TOWNSHIP OF NEPTUNE

RESOLUTION 26-059
ESTABLISHING THE CASH MANAGEMENT PLAN AND FINANCIAL MANAGEMENT POLICIES

WHEREAS, pursuant to Chapter 8, Laws of 2082, The Township of Neptune is required to annually adopt a Cash Management Plan and Financial Management Policies; and,

THEREFORE, BE IT RESOLVED, by the Mayor and Committee of The Township of Neptune, a municipal Corporation of the County of Monmouth, in the State of New Jersey, that the Cash Management Plan and Financial Management Policies, dated January 1, 2026, and on file in the offices of the Municipal Clerk and Chief Financial Officer, shall be adopted for the year 2026.

BE IT FURTHER RESOLVED, that a copy of this resolution be forwarded to the Chief Financial Officer and Auditor.

CERTIFICATION

I, William Bray, Township Clerk of the Township of Neptune hereby certify that the foregoing is a true copy of a resolution duly adopted by the Township Committee of the Township of Neptune, Monmouth County, State of New Jersey at a meeting held on January 1, 2026.

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William Bray, RMC, CMR
Township Clerk

Neptune Township - NJ

Where Community, Business & Tourism Prosper

Cash Management Plan/ Financial Management Policies

Nicole Schurr| Acting Chief Financial Officer

Melissa Zucconi| RPPO Purchasing Agent

Courtney Langer| Finance Department Secretary

Lisa Mansfield| Finance Department Administrative Assistant

Michele Narciso| CTC - Tax Collector

Melanie Manning| Deputy Tax Collector – Tax Office

Bookkeepers| Lillian Bedrosian, Ahmya Crozier

Effective: January 1, 2026

CASH MANAGEMENT PLAN

I. PURPOSE

This Cash Management Plan (the "Plan") is prepared pursuant to the provisions of N.J.S.A. 40A:5-14 in order to set forth the basis for the deposits ("Deposits") and investment ("Permitted Investments") of certain public funds of the Township of Neptune ("Township") pending the use of such funds for the intended purposes. The Plan is intended to assure that all public funds identified herein are deposited in interest bearing Deposits or otherwise invested in Permitted Investments hereinafter referred to. The intent of the Plan is to provide that the decision made with regard to the Deposits and the Permitted Investments will be done to ensure the safety, the liquidity (regarding its availability for the intended purposes), and the maximum investment return within such limits. The Plan is intended to assure that any Deposit or Permitted Investment matures within the time period that approximated the prospective need for the funds deposited or invested so that there is not a risk to the market value of such Deposits or Permitted Investments.

The Township of Neptune Cash Management Plan is intended to act as a summary of cash management activities to be undertaken by the various municipal departments which handle cash in order to ensure maximum cash availability and maximum investment yield on idle Township cash.

The Township wishes to manage cash efficiently from the time revenue is earned until the time an expenditure payment clears the bank. The overriding goals of the cash management system are to maximize availability and maximize yield. The first goal is met by decreasing time lags from the earning of revenue until it is converted to cash and by timing expenditures to be made on their due dates, not before or after. The second goal is achieved by maximizing investment yield on cash between its collection and disbursement.

The administrative staff of the Township of Neptune exists to provide services to its citizens for which it must collect tax and fee revenue. Effective cash management will operate within the constraints of the purpose of government. Cash should not be maximized at the expense of paying vendors late or alienating taxpayers with intimidating collection procedures. Similarly, yield should not be maximized at the expense of other goals. Where conflicts exist between the two primary goals of the cash management policy, the Township will put a higher priority on cash availability than yield as the cash management system shall ensure that cash is available to support municipal operations.

The Township of Neptune shall comply with all laws and regulations concerning municipal cash management. All municipal funds will be deposited in a manner by which they will be protected under Governmental Unit Deposit Protection Act (GUDPA) regulations. The Township will comply with directives from the New Jersey Department of Community Affairs, Division of Local Government Services and the Local Finance Board concerning cash management.

The Township will work to increase non-tax revenues when they are not needed for current obligations and keep idle funds in interest bearing accounts at all times. The Township Finance Department will monitor and project cash flows and plan expenditures accordingly as well as maintaining familiarity with the short-term investment market.

II. IDENTIFICATION OF FUNDS AND ACCOUNTS TO BE COVERED BY THE PLAN.

The Plan is intended to cover the deposit and/or investment of the following funds and accounts of the Township as well as any other similar accounts opened throughout the year:

General Account, General Account #2, General Capital, Payroll, Grant Account, Trust Other Account, Animal Control, Unemployment Trust, Public Assistance I, Sewer Operating, Sewer Capital, Developers Application Review Escrow, Municipal Escrow; Inspection Fees, Cash Guarantee, Tax Collector's Trust, Law Enforcement Trust, Federal Law Enforcement Trust, Special Police, Unclaimed Monies, Police Vest Fund, Open Space Trust, UDAG Loan & Grant Fund, Municipal Court Magistrate, Municipal Court Bail, Municipal Alliance, Older American Act, Tree Preservation Fund, Recreation Trust, Affordable Housing Trust Fund, Marina Utility, Marina Utility Capital, TCDER II Grant, Public Library, Flex Spending, Cash Management Fund General, CMF General Capital, CMF Grant CMF Sewer, CMF Sewer Capital, CMF Marina, CMF Marina Capital, CMF Affordable Housing.

III. DESIGNATION OF OFFICIALS OF THE TOWNSHIP OF NEPTUNE AUTHORIZED TO MAKE DEPOSITS AND INVESTMENT UNDER THE PLAN

The Chief Financial Officer of the Township of Neptune (the "Designated Official") is hereby authorized and directed to deposit and/or invest the funds referred to in the Plan. Prior to making any such Deposits or any Permitted investments, such officials of the Township are directed to supply to all depositories or any other parties with whom the Deposits or Permitted Investments are made a written copy of this Plan which shall be acknowledged in writing by such parties and a copy of such acknowledgment kept on file with such officials.

IV. DESIGNATION OF DEPOSITORIES

The following banks and financial institutions are hereby designated as official depositories for the Deposit of all public funds referred to in the Plan, including any certificates of Deposit which are not otherwise invested in Permitted Investments as provided for in the Plan:

OceanFirst Bank*, Bank of America, TD Bank, PNC Bank, Wells Fargo Bank, Chase Bank, Santander Bank, Kearney Bank, NJ Cash Management Fund, NJARM, Manasquan Savings Bank.

(*) denotes primary banking relationship

All such depositories shall acknowledge in writing receipts of this Plan by sending a copy of such acknowledgment to the Designated Official (s) referred to in Section III above. The written acknowledgement shall include an understanding that the presumptive liability is placed upon the financial institution as it relates to wire transfers and ACH payments.

V. <u>DESIGNATION OF BROKERAGE FIRMS AND DEALERS WITH WHOM THE DESIGNATED OFFICIALS' MAY DEAL</u>

The following brokerage firms and/or dealers and other institutions are hereby designated as firms with whom the Designated Official(s) of the Township referred to in this Plan may deal for purposes of buying and selling securities identified in this plan as Permitted Investments or otherwise providing for the Deposits. All such brokerage firms and/or dealers shall acknowledge in writing receipt of this plan by sending a copy of such acknowledgment to the Designated Official (s) referred to in Section III above:

MBIA, OceanFirst Bank, Wells Fargo Bank, TD Bank, Santander Bank, Bank of America, Bank of New York Mellon, JP Morgan Chase, US Bank, Amboy Bank, NJ Cash Management Fund, NJARM.

