which contained an adverse opinion on those financial statements due to being presented in accordance with the New Jersey regulatory basis of accounting.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township of Upper Pittsgrove's control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Township of Upper Pittsgrove'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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and recommendations that we consider to be a significant deficiency as item 2019-001.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and recommendations as items 2019-001 and 2019-002.

Township's Response to Findings

The Township's responses to the findings identified in our audit in the accompanying schedule of findings and recommendations will be addressed in their corrective action plan.

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.

PETRONI & ASSOCIATES LLC



Nick L. Petroni
Certified Public Accountant
Registered Municipal Accountant #252

June 23, 2020

CURRENT FUND

SCHEDULE OF CURRENT FUND CASH - TREASURER

Balance December 31, 2018	Ref. A		\$ 3,099,257.41
Increased by Receipts:			
Taxes Receivable	A-7	\$ 8,643,645.39	
Tax Title Liens	A-8	15,118.99	
Tax Overpayments		581.00	
Grants Receivable	A-6	71,852.46	
Prepaid Taxes	A	173,438.44	
Revenue Accounts Receivable	A-9	670,809.65	
Payroll Taxes Payable		104,062.66	
Due from General Capital		29,031.40	
Due State of New Jersey - Senior Citizen and Veterans Deductions	A-11	<u>32,349.28</u>	
			<u>9,740,889.27</u>
			12,840,146.68
Decreased by Disbursements:			
2019 Budget Appropriations	A-3	1,135,762.34	
2018 Appropriation Reserves	A-10	8,225.72	
Payroll Taxes Payable		102,540.84	
Reserve for Grants - Appropriated	A-15	20,734.84	
Reserve for Reassessment	A-14	127,654.00	
Encumbrances Payable	A-16	8,638.55	
Tax Overpayments		1,793.40	
County Taxes	A-7	3,843,713.91	
Farmland Preservation	A-7	67,472.00	
Local District School Tax	A-12	<u>4,343,366.00</u>	
			<u>9,659,901.60</u>
Balance December 31, 2019	A		<u><u>\$ 3,180,245.08</u></u>

SCHEDULE OF CHANGE FUND

Office	Balance Dec. 31, 2019	Balance Dec. 31, 2018
Tax Collector	<u>\$ 50.00</u>	<u>\$ 50.00</u>
Ref.	A	A

SCHEDULE OF GRANTS RECEIVABLE

Grant	Balance Dec. 31, 2018	2019 Budget Revenue Realized	Received	Balance Dec. 31, 2019
Municipal Alliance Youth Service	\$ 8,367.39	\$ 4,169.00	\$ 3,528.31	\$ 9,008.08
Recycling Tonnage Grant	4,944.77		3,237.33	1,707.44
Clean Communities		15,156.06	15,156.06	
NJ Department of Transportation	61,367.68		49,930.76	11,436.92
	<u>\$ 74,679.84</u>	<u>\$ 19,325.06</u>	<u>\$ 71,852.46</u>	<u>\$ 22,152.44</u>
Ref.	A	A-2	A-4	A

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance	2019 Levy	Added Taxes	Collected		Canceled	Transferred to Tax Title Liens	Balance
	Dec. 31, 2018			2018	2019			Dec. 31, 2019
2015	\$ 187.04						\$ 187.04	
2016	9,216.41						9,216.41	
2018	<u>272,828.08</u>		\$ 14,942.12		\$ 270,173.48		17,329.58	\$ 267.14
	282,231.53		14,942.12		270,173.48		26,733.03	267.14
2019		\$ 8,918,581.44		\$ 155,054.34	8,405,071.19	\$ 26,102.76	30,767.83	301,585.32
	<u>\$ 282,231.53</u>	<u>\$ 8,918,581.44</u>	<u>\$ 14,942.12</u>	<u>\$ 155,054.34</u>	<u>\$ 8,675,244.67</u>	<u>\$ 26,102.76</u>	<u>\$ 57,500.86</u>	<u>\$ 301,852.46</u>
Ref.	A			A			A-8	A
	Cash - Treasurer			Ref.	\$ 8,643,645.39			
	Due State of New Jersey			A-4	31,599.28			
				A-11	<u>\$ 8,675,244.67</u>			

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Analysis of Property Tax Levy

Tax Yield

General Purpose Tax:			
General Property Tax		<u>\$ 8,879,298.84</u>	
			\$ 8,879,298.84
Added Taxes (54:4-63.1 et seq.)			<u>39,282.60</u>
			<u><u>\$ 8,918,581.44</u></u>

