

TOWNSHIP OF EAST HANOVER

**Financial Statements with
Supplementary Information
December 31, 2014**

(With Independent Auditor's Reports Thereon)

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Township Council
Township of East Hanover
County of Morris, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Township of East Hanover in the County of Morris, as of December 31, 2014 and 2013, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Township of East Hanover 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 East Hanover as of December 31, 2014 and 2013, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As described in Note 11 of the financial statements, the Township participates in a Length of Service Award Program (LOSAP) for its volunteer fire and rescue personnel. The amount reflected in the trust fund statements of \$567,867 and \$525,266 for 2014 and 2013, respectively, were not audited and, therefore, we express no opinion on the LOSAP program.

Honorable Mayor and
Members of the Township Council
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Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to above, present fairly, in all material respects, the regulatory basis balances sheets and account group as of December 31, 2014 and 2013, 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, 2014 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 East Hanover’s basic financial statements. The supplementary information listed in the table of contents and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the schedule of expenditures of state financial assistance as required by NJ OMB 04-04 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 and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the schedule of expenditures of state financial assistance as required by NJ OMB 04-04 are the responsibility of management and were 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, schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the schedule of expenditures of state financial assistance as required by NJ OMB 04-04 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Honorable Mayor and
Members of the Township Council
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2015 on our consideration of the Township of East Hanover'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 East Hanover's internal control over financial reporting and compliance.



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Registered Municipal Accountant
No. CR00413



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey

July 16, 2015

TOWNSHIP OF EAST HANOVER, N.J.

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2014 and 2013

	<u>Ref.</u>	<u>2014</u>	<u>2013</u>
<u>Assets</u>			
Current Fund:			
Cash	A-4	\$ 5,060,773	6,014,175
Change Fund	A-5	150	150
		<u>5,060,923</u>	<u>6,014,325</u>
Receivables and Other Assets with Full Reserves:			
Municipal Liens Receivable	A-9	749,829	800
Delinquent Taxes Receivable	A-10	378,259	527,702
Property Acquired for Taxes - Assessed Valuation	A-11	1,518,500	1,518,500
Revenue Accounts Receivable	A-12	19,746	17,799
Interfund Accounts Receivable	A-13		500
		<u>2,666,334</u>	<u>2,065,301</u>
Deferred Charges:			
Special Emergency Authorizations	A-14	206,786	275,715
		<u>206,786</u>	<u>275,715</u>
		<u>7,934,043</u>	<u>8,355,341</u>
Federal and State Grant Fund:			
Due from Current Fund	A-8	208,080	205,542
Grants Receivable	A-24	106,908	188,324
		<u>314,988</u>	<u>393,866</u>
		<u>\$ 8,249,031</u>	<u>8,749,207</u>

TOWNSHIP OF EAST HANOVER, N.J.

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2014 and 2013

	<u>Ref.</u>	<u>2014</u>	<u>2013</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Current Fund:			
Appropriation Reserves	A-3/A-15	\$ 1,503,888	1,098,014
Encumbrances Payable	A-3/A-16	146,384	202,077
Interfund Accounts Payable	A-13	208,080	205,542
Reserve for Other Expenditures	A-17	361,313	442,860
Due to State of New Jersey:			
Senior Citizens and Veterans Deductions	A-7	8,918	8,817
Construction Training Fees	A-18	20,754	6,468
Marriage License Fees	A-18	275	200
Burial Permit Fees	A-18	50	20
Tax Overpayments	A-19	16,114	327,369
County Taxes Payable	A-22	8,194	243,836
Prepaid Taxes	A-23	170,011	176,810
		<hr/>	<hr/>
		2,443,981	2,712,013
Reserve for Receivables	Contra	2,666,334	
Fund Balance	A-1	2,823,728	3,578,027
		<hr/>	<hr/>
		7,934,043	6,290,040
Federal and State Grant Fund:			
Appropriated Reserve for Grants	A-25	272,755	393,866
Unappropriated Reserve for Grants	A-26	42,233	
		<hr/>	<hr/>
		314,988	393,866
		<hr/>	<hr/>
		\$ 8,249,031	6,683,906
		<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to financial statements.

TOWNSHIP OF EAST HANOVER, N.J.

Comparative Statement of Operations and Changes in
Fund Balance - Regulatory Basis

Current Fund

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Revenues and Other Income:		
Fund Balance Utilized	1,750,000	1,750,000
Miscellaneous Revenue Anticipated	4,865,094	4,866,613
Receipts from Delinquent Taxes	233,012	228,057
Receipts from Current Taxes	52,653,005	52,307,006
Non-Budget Revenue	587,463	600,072
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	293,965	508,715
Interfunds Returned	500	63,222
Other Liabilities Cancelled		18,731
Grants Cancelled		110,098
	<u>60,383,039</u>	<u>60,452,514</u>
Total Revenues and Other Income		
Expenditures:		
Budget and Emergency Appropriations:		
Operations:		
Salaries and Wages	8,692,509	8,522,258
Other Expenses	8,023,165	7,811,514
Capital Improvement Fund	150,000	50,000
Municipal Debt Service	2,456,215	1,910,514
Deferred Charges and Statutory Expenditures - Municipal	1,928,021	2,037,486
Local District School Tax	17,442,473	17,428,821
Regional High School Taxes	11,360,924	10,612,377
County Taxes including Added Taxes	8,785,329	8,914,332
Local Open Space Taxes	253,601	252,663
Special District Taxes	290,601	299,078
Grants Receivable Cancelled		110,098
Refunds		3,900
State Disallowed Senior & Vet Deductions	4,500	
Interfunds Advanced		
	<u>59,387,338</u>	<u>57,953,041</u>
Total Expenditures		
Excess (Deficit) Revenue Over Expenditures	<u>995,701</u>	<u>2,499,473</u>
Fund Balance, January 1,	<u>3,578,027</u>	<u>2,828,748</u>
	4,573,728	5,328,027
Decreased by:		
Fund Balance Utilized as Budget Revenue	<u>1,750,000</u>	<u>1,750,000</u>
Fund Balance, December 31,	<u><u>2,823,728</u></u>	<u><u>3,578,027</u></u>

See accompanying notes to the financial statements.