VI. <u>AUTHORIZED INVESTMENTS.</u>

A. Except as otherwise specifically provided for herein, the Designated Official is hereby authorized to invest the public funds covered by this Plan, to the extent not otherwise held in Deposits, in the following Permitted Investments:

1. Bonds or other obligations of the United States of America or Obligations guaranteed by the United States of America;
2. Government money market mutual funds;
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with any act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
4. Bonds, Notes or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located;
5. Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Local Government Services of the Department of the Community Affairs for investment by Local Units;
6. Local government investment pools;

7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c. 281 (C. 52:18 A-90.4): or Agreements for the repurchase of fully collateralized securities if:

    a. the underlying securities are permitted investments pursuant to Paragraph to (1) and (3) of this subsection a;
    b. the custody of collateral is transferred to a third party;
    c. the maturity of the agreement is not more than 30 days;
    d. The underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41); and
    e. a master repurchase agreement providing for the custody and security of collateral is executed.
    f. For purposes of the above language, the terms "government money market mutual fund" and "local government investment pool" shall have the following definitions:

Government Money Market Mutual Fund.

An investment company or investment trust:

1. which is registered with the Securities and Exchange Commission under The "Investment Company Act of 1940, "15 U.S.C. sec. 80a-1 et seq., and operated in accordance with 17 C.F.R. sec, 270. 2a-7.
2. the portfolio of which is limited to U.S. Government securities that meet the definition of any eligible security pursuant to 17 C.F.R. sec. 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities; and
3. which has:
    - attained the highest ranking or the highest letter and numerical rating of nationally recognized statistical rating organization; or
    - retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission Pursuant to the "Investment Advisors Act of 1940," 15 U.S.C. sec. 80b-1 et seq., with experience investing in U.S. Government securities for at least the most recent past 60 months and with assets under management in excess of $500 million.

Local government investment pool.

An investment pool:

1. which is managed in accordance with 17 C.F.R. sec. 270,2a-7;
2. which is rated in the highest category by a nationally recognized statistical rating organization;
3. which is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. sec 270,2a-7 and repurchase agreements that are collateralized by such U.S. Government securities;
4. which is in compliance with rules adopted pursuant to the “Administrative” Procedure Act, “ P.L. 1968,c .410 (c.52:14B-1 et seq.) by the Local Finance Board of the Division of Local Government services in the Department of Community Affairs, which rules shall provide for disclosure and reporting requirements, and other provisions deemed necessary by the board to provide for the safety, liquidity and yield of the investments;
5. which does not permit investment in instruments that: are subject to high price volatility with changing market conditions; cannot reasonably be expected, at the time of interest rate adjustment, to have a market value that approximates their par value; or utilize an index that does not support a stable net asset value; and
6. which purchases and redeems investments directly from the issuer, government money market mutual fund, or the State of New Jersey Cash Management Fund, or through the use of a national or State bank located within this State, or through a broker-dealer which, at the time of purchase or redemption, has been registered continuously for a period of at least two years pursuant to section 9 of P.L. 1967 c.9 (C.49:3-56) and has at least $25 million in capital stock (or equivalent capitalization if not a corporation), surplus reserves for contingencies and undivided profits, or through a securities dealer who makes primary markets in U.S. Government securities and reports daily to the Federal Reserve Bank of New York its position in and borrowing on such U.S. Government securities.

Based on GASB criteria, the Township considers cash and cash equivalents to include petty cash, change funds, demand deposits, money market accounts, short-term investments and cash management money market mutual funds, and either any direct and general obligation of the United States of America and its agencies or certificates of deposit issued by any bank, savings and loan association or national banking association if qualified to serve as a depository for public funds under the provisions of the Government Unit Depository Protection Act. Cash and cash equivalents have original maturities of three months or less from the date of purchase. Investments are stated at cost, which approximates fair value.

Custodial Credit Risk: All of the Township's deposits and investments are insured or registered in the Township's name or held by an entity as its agent in the Township's name.

The Township does not have a separate policy for custodial credit risk for its investments other than to adhere to the requirements of statute and to deposit all of its funds in banks covered by FDIC and GUDPA.

Concentration of Credit Risk: The Township places no limit on the amount the Township may invest in any one issuer so long as the investment is compliant with this plan and State regulation.

Credit Risk: The Township does not have a separate investment policy regarding the management of credit risk. GASB 40 requires that disclosures be made as to the credit rating of all debt security investments except for obligations of the U.S. Government or investments guaranteed by the U.S. Government.

Interest Rate Risk: The Township does not have a policy to limit interest rate risk, however, it is the practice to typically to invest in investments with short maturities or to time maturity to align with cash needs of the Township.

VII. SAFEKEEPING CUSTODY PAYMENT AND ACKNOWLEDGMENT OF RECEIPT OF PLAN.

To the extent that any Deposit of Permitted Investment involves a document or security which is not physically held by the Township, then such instrument or security shall be covered by a custodial agreement with an independent third party, which shall be a bank or financial institution in the State of New Jersey. Such institution shall provide for the designation of such investments in the name of the Township. To assure that there is no unauthorized use of the funds of the Permitted Investments or Deposits. Purchase of any Permitted Investments that involve securities shall be executed by a "delivery versus payment" method to insure that such Permitted Investments are either received by the Township or by a third party custodian prior to or upon the release of the Township's funds.

To assure that all parties with whom the Township deals either by way of Deposits or Permitted Investments are aware of the authority and the limits set forth in this Plan, all such parties shall be supplied with a copy of this Plan in writing and all such parties shall acknowledge the receipt of that Plan in writing, a copy of which shall be on file with the Designated Official(s). Within the acknowledgement, it should be noted that all financial institutions holding Township funds recognize that the presumptive liability is placed with the financial institution.

VIII. REPORTING REQUIREMENTS.

The Designated Official(s) referred to in Section III hereof shall make available to the governing body of the Township, a report of any Deposits or Permitted Investments made pursuant to this plan, which shall include, at a minimum, the following information:

A. The name of any institution holding funds of the Township as a Deposit of a Permitted Investment.

B. The class or type of securities purchased, or Deposits made.

C. The book value of such Deposits or Permitted Investments.

D. The earned income on such Deposits or Permitted Investments. To the extent that such amounts are actually earned at maturity, this report shall provide only such earnings paid during the immediately preceding month.

E. The fees incurred to undertake such Deposits or Permitted Investments.

F. The market value of all Deposits or Permitted Investments as of the end of the immediately preceding month.

IX. <u>AUTHORIZED SIGNATURES</u>

The following persons are authorized, and their signature is required, to withdraw funds from the below listed, existing bank accounts.

Facsimile signatures of the Mayor and Township Clerk may be applied by the Finance Office upon checks of the Township for the disbursement of funds as authorized by resolution or for payroll.