	Ref.		
Tax Levied			
Local District School Tax (Abstract)	A-12		\$ 4,376,989.00
County Taxes:			
County Tax (Abstract)		\$ 3,755,974.98	
County Open Space Tax (Abstract)		64,404.27	
Due County for Added Taxes (54:4-63.1 et seq.)		<u>23,334.66</u>	
Total County Taxes			3,843,713.91
Farmland Preservation			67,472.00
Local Tax for Municipal Purposes	A-2	613,994.00	
Add: Additional Taxes Levied		<u>16,412.53</u>	
			<u>630,406.53</u>
			<u><u>\$ 8,918,581.44</u></u>

SCHEDULE OF TAX TITLE LIENS RECEIVABLE

	Ref.		
Balance December 31, 2018	A		\$ 155,631.57
Increased by:			
Transfers from Taxes Receivable	A-7	\$ 57,500.86	
Interest and Costs from Tax Sale		<u>5,622.37</u>	
			<u>63,123.23</u>
Decreased by:			
Less: Receipts	A-4		<u>15,118.99</u>
Balance December 31, 2019	A		<u><u>\$ 203,635.81</u></u>

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Accrued in 2019	Collected Treasurer
Miscellaneous Revenue Anticipated		
Fees and Permits	\$ 17,322.41	\$ 17,322.41
Fines and Costs		
Municipal Court	36,720.26	36,720.26
Interest and Costs on Taxes	65,047.49	65,047.49
Energy Receipts Tax	444,774.00	444,774.00
Uniform Fire Safety Act	7,433.67	7,433.67
Miscellaneous Revenue Not Anticipated		
Safety Award	3,255.00	3,255.00
Interest on Investments	19,665.29	19,665.29
Refunds	2,743.23	2,743.23
Recycling	9,398.56	9,398.56
Rent	2,164.75	2,164.75
Administrative Fee	651.99	651.99
CO's, Smoke Detectors	2,050.00	2,050.00
White Goods and Tires	3,030.00	3,030.00
Certified Tax List	90.00	90.00
Other Fees	9,691.00	9,691.00
SREC Sold from Solar	6,440.00	6,440.00
Elmer Shared Services	22,030.00	22,030.00
Miscellaneous	18,302.00	18,302.00
	<u>\$ 670,809.65</u>	<u>\$ 670,809.65</u>

Ref.

A-4

SCHEDULE OF 2018 APPROPRIATION RESERVES

	Balance Dec. 31, 2018	Balance After Transfers	Paid or Charged	Balance Lapsed
Other Expenses				
Financial Administration	\$ 1,945.09	\$ 1,945.09	\$ 15.00	\$ 1,930.09
Revenue Administration	27.69	27.69	15.00	12.69
Road Repair and Maintenance	33,144.88	33,144.88	888.45	32,256.43
Solid Waste Collection	10,611.77	9,178.50		9,178.50
Public Buildings and Grounds	639.82	639.82	549.21	90.61
Vehicle Maintenance	3,755.84	3,755.84	978.66	2,777.18
Landfill	4,346.13	5,779.40	5,779.40	
Other Accounts - No Change	153,563.80	153,563.80		153,563.80
	<u>\$ 208,035.02</u>	<u>\$ 208,035.02</u>	<u>\$ 8,225.72</u>	<u>\$ 199,809.30</u>
Ref.	A		A-4	A-1

SCHEDULE OF DUE FROM STATE OF NEW JERSEY -
SENIOR CITIZEN AND VETERANS DEDUCTIONS

Balance December 31, 2018	Ref. A		\$ 3,169.72
Increased by:			
2019 Deductions Per Tax Duplicate		\$ 34,750.00	
2019 Deductions Allowed by Collector		250.00	
2019 Deductions Disallowed by Collector		<u>(3,400.72)</u>	
	A-7		<u>31,599.28</u>
			<u>34,769.00</u>
Decreased by:			
Receipts	A-4		<u>32,349.28</u>
Balance December 31, 2019	A		<u><u>\$ 2,419.72</u></u>

SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

Balance December 31, 2018	Ref. A	\$ 1,293,366.00
Increased by:		
2019 Calendar Year School Levy	A-7	<u>4,376,989.00</u>
		5,670,355.00
Decreased by:		
Payments	A-4	<u>4,343,366.00</u>
Balance December 31, 2019	A	<u><u>\$ 1,326,989.00</u></u>
2019 Tax Liability for Local District School Tax:		
Tax Payable at December 31, 2019	A-12	\$ 1,326,989.00
Tax Payable at December 31, 2018	A-12	(1,293,366.00)
Tax Paid	A-12	<u>4,343,366.00</u>
Amount Charged to 2019 Operations	A-1	<u><u>\$ 4,376,989.00</u></u>

SCHEDULE OF RESERVE FOR MASTER PLAN

Balance December 31, 2018	Ref. A		<u>\$ 10,034.65</u>
Balance December 31, 2019	A		<u><u>\$ 10,034.65</u></u>

SCHEDULE OF RESERVE FOR REASSESSMENT

Balance December 31, 2018	Ref. A		\$ 4,226.00
Add: Special Emergency Authorized	A-3		155,850.00
Less: Expenditures	A-4	\$ 127,654.00	
Encumbrances	A-16	<u>14,012.00</u>	
			<u>141,666.00</u>
Balance December 31, 2019	A		<u><u>\$ 18,410.00</u></u>

SCHEDULE OF RESERVE FOR GRANTS - APPROPRIATED

	Balance Dec. 31, 2018	Transferred from 2019 Budget Appropriation	Paid or Charged	Balance Dec. 31, 2019
Clean Communities	\$ 9,441.69	\$ 15,156.06	\$ 12,538.16	\$ 12,059.59
Municipal Alliance	8,937.35	5,211.25	5,121.68	9,026.92
Recycling Tonnage Grant	22,727.50		3,075.00	19,652.50
NJ Department of Transportation	17,173.17			17,173.17
	<u>\$ 58,279.71</u>	<u>\$ 20,367.31</u>	<u>\$ 20,734.84</u>	<u>\$ 57,912.18</u>
Ref.	A	A-3	A-4	A

SCHEDULE OF ENCUMBRANCES PAYABLE

Balance December 31, 2018	Ref. A		\$ 24,793.53
Increased by:			
Encumbrances	A-3:A-14		<u>24,666.74</u>
			49,460.27
Decreased by:			
Disbursements	A-4	\$ 8,638.55	
Canceled	A-1	<u>16,154.98</u>	
			<u>24,793.53</u>
Balance December 31, 2019	A		<u><u>\$ 24,666.74</u></u>

SCHEDULE OF DEFERRED CHARGES
 NJSA 40A:4-53: SPECIAL EMERGENCY AUTHORIZATION

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>1/5 of Amount Authorized</u>	<u>Authorized</u>	<u>Balance Dec. 31, 2019</u>
11/12/19	Preparation of a Complete Program of Revaluation of Real Property	\$ 155,850.00	\$ 31,170.00 Ref.	<u>\$ 155,850.00</u> A-3	<u>\$ 155,850.00</u> A

TRUST FUND

SCHEDULE OF TRUST FUND CASH - TREASURER

Ref.	Animal Control	Developer's Escrow Fund	Municipal Alliance Trust	Farmland Preservation	Affordable Housing Trust	Donations Veterans Memorial Monument	Landfill Closure Escrow	
Balance December 31, 2018	B	\$ 3,110.35	\$ 174,089.10	\$ 4,650.07	\$ 69,648.76	\$ 402,483.32	\$ 653.48	\$ 185,897.96
Increased by Receipts:								
Interest Earned		11.93	579.88	18.91	217.87	1,220.34	1.98	1,367.81
Dog License Fees:								
Municipal Share	B-3	3,619.60						
State Share		548.40						
Affordable Housing Fees						6,336.78		
Escrow Fees			65,987.75					
Farmland Preservation				96,832.00				
Municipal Alliance Donations				3,164.07				
		<u>4,179.93</u>	<u>66,567.63</u>	<u>3,182.98</u>	<u>97,049.87</u>	<u>7,557.12</u>	<u>1.98</u>	<u>1,367.81</u>
Decreased by Disbursements:								
Due Current Fund		82.74	554.44	18.68		243.85	2.19	
Expenditures Under RS 4:19-15.11	B-3	5,027.40						
New Jersey State Department of Health		548.40						
Escrow Fees			54,451.39					
Municipal Alliance Expenditures				731.00				
Landfill Closure Expenditures								11,181.10
Farmland Preservation Expenditures				101,842.40				
		<u>5,658.54</u>	<u>55,005.83</u>	<u>749.68</u>	<u>101,842.40</u>	<u>243.85</u>	<u>2.19</u>	<u>11,181.10</u>
Balance December 31, 2019	B	\$ 1,631.74	\$ 185,650.90	\$ 7,083.37	\$ 64,856.23	\$ 409,796.59	\$ 653.27	\$ 176,084.67