TOWNSHIP OF EAST HANOVER, N.J.

Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2014

	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	\$ 1,750,000	1,750,000	
Miscellaneous Revenues:			
Licenses:			
Alcoholic Beverages	27,750	27,688	(62)
Fees and Permits	110,000	109,989	(11)
Fines and Costs:			
Municipal Court	190,000	180,162	(9,838)
Interest and Costs on Taxes	72,000	74,635	2,635
Interest on Investments and Deposits	12,000	20,606	8,606
Recreation Program Fees	108,000	96,913	(11,087)
Energy Receipts Tax	2,819,976	2,819,976	
Uniform Construction Code Fees	500,000	678,477	178,477
Borough of Roseland (Board of Health)	73,098	73,098	
East Hanover School District (Board of Health)	8,724	8,724	
Borough of Parsippany (Board of Health)	66,326	66,326	
Uniform Fire Safety Act	65,000	66,753	1,753
Open Space Trust Fund - Share of Debt Service	405,179	405,179	
Cable Television Fees	150,000	160,297	10,297
Capital Surplus	30,867	30,867	
Clean Communities Program	20,105	20,105	
Alcohol Education and Rehabilitation	295	295	
Body Armor Replacement Grant	3,368	3,368	
Emergency Management	5,000	5,000	
Municipal Alliance Program	16,636	16,636	
Total Miscellaneous Revenues	4,684,324	4,865,094	180,770
Receipts from Delinquent Taxes	525,000	233,012	(291,988)
Subtotal General Revenues	6,959,324	6,848,106	(111,218)

TOWNSHIP OF EAST HANOVER, N.J.

Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2014

Amount to be Raised by Taxes for Support of Municipal Budget - Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	15,201,395	15,432,680	231,285
Budget Totals	22,160,719	22,280,786	120,067
Non-Budget Revenue		587,463	587,463
	<u>\$ 22,160,719</u>	<u>22,868,249</u>	<u>707,530</u>

Analysis of Realized Revenues

Revenue from Current Tax Collections	\$ 52,653,005
Allocated to Municipal Open Space	253,601
Allocated to County and Local and Regional School Taxes	<u>37,879,326</u>
Balance for Support of Municipal Budget Appropriations	14,520,078
Add : Appropriation - Reserve for Uncollected Taxes	<u>910,000</u>
Amount for Support of Municipal Budget Appropriations	<u>\$ 15,430,078</u>
Receipts from Delinquent Taxes: Delinquent Taxes	<u>\$ 233,012</u>

Analysis of Non-budget Revenues

Developers Interest	\$ 15,999
Cingular Cell Tower Revenue	32,209
T-Mobile Cell Tower Revenue	35,535
Donation Bins	993
Check Return Fees	180
Closeout of old accounts	101,772
Recycling	86
Sale of Property	6,540
Hotel Fees	53,862
Hurricane Sandy - FEMA	267,125
LEA Rebates	53,867
DMV Fines	2,870
Miscellaneous	<u>16,425</u>
	<u>\$ 587,463</u>

See accompanying notes to the financial statements.

TOWNSHIP OF EAST HANOVER, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2014

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
General Government:					
Administration:					
Salaries and Wages	\$ 132,500	132,500	132,439	61	
Other Expenses	15,825	15,825	14,979	846	
Mayor and Council:					
Salaries and Wages	39,000	39,000	39,000		
Other Expenses	10,375	10,375	7,928	2,447	
Municipal Clerk:					
Salaries and Wages	207,990	207,990	190,794	17,196	
Other Expenses	30,550	30,550	25,161	5,389	
Financial Administration:					
Salaries and Wages	230,300	230,300	223,714	6,586	
Other Expenses	12,975	12,975	11,808	1,167	
Audit Services	70,000	70,000	21,000	49,000	
Computer Data Processing:					
Salaries and Wages	80,529	82,529	82,098	431	
Other Expenses	21,700	31,700	25,083	6,617	
Collection of Taxes:					
Salaries and Wages	97,315	67,315	59,117	8,198	
Other Expenses	11,000	11,000	9,069	1,931	
Assessment of Taxes:					
Salaries and Wages	30,000	30,000	30,000		
Other Expenses	14,700	16,700	14,753	1,947	
Legal Services and Cost:					
Other Expenses	640,000	690,000	681,863	8,137	
Engineering Services and Costs:					
Other Expenses	100,000	120,000	100,187	19,813	

TOWNSHIP OF EAST HANOVER, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2014