Schedule of Depositories / Bank Accounts and Authorized Signatures

Bank Name	Account Name	Revenue Derived From:	Disbursements For:	Account Number	Authorized Signatures
Ocean First Bank	General	General Revenues, Including Taxes, Fees, State Aid and Other Anticipated and Unanticipated General Municipal Revenue	Budgetary expenditures and payments to County, School and Special Districts	***1422	Mayor, and Clerk, and CFO or Assistant CFO
Ocean First Bank	General #2	Transfers	Transfers	***6618	CFO, Assistant CFO or Purchasing Agent
Ocean First Bank	Payroll	Budgetary Accounts and Grants	Cover Payroll for All Municipal Employees.	***1455	Mayor, and Clerk, and CFO or Assistant CFO
Ocean First Bank	Animal Control	Fees for Animal Registrations	Payment for Animal Control Services	***1471	Mayor, and Clerk, and CFO or Assistant CFO
Ocean First Bank	Sewer Operating	Sanitary Sewer Rents, Connection Fees and Other Budgetary Revenues	Payment For Budgetary Items, Including Quarterly Payments to Sewerage Authority	***1703	Mayor, and Clerk, and CFO or Assistant CFO

Bank Name	Account Name	Revenue Derived From:	Disbursements For:	Account Number	Authorized Signatures
Ocean First Bank	Sewer Capital	Bond Issues, Down Payments from General Account, Grant Funding and Other Sources Of Capital Funding	Capital Improvements Within the Sewer Utility	***1711	Mayor, and Clerk, and CFO or Assistant CFO
Ocean First Bank	Public Assistance I	Funds Dedicated by Township through Budget Appropriations	To Meet Local Obligation for Care of The Needy.	***1646	Mayor, and Clerk, and CFO or Assistant CFO
Ocean First Bank	Special Police Fund	Payments By Third Party Employers of Off-Duty Police Officers	Payments To Police Officers for Working Off-Duty Assignments	***1570	Mayor, and Clerk, and CFO or Assistant CFO
Ocean First Bank	Police Vest Fund	Donations And Funds Raised to Purchase Bulletproof Vests For Police Officers	To Purchase Bulletproof Vests for Police Officers	***1588	Mayor, and Clerk, and CFO or Assistant CFO
Ocean First Bank	Municipal Court General	General revenues from Municipal Court operations	Payment to Township and State for fines, penalties and costs collected on their behalf by the Municipal Court	***1695	Court Administrator or Deputy Court Administrators
Ocean First Bank	Municipal Court Bail	To Hold Bail Collected Through Municipal Court	To Return Bail Held by Municipal Court	***1687	Court Administrator or Deputy Court Administrators

Bank Name	Account Name	Revenue Derived From:	Disbursements For:	Account Number	Authorized Signatures
Ocean First Bank	Federal Law Enforcement	Funds Received Through Police Activity Under Federal Forfeiture Laws	Police Projects and Programs as Permitted by Federal Forfeiture Laws	***1638	Mayor, and Clerk, and CFO or Assistant CFO
Ocean First Bank	Developer's Application Review Escrow	Escrow Funds Placed by Developers to Cover Professional Costs in Connection with Development Projects	Professional Costs in Connection with Development Projects and Refunds to Developers	***1497	Mayor, and Clerk, and CFO or Assistant CFO
Ocean First Bank	Federal Law Enforcement	Funds Received Through Police Activity Under Federal Forfeiture Laws	Police Projects and Programs as Permitted by Federal Forfeiture Laws	***1638	Mayor, and Clerk, and CFO or Assistant CFO
Ocean First Bank	Municipal Escrow- CG	Escrow Funds Placed by Developers to Cover Professional Costs in Connection with Development Projects	Professional Costs in Connection with Development Projects and Refunds to Developers.	***1505	Mayor, and Clerk, and CFO or Assistant CFO
Ocean First Bank	Municipal Escrow- IF	Escrow Funds Placed by Developers to Cover Professional Costs in Connection with Dev. Projects	Professional Costs in Connection with Development Projects and Refunds to Developers.	***1513	Mayor, and Clerk, and CFO or Assistant CFO

Bank Name	Account Name	Revenue Derived From:	Disbursements For:	Account Number	Authorized Signatures
Ocean First Bank	Affordable Housing	Fees Raised Through Construction Permitting Pursuant to COAH Regulations	Affordable Housing Program Per COAH Regulations	***1620	Mayor, and Clerk, and CFO or Assistant CFO
Ocean First Bank	Recreation Trust	Recreation Fees and Donations	For Recreation Programs and Projects	***1596	Mayor, and Clerk, and CFO or Assistant CFO
Ocean First Bank	Tree Preservation	Fees Raised Through Construction Permitting Pursuant to Tree Preservation Ordinance	Replacement Of Trees Throughout Township Pursuant to Tree Preservation Ordinance	***1612	Mayor, and Clerk, and CFO or Assistant CFO
Ocean First Bank	UDAG Loan & Grant	Federal Housing and Urban Development Program grants and repayment of reciprocal loans	Issuance of reciprocal loans, grants and other funding programs to promote economic development	***1653	Mayor, and Clerk, and CFO or Assistant CFO
Ocean First Bank	Unclaimed Monies	Funds turned over to Township from various sources with no known owner	Return to rightful owner or payment to State of New Jersey per regulations	***1539	Mayor, and Clerk, and CFO or Assistant CFO
Ocean First Bank	Open Space Trust	Donations intended to expand and improve open space in Neptune Township	Acquisition of land or improvement to land pursuant to donations	***1604	Mayor, and Clerk, and CFO or Assistant CFO

Bank Name	Account Name	Revenue Derived From:	Disbursements For:	Account Number	Authorized Signatures
Ocean First Bank	Law Enforcement Trust	Funds received through police activity under state forfeiture laws	Police projects and programs as permitted by state forfeiture laws.	***1521	Mayor, and Clerk, and CFO or Assistant CFO
Ocean First Bank	Marina Utility	Fees generated through Marina Utility operations, including dock fees, winter storage, lease of property and other authorized charges	Marina budgetary expenditures	***1729	Mayor, and Clerk, and CFO or Assistant CFO
Ocean First Bank	Marina Capital	Marina Utility Capital Improvement Funds, Bond Issues, grants and donations	Capital Improvements Within the Marina Utility	***1737	Mayor, and Clerk, and CFO or Assistant CFO
Ocean First Bank	Grant Account	Funds Received Through Federal and State Grants	Specified Grant Projects	***1448	Mayor, and Clerk, and CFO or Assistant CFO
Ocean First Bank	Trust Other	Various Trust Accounts	Specified Trusts	***1489	Mayor, and Clerk, and CFO or Assistant CFO
Ocean First Bank	Unemployment Trust	Payroll Deductions and Annual Budget	Unemployment Claims	***1547	Mayor, and Clerk, and CFO or Assistant CFO

Bank Name	Account Name	Revenue Derived From:	Disbursements For:	Account Number	Authorized Signatures
Ocean First Bank	Older American	Donations for Older Americans Act Compliant Projects or Programs	Payments for Older Americans Act Compliant Projects or Programs	***1562	Mayor, and Clerk, and CFO or Assistant CFO
Ocean First Bank	Tax Collector's Trust	Lien Redemptions and Other Tax Related Financial Transactions (That Do Not Go Directly into General Revenues)	Payment To Lien Holders and The Township	***1463	Clerk or Deputy Clerk and Tax Collector or Deputy Tax Collector
Ocean First Bank	Municipal Alliance	Grant Funding from Monmouth County	Municipal Drug and Alcohol Alliance Programs	***1554	Mayor, and Clerk, and CFO or Assistant CFO
Ocean First Bank	Library Trust	Donations, Rentals, Faxes, Copies and Fines	Funding for Library Purposes	***1661	Mayor, and Clerk, and CFO or Assistant CFO
Ocean First Bank	Library Trust	Donations, Rentals, Faxes, Copies and Fines	Funding for Library Purposes	***1661	Mayor, and Clerk, and CFO or Assistant CFO
Ocean First Bank	Flexible Spending Account	Voluntary Employee Contributions by Contract	Participants Health Care Costs and Expenses	***1679	Mayor, and Clerk, and CFO or Assistant CFO