SCHEDULE OF TRUST FUND CASH - COLLECTOR

Balance December 31, 2018	Ref. B		\$ 95,601.72
Increased by:			
Deposits	B-4:B-5	\$ 158,927.07	
Due Current Fund		<u>141.42</u>	
			<u>159,068.49</u>
			254,670.21
Decreased by:			
Disbursements	B-4:B-5	242,510.27	
Due Current Fund	A-4	<u>154.13</u>	
			<u>242,664.40</u>
Balance December 31, 2019	B		<u><u>\$ 12,005.81</u></u>

SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES

Balance December 31, 2018	Ref. B	\$ 3,038.80
Increased by:		
Municipal Share of Dog License Fees	B-1	<u>3,619.60</u>
		6,658.40
Decreased by:		
Expenditures Under RS 4:19-15.11: Cash	B-1	<u>5,027.40</u>
Balance December 31, 2019	B	<u><u>\$ 1,631.00</u></u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2017	\$ 4,063.00
2018	<u>3,335.40</u>
	<u><u>\$ 7,398.40</u></u>

EXHIBIT B-4

SCHEDULE OF DEPOSITS FOR REDEMPTION OF TAX SALE CERTIFICATES

Balance December 31, 2018	Ref. B	\$ 41,783.20
Increased by:		
Deposits Received	B-2	134,127.07
Decreased by:		
Refunds - Tax Sale Certificates Redeemed	B-2	<u>175,910.27</u>

EXHIBIT B-5

SCHEDULE OF DEPOSITS FOR TAX SALE PREMIUMS

Balance December 31, 2018	Ref. B	\$ 53,800.00
Increased by:		
Deposits Received	B-2	<u>24,800.00</u>
		78,600.00
Decreased by:		
Refunds - Tax Sale Certificates Redeemed	B-2	<u>66,600.00</u>
Balance December 31, 2019	B	<u><u>\$ 12,000.00</u></u>

GENERAL CAPITAL FUND

SCHEDULE OF GENERAL CAPITAL CASH - TREASURER

Balance December 31, 2018	Ref. C		\$ 470,871.43
Increased By:			
Interest Earned	C-2	\$ 1,484.40	
Due from Current Fund	C-2	98,862.51	
Budget Appropriation	C-2	136,866.69	
		<u> </u>	<u>237,213.60</u>
			<u>708,085.03</u>
Decreased By:			
Improvement Authorizations	C-4	127,896.10	
Due Current Fund	C-2	127,654.00	
		<u> </u>	<u>255,550.10</u>
Balance December 31, 2019	C		<u><u>\$ 452,534.93</u></u>

ANALYSIS OF GENERAL CAPITAL FUND CASH

	Balance	Receipts		Disbursements		Balance
	Dec. 31, 2018	Miscellaneous	Improvement Authorization	Miscellaneous	Transfer	Dec. 31, 2019
Capital Improvement Fund	\$ 690,333.09	\$ 100,000.00			\$ (218,000.00)	\$ 572,333.09
Due Current Fund	(135,627.53)	100,346.91		\$ 127,654.00		(162,934.62)
Due Farmland Preservation	(67,531.14)				2,674.91	(64,856.23)
Reserve for:						
Farmland Preservation Program	(36,866.69)	36,866.69				
Improvement Authorization:						
Purchase of a Public Works Truck	5,707.00					5,707.00
Street Light Conversions to LED's	13,480.74					13,480.74
2016 Maintenance & Repair Program	907.76					907.76
2018 Maintenance & Repair Program	468.20					468.20
Farmland Preservation			\$ 37,174.60		115,325.09	78,150.49
2019 Maintenance & Repair Program			90,721.50		100,000.00	9,278.50
	<u>\$ 470,871.43</u>	<u>\$ 237,213.60</u>	<u>\$ 127,896.10</u>	<u>\$ 127,654.00</u>		<u>\$ 452,534.93</u>
Ref.	C	C-1	C-4	C-1		C

EXHIBIT C-3

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	Ref.	
Balance December 31, 2018	C	\$ 690,333.09
Increased by:		
2019 Budget Appropriation	C-1	100,000.00
		<u>790,333.09</u>
Decreased by:		
Appropriated to Finance Improvement Authorization	C-4	<u>218,000.00</u>
Balance December 31, 2019	C	<u><u>\$ 572,333.09</u></u>