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
Municipal Land Use Law (N.J.S.A. 40:55D-1 et seq.)					
Planning Board:					
Salaries and Wages	49,710	49,710	48,969	741	
Other Expenses	7,795	7,795	6,565	1,230	
Insurance:					
General Liability	225,000	225,000	223,937	1,063	
Workers Compensation	202,000	202,000	202,000		
Employee Group Health	2,700,000	2,640,000	2,524,854	115,146	
Public Safety:					
Police:					
Salaries and Wages	4,814,000	4,714,000	4,573,783	140,217	
Other Expenses	152,050	132,550	123,048	9,502	
Emergency Management:					
Salaries and Wages	40,000	40,000	40,000		
Other Expenses	18,750	18,750	11,377	7,373	
First Aid Organization - Contribution:					
Other Expenses	25,000	25,000	25,000		
Fire Suppression:					
Salaries and Wages	93,300	96,300	95,746	554	
Other Expenses	65,000	65,000	47,394	17,606	
Fire Prevention:					
Salaries and Wages	82,830	82,830	74,763	8,067	
Other Expenses	4,000	4,000	224	3,776	
Municipal Prosecutor:					
Salaries and Wages	20,000	20,000	20,000		
Other Expenses	2,500	2,500	1,650	850	
Municipal Court					
Salaries and Wages	40,000	41,000	40,900	100	
Other Expenses	132,000	132,000	125,627	6,373	

TOWNSHIP OF EAST HANOVER, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2014

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
Public Defender:					
Other Expenses	2,500	7,500	5,920	1,580	
Public Works:					
Road Repairs and Maintenance:					
Salaries and Wages	670,000	670,000	652,989	17,011	
Other Expenses	189,100	189,100	138,664	50,436	
Other Public Works Functions					
Salaries and Wages	203,500	205,000	204,203	797	
Other Expenses	16,650	16,650	8,176	8,474	
Solid Waste Collection					
Salaries and Wages	47,000	47,000	37,324	9,676	
Other Expenses	117,100	117,100	97,223	19,877	
Buildings and Grounds:					
Salaries and Wages	239,500	243,500	242,337	1,163	
Other Expenses	61,900	66,900	60,416	6,484	
Vehicle Maintenance:					
Salaries and Wages	268,000	278,000	269,382	8,618	
Other Expenses	121,600	121,600	102,047	19,553	
Community Services Act:					
Other Expenses	75,000	75,000		75,000	
Health and Welfare:					
Public Health Services:					
Salaries and Wages	220,835	235,835	233,522	2,313	
Other Expenses	31,875	33,875	23,963	9,912	
Animal Control					
Other Expenses	25,000	25,000	20,365	4,635	
Parks and Recreation:					
Recreation Services and Programs:					
Salaries and Wages	317,900	317,900	297,522	20,378	
Other Expenses	22,975	22,975	17,720	5,255	

TOWNSHIP OF EAST HANOVER, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2014

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Canceled
Maintenance of Parks:					
Salaries and Wages	449,000	449,000	404,127	44,873	
Other Expenses	65,850	70,850	59,743	11,107	
Celebration of Public Events:					
Other Expenses	10,000	13,000	5,629	7,371	
Senior Citizens:					
Salaries and Wages	91,000	99,000	97,628	1,372	
Other Expenses	15,000	15,000	8,780	6,220	
Utility Expenses and Bulk Purchases					
Gasoline	225,000	225,000	159,556	65,444	
Electric and Gas	170,000	170,000	103,562	66,438	
Telephone	90,000	90,000	76,584	13,416	
Natural Gas	52,000	52,000	42,872	9,128	
Street Lighting	165,000	165,000	138,943	26,057	
Solid Waste Disposal Costs					
Garbage and Trash Removal:					
Other Expenses	175,000	175,000	155,000	20,000	
Accumulated Leave Compensation:					
Other Expenses	100,000	100,000	100,000		
Uniform Construction Code:					
Construction Code Official:					
Salaries and Wages	288,800	288,800	286,381	2,419	
Other Expenses	12,200	12,200	9,626	2,574	
Total Operations within "CAPS"	14,957,979	14,894,979	13,915,034	979,945	
B. Contingent	1,000	1,000		1,000	

TOWNSHIP OF EAST HANOVER, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2014

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Canceled
Total Operations Including Contingent-within "CAPS"	14,958,979	14,895,979	13,915,034	980,945	
Detail:					
Salaries & Wages	8,753,009	8,667,509	8,376,738	290,771	
Other Expenses (Including Contingent)	6,205,970	6,228,470	5,538,296	690,174	
(E) Deferred Charges and Statutory Expenditures-Municipal within "CAPS"					
(2) STATUTORY EXPENDITURES:					
Contribution to:					
Public Employees' Retirement System	442,995	442,995	401,982	41,013	
Social Security System (O.A.S.I.)	380,000	380,000	373,055	6,945	
Police and Firemen's Retirement System of NJ	1,023,097	1,023,097	960,738	62,359	
Defined Contribution Pension Plan	10,000	13,000	10,007	2,993	
Total Deferred Charged and Statutory Expenditures-Municipal within "CAPS"	1,856,092	1,859,092	1,745,782	113,310	
Total General Appropriations for Municipal Purposes within "CAPS"	16,815,071	16,755,071	15,660,816	1,094,255	
Operations - Excluded from "CAPS":					
Maintenance of Free Public Library	1,148,143	1,148,143	1,095,200	52,943	
LOSAP Program:					
Contribution	35,000	55,000	11,310	43,690	
Tax Appeals	313,000	313,000		313,000	
2014 Snow Emergencies:					
Streets and Roads					
Salaries and Wages	25,000	25,000	25,000		
Other Expenses	50,000	50,000	50,000		
Vehicle Maintenance					
Other Expenses	10,000	10,000	10,000		