Bank Name	Account Name	Revenue Derived From:	Disbursements For:	Account Number	Authorized Signatures
Ocean First Bank	TCDER II Grant	Grant Funding from State	BPU MicroGrid	***0979	Mayor, and Clerk, and CFO or Assistant CFO
All	All	Wire Payments and Transfers	Up to $1,000,000.		Any Two (2): CFO, Assistant CFO, Purchasing Agent
All	All	Wire Payments and Transfers	Over $1,000,000.		CFO and Assistant CFO and Purchasing Agent
NJ Cash Mgmt Fund	General	Wire Payments and Transfers	Wires: • Up to $1,000,000 any two (2). • Over $1,000,000 all three (3). • Transfers: only (1).	***6558	CFO and Assistant CFO and Purchasing Agent
NJ Cash Mgmt Fund	General Capital	Wire Payments and Transfers	Wires: • Up to $1,000,000 any two (2). • Over $1,000,000 all three (3). • Transfers: only (1).	***6566	CFO and Assistant CFO and Purchasing Agent

Bank Name	**Account Name**	**Revenue Derived From:**	**Disbursements For:**	**Account Number**	**Authorized Signatures**
NJ Cash Mgmt Fund	Grant	Wire Payments and Transfers	Wires: • Up to $1,000,000 any two (2). • Over $1,000,000 all three (3). • Transfers: only (1).	***6574	CFO and Assistant CFO and Purchasing Agent
NJ Cash Mgmt Fund	Sewer Operating	Wire Payments and Transfers	Wires: • Up to $1,000,000 any two (2). • Over $1,000,000 all three (3). • Transfers: only (1).	***6582	CFO and Assistant CFO and Purchasing Agent
NJ Cash Mgmt Fund	Marina Utility	Wire Payments and Transfers	Wires: • Up to $1,000,000 any two (2). • Over $1,000,000 all three (3). • Transfers: only (1).	***6604	CFO and Assistant CFO and Purchasing Agent
NJ Cash Mgmt Fund	Marina Capital	Wire Payments and Transfers	Wires: • Up to $1,000,000 any two (2). • Over $1,000,000 all three (3). • Transfers: only (1).	***6612	CFO and Assistant CFO and Purchasing Agent
NJ Cash Mgmt Fund	Affordable Housing	Wire Payments and Transfers	Wires: • Up to $1,000,000 any two (2). • Over $1,000,000 all three (3). • Transfers: only (1).	***6620	CFO and Assistant CFO and Purchasing Agent

FINANCIAL MANAGEMENT POLICIES

I. PROTECTION OF TOWNSHIP ASSETS

Cash management is a form of risk management in that any time the Township earns revenue, makes an investment, or commits to an expenditure, it incurs a certain amount of risk. The Chief Financial Officer must recognize and minimize the Township's exposure to five distinct types of risk;

Default Risk. Default risk applies mainly to investments but could also apply to basic checking accounts. Default risk is the risk that some or all of the principal amount of an investment or account will not be available due to default by the issuer, securities dealer or broker, bank or other financial institution. Default risk is best avoided by carefully screening investment dealers and banks for potential default problems and by limiting investments to those instruments which are least likely to default. Should a default occur, the Township will take all recourse actions available through deposit insurance, regulatory and legal systems.

Market Risk. Market risk is the risk that, while the Township holds an investment instrument, changes in the financial markets reduce the value of the investment. In extreme cases, the market value may fall below the principal amount invested by the Township. The Township can protect against market risk by investing in instruments which are guaranteed to mature at an amount equal to or greater than the principal investment. As such, the Township shall avoid market risk by investing in approved re-purchase agreements, money market funds, savings accounts, Certificates of Deposit and other similar products as approved by the New Jersey Department of Community Affairs – Division of Local Government Services as described in Article VI of this document.

Reputational Risk. An offshoot of the other forms of risk, reputational risk is the risk that the Township will lose stature by making a cash management mistake. Few events are more damaging to a government's prestige and potential than a well-publicized investment loss. While the most common cause is loss of principal due to default, the Township's reputation may also be damaged by overzealous collection processes or by late payment of expenditures. Reputational risk may cause long-term harm to the government as citizens question the management capability of both elected officials and the professional staff. A poor reputation may also discourage vendors and potential new businesses and residents from working with or locating in the Township.

Safekeeping Risk. The rise of electronic funds transfers and creative investment instruments has spawned a new process of investing in which the cash manager may never see the instrument in which they are investing. Many banks, brokers and dealers prefer to issue a safekeeping certificate or use another simple method to evidence receipt of the principal. The most common use of safekeeping certificates is in repurchase agreements, in which the Township purchases certain securities, and the broker agrees to repurchase them with interest at a later date. The broker often issues a certificate that the securities are on hand and being held against the investment. The Township may protect itself against the external safekeeping risk by demanding collateral securities be physically delivered to the Township as a condition of making the investment. This practice may reduce yields but provides an important form of protection. The internal safekeeping risks of lost monies can be reduced by practicing sound internal controls.

Collection Risk. There can be a significant difference between revenue earned and revenue collected. Nonpayment of taxes, fees, and fines poses a risk that resources budgeted and treated in the accounting system as if they were received may never actually appear. There is also a strong "word of mouth" factor. If individuals seem to "get away" without paying large amounts in fines, fees or taxes, many others will try this technique. The Township must protect itself against collection risk by utilizing aggressive collection procedures.

II. LIQUIDITY / RESERVES

Idle cash is only idle and available to invest until it is needed to pay employees or invoices. An important objective of an effective cash management plan is to time investments to that they mature at the same time they are needed to meet these obligations. If they mature too early, the Township will lose interest earnings, if they mature too late, the Township risks a potential problem of liquidity. The Township must strive to guarantee liquidity by carefully forecasting expenditures; determining if each upcoming expenditure obligation is "covered" by cash on hand, incoming revenue, or maturing investments; and timing investments to meet the next "uncovered" obligation. A margin for unexpected expenditures is allowable and expected.

The Township strives to maintain liquidity through appropriate reserve balances. The Township target for reserve ratios pursuant to the policy shall be a minimum of 2% of current year appropriations (not including the reserve for uncollected) after utilization of the prior year reserve balance. In addition, the Township will monitor and adjust spending and revenue sources throughout the budget year to meet an end of year reserve balance of 10% of the prior year budget (not including the reserve for uncollected).

III. FINANCIAL REPORTS

The Chief Financial Officer shall produce or have produced the following expenditure and financial condition reports and make them available to the elected officials of the Township.

- Budget Expenditure Reports – Available Monthly in Finance Office
- Budget Revenue Reports – Available Monthly in Finance Officer
- Budget Amendments – Presented as Necessary
- Un-Audited Financial Reports – Prepared Annually

- Annual Audited Financial Statement – Prepared Annually by Independent Auditor
- Annual Debt Statement – Prepared Annually

The purchasing department shall utilize the encumbrance system as outlined in the Township of Neptune Purchasing Manual. The basis of said manual shall be to comply with all purchasing regulations governing the abilities of the Township of Neptune. The Township shall utilize Requisitions, Purchase Orders and Voucher forms with signatures required from Department Heads and Township Committee members. The Township shall encumber funds for contracts and purchase orders once they are approved. The Township shall pay all invoices in accordance with terms of same. Payments should not be made later nor earlier than required by said terms. The Township shall utilize a centralized purchasing system and maintain a comprehensive fixed assets inventory.

The Township Cash Management Plan shall be provided to all elected officials of the Township of Neptune as well as all appointed officials who are affected by same.

The Chief Financial Officer shall have staff produce the following revenue and investment reports and make them available to the elected officials of the Township.