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance No.	Ordinance	Ordinance		Balance Dec. 31, 2018 Funded	2019 Authorization		Paid or Charged	Due from Farmland Preservation	Balance Dec. 31, 2019 Funded
		Date	Amount		Improvement Fund	Capital			
2014-4	Purchase of a Public Works Truck	6/10/2014	\$ 62,000.00	\$ 5,707.00					\$ 5,707.00
2015-3	Street Light Conversions to LEDs	6/9/2015	50,000.00	13,480.74					13,480.74
2016-4	2016 Maintenance & Repair Program	7/15/2016	135,000.00	907.76					907.76
2018-3	2018 Maintenance & Repair Program	8/14/2018	90,000.00	468.20					468.20
2019-1	Farmland Preservation	3/12/2019	118,000.00		\$ 118,000.00		\$ 37,174.60	\$ 2,674.91	78,150.49
2019-4	2019 Maintenance & Repair Program	7/9/2019	100,000.00		100,000.00		90,721.50		9,278.50
				<u>\$ 20,563.70</u>	<u>\$ 218,000.00</u>		<u>\$ 127,896.10</u>	<u>\$ 2,674.91</u>	<u>\$ 107,992.69</u>
				Ref. C	C-3		C-1		C

PART II
LETTER OF COMMENTS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2019

GENERAL COMMENTS

Contracts and Agreements Required to be Advertised for NJSA 40A:11-4

NJSA 40A:11-4 states "Every contract or agreement 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."

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

The minutes indicate that bids were requested by public advertisement for the following items:

Road Repairs and Maintenance

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per NJSA 40A:11.5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of the bid threshold "for the performance of any work or the furnishing or hiring of any materials or supplies," other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of NJSA 40A:11-6.

NJSA 40A:11-6.1 requires that at least two competitive quotations be obtained for all contracts that in the aggregate are less than the bid threshold but 15 percent or more of that amount.

Collection of Interest on Delinquent Taxes and Assessments

The statute provides 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 on January 7, 2019, adopted the following resolution authorizing interest to be charged on delinquent taxes:

WHEREAS, RS 54:4-67 permits the governing body of each municipality to fix the rate to be charged for non-payment of taxes or assessments subject to any abatement or discount for the late payment of taxes or assessments as provided by law; and

NOW, THEREFORE, BE IT RESOLVED by the Township Committee of the Township of Upper Pittsgrove, County of Salem, State of New Jersey, that taxes shall be due and payable quarterly on February 1st, May 1st, August 1st, and November 1st of year each with a ten-day grace period, after which dates, if unpaid, shall become delinquent, with interest charged as set forth below and reverting back to the due date on any quarterly installment of taxes.

Collection of Interest on Delinquent Taxes and Assessments (Continued)

NOW, THEREFORE, BE IT RESOLVED by the Township Committee of the Township of Upper Pittsgrove, County of Salem, State of New Jersey, hereby fix the rate of interest at the rate of eight (8) percent per annum on the first \$1,500.00 of delinquency and 18% per annum on any amount in excess of \$1,500.00.

BE IT FURTHER RESOLVED that a 6% year end penalty be assessed on the last day of the fiscal year on delinquent accounts when in excess of \$10,000.00.

It appears from an examination of the collector's records that interest was collected in accordance with the statutes.

Property Tax Rate Comparison

	2019	2018	2017
Tax Rate	2.632	2.513	2.511
Apportionment of Tax Rate:			
Municipal	0.201	0.186	0.178
County	1.134	1.078	1.092
Local School	1.297	1.249	1.241
Assessed Valuation	337,359,381	337,742,401	339,102,544

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 collections could be an indication of probable increase in future tax levies.

	2019	2018	2017
Tax Levy	\$ 8,918,581.44	\$ 8,539,934.68	\$ 8,554,383.53
Cash Collections	8,560,125.53	8,212,342.37	8,204,958.95
Percentage of Collections	95.98%	96.16%	95.92%

Delinquent Taxes and Tax Title Liens

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

	2019	2018	2017
Amount of Tax Title Liens	\$ 203,635.81	\$ 155,631.57	\$ 195,170.89
Delinquent Taxes	301,852.46	282,231.53	284,097.45
Total Delinquent	\$ 505,488.27	\$ 437,863.10	\$ 479,268.34
Percentage of Tax Levy	5.67%	5.13%	5.60%

The last tax sale was held on December 19, 2019, and was complete.