TOWNSHIP OF EAST HANOVER, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2014

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
Maintenance of Parks	25,000	25,000	25,000		
Other Expenses	1,606,143	1,626,143	1,216,510	409,633	
Total Other Operations - Excluded from "CAPS"					
Interlocal Municipal Service Agreements:					
Borough of Roseland (Board of Health)	73,098	73,098	73,098		
East Hanover Board of Education	8,724	8,724	8,724		
Borough of Parsippany (Board of Health)	66,326	66,326	66,326		
Total Interlocal Municipal Service Agreements	148,148	148,148	148,148		
Public and Private Programs Offset by Revenues					
Municipal Alliance Against Alcohol and Drug Abuse					
Other Expenses	16,636	16,636	16,636		
Clean Communities Grant (N.J.S.A. 13:1e-99.2)	20,105	20,105	20,105		
Alcohol Education and Rehabilitation Grant	295	295	295		
Body Armor Replacement Fund	3,368	3,368	3,368		
Emergency Mgmt Agency Assistance Funding	5,000	5,000	5,000		
Total Public and Private Programs Offset by Revenues	45,404	45,404	45,404		
Total Operations-Excluded from "CAPS"	1,799,695	1,819,695	1,410,062	409,633	
Detail:					
Salaries and Wages	25,000	25,000	25,000		
Other Expenses	1,774,695	1,794,695	1,385,062	409,633	

TOWNSHIP OF EAST HANOVER, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2014

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
Capital Improvements - Excluded from "CAPS"					
Capital Improvement Fund	150,000	150,000	150,000		
Total Capital Improvements Excluded from "CAPS"	150,000	150,000	150,000		
Municipal Debt Service - Excluded from "CAPS"					
Payment of Bond Principal	1,350,000	1,350,000	1,350,000		
Payment of EANs and Capital Notes	325,170	325,170	325,170		1
Interest on Bonds	571,563	571,563	571,562		652
Interest on Notes	61,500	61,500	60,848		
MCIA Loan Program - Post 7/1/07	56,791	56,791	56,791		
MCIA Loan Program - 2009	52,000	92,000	91,844		156
Total Municipal Debt Service-Excluded from "CAPS"	2,417,024	2,457,024	2,456,215		809
Deferred Charges and Statutory Expenditures- Municipal excluded from "CAPS"					
(1) DEFERRED CHARGES:					
Special Emergency Authorization - 5 Years (N.J.S. 40A:4-55)	68,929	68,929	68,929		
Total Deferred Charged and Statutory Expenditures-Municipal exclude from "CAPS"	68,929	68,929	68,929		
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	4,435,648	4,495,648	4,085,206	409,633	809
Subtotal General Appropriations	21,250,719	21,250,719	19,746,022	1,503,888	809
Reserve for Uncollected Taxes	910,000	910,000	910,000		

TOWNSHIP OF EAST HANOVER, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2014

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
Total General Appropriations	\$ 22,160,719	<u>22,160,719</u>	<u>20,656,022</u>	<u>1,503,888</u>	<u>809</u>
Appropriation by 40:A4-87 \$	45,404				
Adopted Budget	<u>22,115,315</u>				
	\$ <u>22,160,719</u>				
Reserve for Uncollected Taxes \$			910,000		
Capital Improvement Fund			150,000		
Federal and State Grants			45,404		
Deferred Charges			68,929		
Encumbrances			146,384		
Cash			<u>19,335,305</u>		
			\$ <u>20,656,022</u>		

See accompanying notes to the financial statements.

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TOWNSHIP OF EAST HANOVER

Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31, 2014 and 2013

	<u>Ref.</u>	<u>2014</u>	<u>2013</u>
<u>Assets</u>			
Animal Trust Fund:			
Cash	B-1	\$ <u>8,649</u>	<u>4,873</u>
		<u>8,649</u>	<u>4,873</u>
Other Trust Funds:			
Cash	B-1	<u>2,443,694</u>	<u>2,447,902</u>
		<u>2,443,694</u>	<u>2,447,902</u>
Unemployment Compensation Trust:			
Cash	B-1	<u>168,467</u>	<u>159,484</u>
		<u>168,467</u>	<u>159,484</u>
Emergency Services Volunteer Length of Services Award Program (Unaudited):			
Cash in Plan	B-1	527,592	490,406
Service Award Contributions Receivable	B-9	<u>40,275</u>	<u>34,860</u>
		<u>567,867</u>	<u>525,266</u>
		<u>\$ 3,188,677</u>	<u>3,137,525</u>

TOWNSHIP OF EAST HANOVER
Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31, 2014 and 2013

	<u>Ref.</u>	<u>2014</u>	<u>2013</u>
<u>Liabilities, Reserves & Fund Balance</u>			
Animal Trust Fund:			
Due to State of New Jersey	B-2	\$ 1	
Reserve for Animal Trust Fund Expenditures	B-6	\$ <u>8,648</u>	<u>4,873</u>
		<u>8,649</u>	<u>4,873</u>
Other Trust Fund:			
Reserve for Various Deposits	B-4	2,438,662	2,430,516
Reserve for Payroll Deductions Payable	B-5	5,032	16,886
Interfund Accounts Payable	B-3		<u>500</u>
		<u>2,443,694</u>	<u>2,447,902</u>
Unemployment Compensation Trust:			
Accounts Payable	B-2	1,628	987
Reserve for Expenditures	B-8	<u>166,839</u>	<u>158,497</u>
		<u>168,467</u>	<u>159,484</u>
Emergency Services Volunteer Length of Services Award Program (Unaudited):			
Net Assets Available for Benefits	B-10	<u>567,867</u>	<u>525,266</u>
		<u>\$ 3,188,677</u>	<u>3,137,525</u>

See accompanying notes to financial statements.