- Investment Analysis: Presented Quarterly
- Monthly Cash Receipts Reports

The Tax Collector will be responsible for preparing daily cash receipt reports and submitting same to the Asst. Chief Financial Officer for cash forecasting and tracking information. The Tax Collector will maintain a monthly analysis of taxes receivable and reports detailing all adjustments, tax sale information and assignments.

IV. DEBT MANAGEMENT

The Chief Financial Officer shall maintain an analysis of all debt authorized but not issued, recommend cancellations of authorization balances no longer needed, recommend re-appropriation of authorization balances no longer needed for their intended use, maintain an analysis of grants receivable for capital improvement projects, handle all facets of bond and bond anticipation note issuance, ensure that the Township remains in compliance with arbitrage regulations and that an annual analysis and report are compiled concerning arbitrage.

The CFO shall prepare a six-year Capital Improvement Plan as part of the annual budget process which will be considered for approval by the Governing Body. Once approved, this plan shall be utilized as a basis for the authorization of new debt. Other factors to be considered in regard to new debt issuance will include, grant funding, other funding sources, current and future budget impact, short-term and long-term bond markets, and project prioritization.

The Township strives to maintain a stable but aggressive debt repayment schedule and debt ratio as compared to equalized valuation. The target debt ratio has been established as approximately 20% of allowable debt capacity pursuant to the Local Bond Law. This ratio may be exceeded by action of the governing body or by policy change.

The Township Committee of the Township hereby delegates to the Chief Financial Officer or Administrator of the Township, in accordance with the provisions of N.J.S.A. 40A:2-27(a)(2) and N.J.S.A. 40A:2-59, the power to sell and award the Bonds and to enter into Bond Purchase Agreements. The Township Committee delegates authority to the Chief Financial Officer to determine the form and other details necessary for the issuance of General Obligation Bonds and Bond Anticipation Notes to fund general and utility capital programs and projects and to refund existing General Obligation Bonds when savings related to such an issuance will meet the requirements of the rules and regulations governing refunding bonds. The Chief Financial Officer is hereby authorized and directed to determine, in accordance with the Local Bond Law all aspects of a bond issuance or bond purchase agreement to include the aggregate amount to be issued, to name and designate the bonds, to set the maturity and principal installments, to date the bonds, to determine or agree to an interest rate for the bonds, to determine or agree to a purchase price for the bonds, to direct the application and investment of the proceeds of bonds, to determine or agree to the conditions under which the bonds shall be subject to redemption prior to their stated dates of maturity and all other aspects required to properly finance the capital debt of the Township.

V. AUDIT AND REVIEW

All employees will work with the Township auditing firm to ensure a thorough and accurate audit review. The Chief Financial Officer shall arrange an Audit Exit Conference with Township Auditor and prepare a Corrective Action Plan in response to audit comments or recommendations if any are included in the audit report. The Corrective Action Plan will be submitted to the Township Committee for approval and submitted to the Division of Local Government Services in accordance with regulations concerning same.

VI. OPERATIONAL CASH MANAGEMENT OBJECTIVES

A. Increase non-tax revenue when it is not needed for current obligations:

1. Schedule due dates for licenses during the first three months of the calendar year.
2. Schedule contractual payments to be made monthly.

B. Keep idle funds working even at a lower interest rate when necessary:

Invest all available monies in overnight investments such as the New Jersey State Cash Management Fund or an interest-bearing investment account such as the Township Clearing Account.

C. Understand present cash flow.
Cash flow projections shall be updated monthly and project the following three (3) months.

D. Estimate pattern of future cash flows.
The Township is aware that major cash flow periods occur within the General Account during the first ten days of each tax paying period. The Township Sewer Operating Account is most active during the thirty-day collection periods established therefore.

E. Where possible, the Township shall schedule payments and obligations in a manner as such as the majority of obligations that can be scheduled will be made payable after a period of increased collections as described above.

F. Identify and become familiar with the short-term money market.
The Township will maintain analysis of available investment terms at the point that each investment decision is made. Where practical, the Township shall invest in the product that is most beneficial to the Township both by yield and availability. The Township shall maintain a relationship with all of the brokers, dealers, bank officers and investment officials outlined in the cash management resolution adopted annually by the Township Committee.

G. Bidding specifications for banking relationships shall be adopted so as to compare banking practices. The Asst. Chief Financial Officer shall maintain an analysis of banking proposals and information concerning the basis for which a banking relationship has been established. Banking services should be competitively marketed every 5 years, but reviewed annually to assure the Township is being served at acceptable levels.

H. The Township of Neptune shall project a knowledgeable image to the banking firms with which it established relationships. A knowledgeable cash manager will gain the respect of banking officers who will work harder to offer conditions desirable to the Township. The Chief Financial Officer and Assistant CFO shall handle all relationships with bank officers, with the exception of day to day transfers and routine banking methods.

I. The Township will not entertain political considerations in its cash management policies. All banking relationships shall be established on the basis of what is best for the Township's cash management position.

J. The Township will select a lead bank with which it will deal with concerning day to day activity. The lead bank will be determined based on its size and reputation, location convenience, ability to draw large payments and other considerations as detailed herein.

K. Profitability of bank accounts to be compared when selecting a bank. The Township shall consider the amount required for compensating balances or bank fees and the "float".

L. A Cash Management resolution shall be adopted annually by the Township Committee upon receipt of recommendations for the Chief Financial Officer.

M. The resolution shall list all Township bank accounts, the reason for the account, the average balance of the account during the preceding twelve months, the source and nature of deposits and the source and nature of withdrawals.

N. The resolution shall provide a statement which eliminates the need for additional resolutions to provide the authority to invest funds. The resolution shall act as a guideline by which the Chief Financial Officer acts but shall not limit his ability to legally invest funds on behalf of the Township.

O. Cash disbursements shall be scheduled to be released on a regular basis in order to provide for accurate investment policies.

P. It shall be the policy of the Township of Neptune to authorize payment of bills at each of the two regular Township Committee meetings held on the first and third Monday's of each month. Checks authorized for release at said meetings will become available after 3:00 PM of the Thursday proceeding said action. This policy will not limit the Township Committee from authorizing payments at any other Township Committee meeting, including workshop meetings properly advertised for such action nor limit the Chief Financial Officer's ability to issue a disbursement between meetings to be confirmed by the Township Committee at a later date. Examples of payments that are clearly authorized to occur prior to authorization on a meeting include (but are not limited to):

- Utilities
- Payroll
- Debt Service
- Health, Dental and Other Insurance Premiums
- Federal, State and County Taxes and Fees
- Postage
- School And Fire District Taxes

- Contractual Obligations for Awarded Contracts
- Contractual Obligations for Shared Services
- Items Deemed Necessary by The Chief Financial Officer

R. In order to comply with this policy, all department heads must ensure that completely executed vouchers with invoices are submitted to the Purchasing Department by 9:00 AM of the Wednesday preceding the meeting night on which they are intended to be paid. Department heads and the Purchasing Department should review all payments to ensure that they are paid as late as possible but within the terms set forth by the purchase order.

S. Cash flow shall be estimated for a twelve-month period, as detailed in the budget document, with more formal and accurate analyses provided for lesser periods as described herein.

T. Estimation of revenues shall include anticipated receipts from: Municipal Revenues, Federal Revenue, State Revenues, and Bond Issues.

U. Estimation of expenditures should include; salaries and wages, payroll taxes, debt service, capital expenditures, employee benefit plans, and operating budgets.