Delinquent Taxes and Tax Title Liens (Continued)

The following comparison is made of the number of tax title liens receivable on December 31 of the current and previous two years.

<u>Year</u>	<u>Number of Liens</u>
2019	30
2018	19
2017	20

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

Property Acquired By Tax Title Lien Liquidation

The value of property acquired by liquidation of tax title liens on December 31, on the basis the last assessed valuation of such properties, was as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Property Acquired for Taxes (Assessed Valuation)	None	None	None

Verification of Delinquent Taxes and Other Charges

A test verification of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services. A separate report will be rendered if any irregularities develop after the date of the audit.

OTHER COMMENTS

Chief Financial Officer/Treasurer

The records maintained by the Chief Financial Officer and Treasurer were found to be not in compliance with requirements prescribed by the Division of Local Government Services.

Tax Collector

The records maintained by the Tax Collector were found to be in compliance with requirements prescribed by the Division of Local Government Services.

Corrective Action Plan

A corrective action plan for the 2018 audit was filed with the Division of Local Government Services by the Chief Financial Officer.

STATUS OF PRIOR RECOMMENDATIONS

Finding 2018-001: Significant entries were required to bring the general ledger into balance.

Status: Corrective action has not been taken.

Finding 2018-002: There are numerous interfunds existing at year-end.

Status: Corrective action has not been taken.

Finding 2018-003: There were several developer's escrow accounts that had negative balances.

Status: Corrective action has not been taken.

FINDINGS AND RECOMMENDATIONS

Finding: 2019-001

Violation: NJAC 5:30-5.7 General ledger accounting systems

General Description: NJAC 5:30-5.7 requires all local units to have and maintain a general ledger.

Criteria or Specific Requirement: The general ledger shall be the official permanent financial record of the local unit. It shall provide a summary of all financial transactions as they have been recorded in the books of original entry, using a double entry, self-balancing accounting system with the general ledger facilitating the preparation of the financial statements. The general ledger, together with the books of original entry and supporting subsidiary ledgers shall constitute the complete accounting system.

Condition: The general ledger does not include all required journal entries to lapse appropriation reserves, cancel encumbrances, adjust interfund receivables/payables, record the tax levies, transfer delinquent taxes to tax title liens, record tax appeals, and recognize tax overpayments. Expenditures for appropriation reserves were commingled with current year appropriations and accounts payable.

Context: Substantial entries were required to bring the general ledger into balance.

Effect: The Township is not in compliance with the provisions of the Administrative Code NJAC 5:30-5.7.

Cause: The Chief Financial Officer did not reconcile the general ledger with the supporting subsidiary ledgers.

Recommendation: The Chief Financial Officer ensure that required journal entries are made to the general ledger to constitute a complete accounting system.

Finding: 2019-002

Violation: Developer Escrow 40:55D-53.2(c) Payment of Inspection Fees

General Description: 40:55D-53.2(c) requires the municipality to obtain sufficient escrow funds from the developer prior to making payments for inspection fees.

Criteria or Specific Requirement: If an escrow account or deposit contains insufficient funds to enable the municipality or approving authority to perform required application reviews or improvement inspections, the Chief Financial Officer of the municipality shall provide the applicant with a notice of the insufficient escrow or deposit balance. In order for work to continue on the development or the application, the applicant shall, within a reasonable time period, post a deposit to the account in an amount to be agreed upon by the municipality or approving authority and the applicant. In the interim, any required health and safety inspections shall be made and charged back against the replenishment of funds.

Condition: There were Developer escrow accounts with negative balances.

Context: The township clerk of a municipality made payments to professionals for services rendered to the municipality or approving authority for review of applications for development, review and preparation of documents, inspection of improvements or other purposes without sufficient funds in the escrow account.

FINDINGS AND RECOMMENDATIONS (CONTINUED)

Effect: The Township is not in compliance with the statutory requirements of NJSA 40:55D-53.2(c).

Cause: The Township Clerk failed to obtain funds from Developers prior to making payment for inspection fees.

Recommendation: The Township develop internal control procedures to ensure funds are on deposit in Developer escrow accounts prior to making payments for application reviews.

We received the complete cooperation of all the officials of the Township and we greatly appreciate the courtesies extended to the members of the audit team.

Respectfully submitted,

PETRONI & ASSOCIATES LLC



Nick L. Petroni
Certified Public Accountant
Registered Municipal Accountant #252