TOWNSHIP OF EAST HANOVER, N.J.

Comparative Balance Sheet - Regulatory Basis

General Capital Fund

December 31, 2014 and 2013

<u>Assets</u>	<u>Ref.</u>	<u>2014</u>	<u>2013</u>
Cash	C-2/C-3	\$ 1,661,643	2,563,207
Grants Receivable:			
State and County Grants	C-5	963,654	534,375
Deferred Charges to Future Taxation:			
Funded	C-6	14,445,780	15,743,072
Unfunded	C-7	10,127,926	6,795,841
		<u>\$ 27,199,003</u>	<u>25,636,495</u>
<u>Liabilities, Reserves and Fund Balance</u>			
General Serial Bonds	C-8	\$ 14,161,000	15,439,000
Bond Anticipation Notes Payable	C-9	8,323,490	5,716,405
Lease Purchase Agreement Payable	C-10	284,780	304,072
Improvement Authorizations:			
Funded	C-11	60,368	60,368
Unfunded	C-11	4,238,334	4,114,075
Capital Improvement Fund	C-12	76,930	2,575
Fund Balance	C-1	54,101	20,389
		<u>\$ 27,199,003</u>	<u>25,656,884</u>

There were \$1,804,436 and \$1,079,436 of Bonds and Notes Authorized But Not Issued on December 31, 2014 and 2013 respectively (Exhibit C-13).

See accompanying notes to the financial statements.

TOWNSHIP OF EAST HANOVER, N.J.

Comparative Statement of Changes in Fund Balance - Regulatory Basis

General Capital Fund

For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Balance - December 31, 2013	\$ 30,867	20,389
Increased By:		
Premium on Bond Anticipation Note Sale	<u>54,101</u>	<u>30,867</u>
	54,101	30,867
Decreased By:		
Interfund	<u>30,867</u>	<u>20,389</u>
	<u>30,867</u>	<u>20,389</u>
Balance - December 31, 2014	<u>\$ 54,101</u>	<u>30,867</u>

See accompanying notes to the financial statements.

TOWNSHIP OF EAST HANOVER
Comparative Balance Sheet - Regulatory Basis
Water and Sewer Utility Fund
December 31, 2014 and 2013

<u>Assets</u>	<u>Ref.</u>	<u>2014</u>	<u>2013</u>
Water Utility Operating Fund:			
Cash - Treasurer	D-5	\$ <u>1,877,387</u>	<u>1,710,169</u>
		<u>1,877,387</u>	<u>1,710,169</u>
Receivables with Full Reserves:			
Consumers' Accounts Receivable	D-8	147,679	113,891
Inventory - Materials and Supplies	D-9	<u>49,938</u>	<u>44,599</u>
		<u>197,617</u>	<u>158,490</u>
Total Water Utility Operating Fund		<u>2,075,004</u>	<u>1,868,659</u>
Capital Fund:			
Cash - Treasurer	D-5,D-6	83,935	230,260
Fixed Capital	D-10	8,319,771	8,319,771
Fixed Capital Authorized and Uncompleted	D-11	<u>4,235,759</u>	<u>3,970,759</u>
Total Capital Fund		<u>12,639,465</u>	<u>12,520,790</u>
		<u>\$ 14,714,469</u>	<u>14,389,449</u>

TOWNSHIP OF EAST HANOVER
Comparative Balance Sheet - Regulatory Basis
Water and Sewer Utility Fund
December 31, 2014 and 2013

<u>Liabilities, Reserves and Fund Balance</u>	<u>Ref.</u>	<u>2014</u>	<u>2013</u>
Water Utility Operating Fund:			
Appropriation Reserves	D-4,D-12	\$ 732,720	545,374
Reserve for Encumbrances	D-4	30,325	65,881
Overpayments	D-13	10,669	11,129
Accrued Interest on Bonds	D-14	32,597	29,835
Accrued Interest on Notes	D-15	<u>1,575</u>	<u>1,575</u>
		807,886	653,794
Reserve for Receivables	Contra	197,617	158,490
Fund Balance	D-1	<u>1,069,501</u>	<u>1,056,375</u>
Total Water Utility Operating Fund		<u>2,075,004</u>	<u>1,868,659</u>
Capital Fund:			
Serial Bonds Payable	D-21	1,955,000	2,185,000
Bond Anticipation Notes Payable	D-22	1,820,750	1,826,750
Improvement authorization:			
Unfunded	D-18	315,595	209,041
Capital Improvement Fund	D-17	15,347	15,347
Reserve for:			
Amortization	D-16	8,151,770	7,914,770
Deferred Reserve for Amortization	D-20	363,010	363,010
Fund Balance	D-2	<u>17,993</u>	<u>6,872</u>
Total Capital Fund		<u>12,639,465</u>	<u>12,520,790</u>
		<u>\$ 14,714,469</u>	<u>14,389,449</u>

There were \$265,000 and \$1,000 of Bonds and Notes Authorized But Not Issued on December 31, 2014 and 2013 respectively (Exhibit D-22).

See accompanying notes to financial statements.