V. Investments will be timed and calculated based on the projections and analyses detailed herein.

W. The Chief Financial Officer shall remain informed concerning the legal implications involved in the investment of municipal funds.

X. Discretion of Chief Financial Officer will be permitted in allowing some variance in the policies outlined herein, when, said variances are caused by unforeseen circumstances, emergency situations and other situations where the CFO feels that conformance with the policy would be detrimental to the financial operation of the municipality.

VII. INTERNAL CONTROLS / CASH

A. Internal controls shall be utilized to ensure maximum availability and safekeeping of funds:

1. Tax bills and delinquent notices shall be mailed promptly.
2. The Township will remain aggressive in its strategies to collect delinquent charges.
3. All funds collected before 2:30 PM will be deposited the same day they are collected. Funds collected after 2:30 PM will be deposited by 11:00 AM on the following business day.

4. A police officer shall be made available to transport all municipal funds to the proper depository.
5. Access control to areas of the municipal complex where cash receipts are taken, payroll records are stored, computer servers or key equipment is maintained, personnel information is maintained, and/or where it is deemed appropriate to secure records or information systems, shall have access limited to the staff assigned to said areas. Access may also be granted to the Township Administrator, Chief Financial Officer, Municipal Clerk, and Human Resources Director as determined appropriate by the Department Head responsible for said area. Building Maintenance employees shall have access to these areas for the purpose of cleaning once all records and cash have been secured at the end of the workday.
6. All funds, including change funds, petty cash funds, daily receipts, and any other funds maintained by a department must be maintained in a locked container, proofed daily, and securely stowed at all times.
7. Each department head must regularly review their office procedures to ensure that adequate internal controls are in place. The purpose of these policies is to ensure compliance with general law, operate using best practices, and ensure the safekeeping of taxpayer funds. This includes, but is not limited to; compliance with the Local Budget Law, the Local Fiscal Affairs Law, State and Federal Grant requirements and the Local Public Contracts Law. Legal compliance can only be maintained with the diligent application of these financial controls.
8. All payment accounts are to be protected utilizing the Positive Pay System. The Asst. Chief Financial Officer and/or Purchasing Agent must review items for payment in the Positive Pay System for all bank accounts every banking business day between 8:30am – 11:30am, with the exception of accounts that are authorized by electronic submission of the bill list to the paying bank(s).

B. Cash Receipt Controls.

Every department receiving cash receipts must maintain a cash book or cash log. At a minimum, the cash book must contain the following information (this may be maintained on a computer system that tracks changes):

- **Date of receipt.**
- **Amount of receipt.**
- **Name of payee.**
- **Purpose for payment.**
- **Other pertinent information.**

The person making payment must be given a receipt by the department.

C. **Cash verification.** Each department head or supervisor must ensure the safety of cash deposits. The Township of Neptune has a "banking" type arrangement in the Tax Collector's Office which assists each department in making fast deposits. Each Township office that collects cash must ensure that it is deposited quickly with the Tax Collector and no later than 48 hours (per N.J.S.A. 40A:5) after receipt.

The department head must examine the receipt book at least monthly to ensure its veracity.

Purchasing. Every department must follow the Township of Neptune Purchasing Guidelines/ Manual. Please ensure that original invoices, receipts, and all necessary descriptions and certifications are attached to each purchase order and voucher. This is an essential control and if not followed will result in nonpayment by the Finance Department. Also, please ensure that the requisition system resulting in a purchase order is followed.

D. **Budget Controls.** Every department head may not exceed their budget allocation for salaries and wages and other expenses (operating expenses). No emergencies are allowed in operating budgets (reference N.J.S.A. 40A:4). If an officer or employee of the Township over expends a budget (S&W or OE), state law is broken and the official is subject to possible prosecution. Do not spend money you do not have without permission from the Administrator and the Chief Financial Officer. Each department head must review his or her budget monthly and if there are any questions, contact the Finance Department.

E. **Equipment.** All equipment of values must be listed in the Township Fixed Assets Inventory maintained by the Finance Department. The Finance Department is to be notified of all reassignments of assets, the sale of assets, and the acquisition of assets if acquired outside of our purchase process. Department Heads should regularly assist the Finance Department in verifying their section of the Fixed Assets Inventory.

F. **Employee Information.** An accurate log of sick, vacation, holiday time, etc. must be maintained for each employee. The Township utilizes a computerized system for time management. All Department Heads must assure that all employees are recording their time in this system.

G. **Overtime Approval.** The approval of overtime must be made directly by the department head. If a supervisor is making the day-to-day decision of overtime approval, there must be adequate justification of the expense. Please remember that overtime is subject to the aforementioned budget controls.

H. Payroll. Every payroll change must be accompanied by a personnel action form. This form must be signed by the department head, CFO, and Township Administrator. The finance department will verify all payroll information. In no case will an employee be compensated greater than allowed by law. These internal controls are designed to protect the Township of Neptune from fraud, misappropriation of assets, etc. Also, statutory compliance is maintained by continually reviewing these controls. All payroll submission must be made in the format provided by the Finance Department and in accordance with the calendar distributed by the Finance Department.

I. Wire and ACH Payments. Wire and ACH payments must be initiated by one authorized person and approved by another (Chief Financial Officer, Assistant Chief Financial Officer, Purchasing Agent). Any wires over $1 million need to be initiated by 1 authorized employee and approved by 2 authorized employees. The employees authorized are in the finance department, and have been assigned a token authentication through the bank. In addition, a fourth employee that does not have a role in initiating nor approving wire nor ACH payments will be provided with documentation regarding every wire and ACH payment and will reconcile the wire and ACH documentation with the actual wire and ACH payment activity on the bank account reports.

1. Free form wire transfers and ACH payments must be blocked in the banking system. Only wire transfers where an approved wire or ACH template or conducted through the secure transfer portal as authorized are allowed.
2. A detailed description of all wire transfers and ACH payments must be filed with the Chief Financial Officer and the Clerk and be made available for audit.
3. The Finance Department shall verbally confirm, within 24 hours, with receiving vendor/entity that the funds were credited to their account. Said confirmation shall be recorded to include the name of the official providing the confirmation, along with the date, time and amount.
4. Wire payments and transfers shall be utilized for payments to other governmental entities, for transfer amongst Township accounts (including investments and cash management funds), for debt service payments, and in emergent situations as authorized by the Chief Financial Officer.
5. No wire transfer nor ACH payment shall exceed a total of $5,000,000.00.

6. On-line banking alerts shall be received from Township Financial institutions for all wires & ACHs changes to a template. A wire/ACH is not released until the recipient of the alert notification approves it. Changes to ACH templates require approval from a second authorized employee.
7. Authorized users are required to set up the restrictions on the banking institution's on-line system to prohibit international wire transfers.
8. The financial institution and the Chief Financial Officer are to be notified immediately if suspicious activity is detected.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Funds (continued)

Loan and Grant Fund. Used to account for the loan activity related to UDAG, reciprocal, and facade improvement loans.

Marina Utility Operating and Capital Funds Account used for the operations and acquisitions of capital facilities of the municipality-owned marina utility. Bonds and notes payable of the Utility Fund are recorded in the Utility Capital Fund.

Public Assistance Trust Fund Receipts and disbursements of funds that provide assistance to certain residents of the Township pursuant to Title 44 of New Jersey statutes.

Payroll Fund Receipts and disbursements to account for the payroll and payroll tax liabilities of the Township. Amounts are received from the Current, Sewer Utility and Marina Utility Funds.

General Fixed Assets Account Group Used to account for fixed assets used in general governmental operations.