TOWNSHIP OF EAST HANOVER

Comparative Statement of Operations and Changes in
Fund Balance - Regulatory Basis

Water and Sewer Utility Operating Fund

For the Years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Revenue and other income:		
Fund Balance Utilized	\$ 809,911	494,469
Water/Sewer rents	4,170,127	3,595,486
Miscellaneous Revenue	24,113	1,224,127
NYNEX Lease on Tower	43,050	43,050
Unexpended balance appropriation reserve	<u>341,747</u>	<u>5,819</u>
Total revenue and other income	<u>5,388,948</u>	<u>5,362,951</u>
Expenditures:		
Operating	4,036,591	3,881,248
Debt service	356,562	352,700
Deferred charges and statutory expenditures	<u>172,758</u>	<u>212,520</u>
Total expenditures	<u>4,565,911</u>	<u>4,446,468</u>
Statutory excess to Surplus	823,037	916,483
Fund balance, January 1	<u>1,056,375</u>	<u>634,361</u>
	1,879,412	1,550,844
Decreased by:		
Utilization by water operating budget	<u>809,911</u>	<u>494,469</u>
Balance, December 31	<u>\$ 1,069,501</u>	<u>1,056,375</u>

See accompanying notes to financial statements.

TOWNSHIP OF EAST HANOVER
Statement of Fund Balance - Regulatory Basis
Water and Sewer Utility Capital Fund
For the Years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Balance - December 31, 2013	\$ <u>6,872</u>	\$ <u> </u>
Increased by:		
Premium on Note Sale	<u>11,121</u>	<u>6,872</u>
Balance - December 31, 2014	\$ <u><u>17,993</u></u>	\$ <u><u>6,872</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF EAST HANOVER

Statement of Revenues - Regulatory Basis

Water and Sewer Utility Operating Fund

Year ended December 31, 2014

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess (deficit)</u>
Operating surplus anticipated	\$ 809,911	809,911	
Water/Sewer Rents	3,595,000	4,170,127	575,127
Miscellaneous	118,000	24,113	(93,887)
NYNEX Lease on Tower	43,000	43,050	50
	<u>\$ 4,565,911</u>	<u>5,047,201</u>	<u>481,290</u>

Analysis of Realized Revenue

	Rents \$	4,158,169
	Overpayments applied	11,958
	NYNEX Lease on Tower	43,050
		<u>4,213,177</u>
	Interest on Investments	3,950
	Due from Water Capital Fund - Interest on Investments	529
	Interest on Water Bills	8,535
	Water Connection Charges	2,500
	Other Miscellaneous	8,599
		<u>\$ 24,113</u>

See accompanying notes to financial statements.

TOWNSHIP OF EAST HANOVER
Statement of Expenditures - Regulatory Basis
Water and Sewer Utility Operating Fund
Year ended December 31, 2014

	<u>Appropriations</u>			
	<u>Budget</u>	Budget after modifi- cation	<u>Paid or charged</u>	<u>Reserved</u>
Operating:				
Salaries and Wages	\$ 868,400	868,400	863,978	4,422
Other Expenses	873,296	873,296	791,693	81,603
Purchase of Water	575,000	575,000	365,800	209,200
Par-Troy Treatment Plant	1,707,395	1,707,395	1,280,010	427,385
Florham Park Treatment Plant	12,500	12,500	12,312	188
	<u>4,036,591</u>	<u>4,036,591</u>	<u>3,313,793</u>	<u>722,798</u>
Total Operating				
Debt Service:				
Payment of Bond Principal	230,000	230,000	230,000	
Payment of Bond Anticipation and Capital Notes	6,555	6,555	6,555	
Interest on Bonds	95,569	95,569	95,569	
Interest on Bond Anticipation Notes	24,438	24,438	24,438	
	<u>356,562</u>	<u>356,562</u>	<u>356,562</u>	
Total Debt Service				
Deferred Charges and Statutory Expenditures:				
Statutory Expenditures - Contribution to:				
Public Employees' Retirement System	107,161	107,161	97,239	9,922
Social Security System (O.A.S.I.)	54,097	54,097	54,097	
Medicare Tax	11,500	11,500	11,500	
	<u>172,758</u>	<u>172,758</u>	<u>162,836</u>	<u>9,922</u>
Total Deferred Charges and Statutory Expenditures				
	<u>\$ 4,565,911</u>	<u>4,565,911</u>	<u>3,833,191</u>	<u>732,720</u>
			Cash Disbursed \$ 3,244,298	
			Reserve for Encumbrances 30,325	
			Accrued Interest on Bonds 95,569	
			Accrued Interest on Notes 24,438	
			Interfunds 438,561	
			<u>\$ 3,833,191</u>	

See accompanying notes to financial statements.

TOWNSHIP OF EAST HANOVER, N.J.

Comparative Statement of General Fixed Assets - Regulatory Basis

December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>General Fixed Assets:</u>		
Land	\$ 31,373,600	31,073,600
Buildings	33,493,121	33,493,121
Machinery and Equipment	<u>8,478,461</u>	<u>8,337,735</u>
	<u>\$ 73,345,182</u>	<u>72,904,456</u>
 Investment in Fixed Assets	 <u>\$ 73,345,182</u>	 <u>72,904,456</u>

See accompanying notes to financial statements.

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**TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB Codification establishes seven fund types and two account groups to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America (GAAP).

The financial statements of the Township of East Hanover have been prepared in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 accounts for its financial transactions through the following separate funds which differ from the fund structure required by GAAP.