Basis of Accounting:

"The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from GAAP applicable to local governmental units. The more significant differences are as follows':

A modified accrual basis of accounting is followed with minor exceptions.

Budgets and Budgetary Accounting The Township of Neptune must adopt an annual budget in accordance with N.J.S.A. 40A:4-4 et al. N.J.S.A. 40A:4-5 which requires the governing body to introduce and approve the annual municipal budget no later than February 10 of each year. At introduction, the governing body shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper published and circulated in the municipality. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the governing body may, by majority vote, adopt the budget or may amend the budget in accordance with N.J.S.A. 40A:4-9.

An extension of the statutory dates for introduction, approval and adoption of the municipal budget may be granted by the Director of the Division of Local Government Services, with the permission of the Local Finance Board. Budgets are adopted on the same basis of accounting utilized for the preparation of the Township's financial statements.

Cash, Cash Equivalents and Investments New Jersey municipal units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey municipal units.

The Township of Neptune is required to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

> N.J.S.A. 17:9-42 requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.
>
> Public funds are defined as the funds of any government unit. Public depositories include banks (both state and national banks), savings and loan institutions and savings banks, the deposits of which are federally insured. All public depositories pledge collateral, having a market value of five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories in the collateral pool, is available to pay the full amount of their deposits to the governmental units.
>
> The Township considers highly liquid investments with an original maturity of three months or less at the time of purchase to be cash equivalents.

Property Taxes and Other Revenues Property taxes and other revenues are recognized on a cash basis. Receivables for property taxes and other items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Township's Current Fund. GAAP requires such revenue to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts. Property taxes are payable quarterly on the first day of February, May, August and November.

Grant Revenues and Expenditures Federal and State grants, entitlement or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Township's budget. GAAP requires such revenues to be recognized in the accounting period when they are earned and the expenditures to be recognized when the liability is incurred.

Expenditures Unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless cancelled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

Encumbrances Contractual orders beginning December 31 are reported as expenditures through the establishment of a reserve for encumbrances. Encumbrances do not constitute expenditures under GAAP.

Appropriation Reserves The reserves available, until lapsed at the close of the succeeding year, to meet specific claims, commitments, or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under GAAP.

Deferred Charges Regulatory basis of accounting utilized by the Township requires that certain expenditures be deferred and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories, over expenditures and emergency appropriations. Over expenditures occur when expenditures recorded as "paid or charged" exceed available appropriation balances. Emergency appropriations occur when, subsequent to the adoption of a balanced budget, the governing body authorizes the establishment of additional appropriations based on unforeseen circumstances or for other special purposes as defined by statute. Over expenditures and emergency appropriations are deducted from total expenditures in the calculation of operating results and are established as assets for Deferred Charges on the respective balance sheet. GAAP does not permit the deferral of over expenditures to succeeding budgets. In addition, GAAP does not recognize expenditures based on the authorization of an appropriation. Instead, the authorization of special purpose expenditures, such as the preparation of tax maps or revaluation of assessable real property, would represent the designation of fund balance.

Compensated Absences Expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations be recorded as a long-term obligation.

Property Acquired for Taxes Recorded in the Current Fund at the assessed valuation when such property was acquired and fully reserved. GAAP requires such property to be recorded in the general fixed assets account group at its market value.

Mortgage Receivable - The Township has entered into a mortgage agreement in the amount of $400,000.00. The Township sold property to a developer to construct affordable housing units as part of the Schoolhouse Square Project ("the Project"). As part of the mortgage agreement when a unit is sold, the purchaser will sign a $20,000.00 secondary mortgage payable to the Township under the Neptune Housing Incentive Fund Program. This is a no interest mortgage and is payable in a single lump sum payment upon the first to occur of the following events:

- The sale of the property; or
- The refinancing of the purchaser's first mortgage
- The repayment in full of the note secured by the first mortgage

The mortgage receivable is fully reserved and revenue will only be recognized when and if units are sold and the above conditions are met.

Interfund The 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. GAAP does not require the establishment of an offsetting reserve.

Inventories of Supplies The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The inventories have offsetting reserve amounts.

Reserve for Sale of Municipal Assets Cash proceeds from the sale of Township owned property may be reserved until utilized as an item of anticipated revenue in a subsequent year budget. Year end balances of such proceeds would be reported as a cash liability in the Current Fund. GAAP requires that revenue be recognized in the accounting period that the terms of sales contracts become legally enforceable.

Capital Leases The Capital Leases are not recorded at the lesser of the fair value of the leased property or the present value of the minimum lease payments. GAAP requires an amount equal to the lesser of the fair value of the leased property or the present value of the minimum lease payments to be recorded in General Fixed Assets Account Group and the long-term obligation be recorded as part of a General Long-Term Debt Account Group.

General Fixed Assets Property and equipment purchased by the Current and the General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized. Accounting for Governmental Fixed Assets, as promulgated by Technical Accounting Directive No. 2 as issued by the Division of Local Government Services, differs in certain respects from generally accepted accounting principles. The following is a brief description of the provisions of the Directive.

Fixed assets used in governmental operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value.

No depreciation on general fixed assets is recorded in the financial statements.

Fixed assets acquired through grants-in-aid or contributed capital are not accounted for separately.

Fixed Assets (Utility) Accounting for utility fund "fixed capital" remains unchanged under the Requirements of Technical Accounting Directive No. 85-2.

Property and equipment purchased by the Sewer and Marina Utility Funds are recorded in the capital account at cost and are adjusted for disposition and abandonments. The amount reported for reserve for amortization of fixed capital acquired on the balance sheet of the Sewer and Marina Capital Funds represents the aggregate charges (capital outlay and debt service) to the operating budget for the costs of acquisitions of property and equipment and proceeds from grants-in-aid. The utilities do not record depreciation of property and equipment. GAAP does not require the establishment of a reserve for amortization of fixed capital, whereas it does require the recognition of depreciation of property and equipment by enterprise funds.

Basis of Accounting (Continued)

Comparative Data Comparative total data for the various funds for the prior year has been presented in the accompanying Balance Sheets and Statements of Operations and Changes in Fund Balance in order to provide an understanding of changes in the Township's financial position. However, Comparative Statements of Revenues and Statements of Expenditures have not been presented since this inclusion would make the statements unduly complex and difficult to read.

Basic Financial Statements The GASB Codification also defines the financial statements of a governmental unit to be presented in general purpose financial statements in accordance with GAAP. The Township presents the financial statements listed in the table of contents which are required by the Division and which differ from the financial statements required by GAAP.

In addition, the Division requires the financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from GAAP.

GRANT FUND

A. **Eligible Costs.** It shall be the responsibility of the funded department to assure that all grant related expenditures are made in compliance with the grant agreement and shall be limited to those costs expressly permitted by in the grant agreement. Unless specifically otherwise required in the grant agreement, all grants shall be expended prior to the expenditure of local funding. In cases where there is a specific percentage match, all expenditures will be made on a pro-rated basis until all grant funds have been expended.

B. **Reporting.** It shall be the responsibility of the funded department to provide all information necessary to assure timely reporting as described in the grant agreement. Upon receipt of each grant, the CFO shall hold a grant review meeting to include the department responsible for the grant, the Administrative Assistant to the CFO, the Assistant CFO and other individuals deemed necessary to assure complete compliance with grant terms and procurement requirements. At this meeting, a determination will be made as to who will be responsible for the timely submission of required reports. In all cases, a copy of each grant report with supportive information shall be filed with the Administrative Assistant to the CFO and made available for audit.

C. Close-Out. Upon close-out for each grant, the CFO shall hold a close-out review meeting to include the department responsible for the grant, the Administrative Assistant to the CFO, the Assistant CFO and other individuals deemed necessary to assure complete compliance with grant terms. At the conclusion of this meeting, final grant close-out reports shall be submitted and the Assistant CFO shall cancel all grant receivables and grant reserves deemed to be in excess of the funded portion of the grant.

D. All grant files shall be labeled to include:

- Account number (ordinance or budget),
- Grant Name
- CFDA #

E. All grant files maintained in the finance office shall include a copy of the grant agreement and any associated internal controls / financial management policies applicable to the accounting for said grant.

TRUST FUND

A. Trust funds are defined for the purposes of this cash management plan as funds deposited in specific accounts, for specific purposes, as authorized by NJSA 40A:4-39 (Dedication By Rider).

B. Funds in these accounts may be utilized by Department Heads in compliance with NJSA 40A:4-39 and this plan, for their intended purpose. This use of funds must be in compliance with this plan, the Local Public Contracts Law, and the Neptune Township Purchasing Policy.

C. Use of Trust Funds in compliance with the policies, laws, and regulations described in XVII, 2, does not require the pre-approval of the governing body, unless the purchasing is in excess of the bid threshold.

D. No member of the governing body shall have the ability to direct the use of Trust Fund accounts. Any use of the Trust Funds outside of those regularly utilized by the Department Head as described herein, shall require approval, by resolution of the governing body.

E. The Department Head having administrative control of each particular Trust Fund shall be responsible for assuring that all funds deposited in the Trust Fund are utilized for their stated purpose.

VIII. <u>GASB 88</u>

The Township's outstanding notes from direct borrowings and direct placements related to governmental activities contain a provision that in an event of default, outstanding amounts become immediately due if the Township is found to be in default, as described in the Bond Purchase Agreement.

The Township has no outstanding notes from direct borrowings related to business-type activities.

The Township does not maintain a line of credit, as such, there are no unused balances from a line of credit.

This information shall be included as part of the statement of debt in the audited financial statement of the Township.

IX. TYPICAL JOURNAL ENTRIES TO ASSURE MAINTENANCE OF ACCURATE GENERAL LEDGER RECORDS

CURRENT FUND

ROUTINE ANNUAL JOURNAL ENTRIES

TAX G/L ENTRIES

	ENTRY	WHEN
____	Post Tax Levy	When Tax Rate is struck
____	Post Amounts Due to Other Agencies	When Tax Rate is struck
____	Post Sr. /Vet per duplicate	When Tax Rate is struck
____	Apply PY Prepaid Taxes	Audit
____	Post Added/Omitted Levy	October
____	Analyze Current Year Taxes (optional)	At Closeout
____	Perform analysis of PY Tax Activity	At Closeout
____	Transfer from Taxes Receivable to TTL	At Closeout
____	Record Canceled Taxes	At Closeout
____	Record Sr. / Vet Allowed/ Disallowed	At Closeout
____	Agree Prepaid Taxes to Appropriate Report (Not an official entry)	At Closeout
____	Record Foreclosed Property	At Closeout
____	Record 6% Penalty, if Applicable	At Closeout
____	Record Overpayment Activity	At Closeout
____	Agree Receivables to Reserves	At Closeout
____	Move Current Year Taxes Receivable to Delinquent Taxes Receivable	At Closeout
____	Check General Ledger Balances	After Closeout

MAINTAIN SUBSIDIARIES

BUDGET ACCOUNTS

	ENTRY	WHEN
____	Verify Grants in Current Fund	Budget Adoption
____	Charge off Grants in Current Fund	Budget Adoption
____	Set Up Grants in Grant Fund (Adopt/Amend Batch does Revenue too)	Budget Adoption
____	Record Chapter 159 Activity	As 159's Occur
____	Charge off: Deferred Charges RUT, Capital Improvement Fund Etc.	Budget Adoption
____	Cancel Unexpected Debt Service	At Closeout

REVENUE ACCOUNTS

	ENTRY	WHEN
____	Verify Grants in Current Fund	Budget Adoption
____	Realize Grant Revenue in Current Fund	Budget Adoption
____	Record Chapter 159 Activity	As 159's Occur
____	Realize Revenue for Surplus	Budget Adoption

OTHER CLOSING ENTRIES

	ENTRY	WHEN
____	Move PY Encumbrances Payable to Appropriate Reserves	At Closeout
____	Set up Accounts Payable, if applicable	At Closeout
____	Lapse Appropriation Reserves to Fund Balance	At Closeout
____	Close out Current Year Appropriations to Appropriation Reserves	At Closeout
____	Set up Encumbrances Payable	At Closeout
____	Close Revenues to Fund Balance (Or Operations)	At Closeout

Afterwards (Double Check to Ensure):

- G/L Debits = G/L Credits
- Cash reconciliations tie into the various cash accounts on your general ledger.

- Receivables equal the respective Reserve for Receivables (exclude Sr/Vet, if applicable).
- Interfund Receivable/Payable agree to the interfund in the offsetting fund.
- Revenue G/L Accounts = ZERO
- CY Appropriations = ZERO

GENERAL CAPTIAL FUND

ROUTINE ANNUAL JOURNAL ENTRIES

	ENTRY	WHEN
____	Move PY Encumbrances and Contracts Payable To Improvement Authorizations	Audit
____	Record New Improvement Authorizations	As they Occur
____	Record payment of Debt Service Principal By Current Fund	At Closeout
____	Set up Contracts Payable and Encumbrances	At Closeout
____	Tie in Capital Budget Status to Improvement Authorizations in G/L (Funded/Unfunded	At Closeout

Miscellaneous General Capital Activity (If Applicable)

	ENTRY	WHEN
____	Record Issuance of New Debt issued For an Improvement Authorization	At Closeout
____	Record Effects of Bond Sale	As they Occur
____	Record Cancelled Improvement Authorizations	As they Occur
____	Set up Reserve for Preliminary Expenses	As they Occur

GRANT FUND

ROUTINE ANNUAL JOURNAL ENTRIES

	ENTRY	WHEN
____	Move PY Encumbrances Payable to Appropriate Reserves	Audit
____	Reclassify PY Unappropriated to Appropriated Reserves	Budget Adoption
____	Identify and record and New Unappropriated	

	Grant Receipts	At Closeout
____	Record Cancelations(s), if Applicable	As they Occur
____	Set up Reserve for Encumbrances	At Closeout
____	Tie in Grant Revenue Account Status Report to G/L Grants Receivable	At Closeout
____	Tie in Grant Budget Account Status Report to G/L Grants Appropriated	At Closeout

TRUST FUND

ROUTINE ANNUAL JOURNAL ENTRIES

	ENTRY	WHEN
____	Balance Trust Account Status With Reserves in GL	At Closeout
____	Transfer earned interest to Current Fund (Avoid Interfund)	At Closeout
____	Set up Due to State Payable Animal Trust	Monthly
____	Calculate Statutory Excess and Transfer To Current (if applicable)	At Closeout

X. TERM OF PLAN.

This Plan and the Policies contained herein shall be in effect from January 1, 2026, to December 31, 2026 or until amended thereafter. Attached to this Plan is a resolution of the governing body of the Township of Neptune, approving this plan for such period of time. The Plan may be amended from time to time. To the extent that any amendment is adopted by the Committee, the Designated Official is directed to supply copies of the amendments to all of the parties who otherwise have received that copy of the originally approved Plan, which amendment shall be acknowledged in writing in the same manner as the original Plan was so acknowledged.