A. Reporting Entity

The Township of East Hanover (the "Township") operates under a Mayor/Council form of government. The Township's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

GASB has issued Statement No. 14 which requires the financial reporting entity to include both the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

However, the municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements. The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Township do not include the volunteer fire department which is considered a component unit under GAAP. Complete financial statements of the above components can be obtained by contacting the Treasurer of the respective entity.

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The Township uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Township functions or activities. An account group, on the other hand, is designed to provide accountability for certain assets and liabilities that are not recorded in those Funds.

The Township has the following funds and account group:

Current Fund - This fund accounts for resources and expenditures for governmental operations of a general nature, including Federal and State grants.

Trust Funds - Trust Funds are used to account for assets held by the government in a trustee capacity. Funds held by the Township as an agent for individual, private organizations, or other governments are recorded in the Trust Funds.

Other Trust Fund - This fund is established to account for the assets and resources which are also held by the Township as a trustee or agent for individuals, private organizations, other governments and/or other funds.

Animal License Trust Fund - This fund is used to account for fees collected from dog licenses and expenditures which are regulated by NJS 4:19-15.11.

General Capital Fund - This fund is used to account for the receipt and disbursement of funds used for acquisition or improvement of general capital facilities, other than those acquired in the Current Fund.

Water and Sewer Utility Operating Fund - This fund is used to account for all revenues and expenditures applicable to the operations of the water and sewer department.

Water and Sewer Capital Fund - This fund is used to account for financial resources to be used for the acquisition or improvement of water and sewer capital facilities. The major resources are derived from the issuance of debt.

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Payroll Account – This account is used for all net payroll checks distributed to employees.

Basis of Accounting

A modified accrual basis of accounting is followed by the Township of East Hanover. Under this method of accounting revenues, except State/Federal Aid, are recognized when received and expenditures are recorded, when incurred. The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

Property Tax Revenues - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. Additionally, a 6% penalty is assessed for balances over \$10,000 if not paid by the end of the calendar year. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Township. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on the 11th day of the 11th month of the current year that taxes are levied, the collector in the municipality shall subject to the provisions of the New Jersey Statutes enforce the lien by placing the property on a tax sale. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Township. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting, (continued)

Water and Sewer Utility Revenues - Water and Sewer usage revenues are determined locally, based upon quarterly usage by property. The bills are mailed quarterly and are payable on March 1, June 1, September 1, and December 1. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. When unpaid bills or any municipal lien, or part thereof, on real property, remains in arrears, the collector in the municipality shall subject to the provisions of the New Jersey Statutes enforce the lien by placing the water and sewer collection on a lien sale. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent water and sewer billings are realized as revenue when collected. Since delinquent bills and liens are fully reserved, no provision has been made to estimate that portion of the receivable and liens that are uncollectible. GAAP requires water and sewer revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Miscellaneous Revenues - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Township's Current Fund and Water and Sewer Utility Operating Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

Grant Revenues - Federal and State grants, entitlements 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 become susceptible to accrual.

Budgets and Budgetary Accounting - An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures for the Current Fund and Water and Sewer Utility Fund. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Township and approved by the State Division of Local Government Services per N.J.S.A. 40A:4 et seq.

The Township is not required to adopt budgets for the following funds:

- General Capital Fund
- Trust Fund
- Water and Sewer Utility Capital Fund

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting, (continued)

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality.

During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. During the years ended December 31, 2014 and 2013, the Governing Body approved additional revenues and appropriations of \$45,404 and \$81,896, respectfully, in accordance with N.J.S.A. 40A:4-87. In addition, several budget transfers were approved by the governing body in 2014 and 2013.

Expenditures - Are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless canceled 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 outstanding at December 31, are reported as expenditures through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures under GAAP.

Appropriation Reserves - Are 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.

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting, (continued)

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 - Is 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 market value on the date of acquisition.

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

Inventories - 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.

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within one year of the date acquired by the government. Investments are stated at fair value which approximates cost and are limited by N.J.S.A. 40A:5-15.1(a).

Deferred Charges to Future Taxation Funded and Unfunded - Upon the authorization of capital projects, the Township establishes deferred charges for the costs of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or nonfunding of the authorized cost of capital projects. According to N.J.S.A. 40A:2-4, the Township may levy taxes on all taxable property within the local unit to repay the debt. Annually, the Township raises the debt requirements for that particular year in the current budget. As the funds are raised by taxation, the deferred charges are reduced.

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting, (continued)

General Fixed Assets - The Township of East Hanover has developed a fixed assets accounting and reporting system, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles.

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.

Fixed assets acquired by the Water and Sewer Utility Fund are capitalized as Fixed Capital and not depreciated.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

No depreciation has been provided for in the financial statements.

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

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

GAAP requires that fixed assets be capitalized at historical or estimated historical cost if actual historical cost is not available.

Use of Estimates - The preparation of financial statements requires management of the Township to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting, (continued)

Comparative Data - Comparative data for the prior year has been presented in the accompanying balance sheets and statements of operations in order to provide an understanding of changes in the Township's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

Recent Accounting Pronouncements

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. This statement, which is effective for fiscal periods beginning after June 15, 2014, will not have any effect on the entity's financial reporting. However, the provisions of this statement will require significant modifications to the disclosure requirements related to the entity's proportionate share of the cost-sharing defined benefit plans reported at the State of New Jersey level.

In January 2013, the Government Accounting Standards Board issued GASB Statement No. 69, Government Combinations and Disposals of Government Operations. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term "government combinations" includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement, which is effective for financial statements beginning after December 15, 2013, will not have any effect on the entity's financial reporting.

In April of 2013, the Government Accounting Standards Board issued GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement is effective for reporting periods beginning after June 15, 2013 and will not have any impact on the entity's financial statement disclosures.

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting, (continued)

Recent Accounting Pronouncements, (continued)

In November 2013, the Government Accounting Standards Board issued GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. The provisions of this statement are required to be applied simultaneously with the provisions of Statement 68 which is effective for periods beginning after June 15, 2014. The provisions of this statement will require significant modifications to the disclosure requirements related to the entity's proportionate share of the cost-sharing defined benefit plans reported at the State of New Jersey level.

C. Basic Financial Statements

The GASB Codification also defines the financial statements of a governmental unit to be presented in the general purpose financial statements to be 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.

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Township's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2014 and 2013, \$-0- of the Township's bank balance of \$9,046,133 and \$9,699,155, respectfully, were exposed to custodial credit risk.

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013
(continued)

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS, (continued)

Investments

Investment 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, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk

New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowance investments are Bonds of the United States of America, bonds or other obligations of the towns or bonds or other obligations of the local unit or units within which the town is located: obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk

The Township places no limit on the amount the Township may invest in any one issuer.

Unaudited Investments

As more fully described in Note 12, the Township has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et. seq. except that all investments are retained in the name of the Township. All investments are valued at fair value. In accordance with NJAC 5:30-14.37, the investments are maintained by Lincoln Financial Group, which is an authorized provider approved by the Division of Local Government Services. The balance in the account on December 31, 2014 and 2013 amounted to \$527,593 and \$490,406, respectively.

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013
(continued)

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS, (continued)

The following investments represent 5% or more of the total invested with AIG on December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
LVIP S&P Index	\$123,391	\$103,338
Fixed	157,092	164,916
LVIP Delaware Bond	38,904	36,257
LVIP Baron Browh		38,585
All Others	<u>208,206</u>	<u>147,310</u>
Total	<u>\$527,593</u>	<u>\$490,406</u>

NOTE 3. MUNICIPAL DEBT

Long-term debt as of December 31, 2014 consisted of the following:

	<u>Balance</u> <u>Dec. 31, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Bonds Payable:					
General Obligation Debt	\$15,439,000	\$5,030,000	\$6,308,000	\$14,161,000	\$1,270,000
Water and Sewer Utility Obligation Debt	<u>2,185,000</u>	<u> </u>	<u>230,000</u>	<u>1,955,000</u>	<u>135,000</u>
Total Bonds Payable	<u>17,624,000</u>	<u>5,030,000</u>	<u>6,538,000</u>	<u>16,116,000</u>	<u>1,405,000</u>
Other Liabilities:					
Pension Deferral	519,349		31,432	487,917	34,623
General Capital:					
MCIA Leases Payable	304,072	116,153	135,445	284,780	139,003
Compensated Absences Payable	<u>3,345,492</u>	<u>218,456</u>	<u>123,083</u>	<u>3,440,865</u>	<u> </u>
Total Other Liabilities	<u>4,168,913</u>	<u>334,609</u>	<u>289,960</u>	<u>4,213,562</u>	<u>173,626</u>
	<u>\$21,792,913</u>	<u>\$5,364,609</u>	<u>\$6,827,960</u>	<u>\$20,329,562</u>	<u>\$1,578,626</u>

The Local Bond Law governs the issuance of bonds and notes to finance capital expenditures. General obligation bonds have been issued for the general capital fund. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Township are general obligation bonds, backed by the full faith and credit of the Township. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and five months or retired by the issuance of bonds.

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

The Township's debt is summarized as follows:

Summary of Municipal Debt (Excluding Current Operating Debt)

	<u>Year 2014</u>	<u>Year 2013</u>	<u>Year 2012</u>
<u>Issued:</u>			
General - Bonds, Notes and Loans	\$22,484,490	\$21,155,405	\$19,313,066
Water and Sewer Utility - Bonds, Notes and Loans	<u>3,775,750</u>	<u>4,011,750</u>	<u>3,071,250</u>
	<u>26,260,240</u>	<u>25,167,155</u>	<u>22,384,316</u>
<u>Authorized But Not Issued</u>			
General - Bonds and Notes	1,804,436	1,079,436	1,079,436
Water and Sewer Utility - Bonds and Notes	<u>265,000</u>	<u>1,000</u>	<u>1,050,910</u>
	<u>2,069,436</u>	<u>1,080,436</u>	<u>2,130,346</u>
Total Bonds, Notes and Loans Issued and Authorized But Not Issued	28,329,676	26,247,591	24,514,662
Less: Deductions	<u>4,112,750</u>	<u>4,012,750</u>	<u>4,332,160</u>
Net Debt	<u>\$24,216,926</u>	<u>\$22,234,841</u>	<u>\$20,182,502</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .696%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School District Debt	\$15,141,237	\$15,141,237	\$
Water and Sewer Utility	4,040,750	4,040,750	
General Debt	<u>24,288,926</u>	<u>72,000</u>	<u>24,216,926</u>
	<u>\$43,470,913</u>	<u>\$19,253,987</u>	<u>\$24,216,926</u>

Net debt of \$24,216,926 divided by equalized valuation basis per N.J.S.A. 40A:2-2 as amended of \$3,478,249,445 equals .696%.

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

3 ½% of Equalized Valuation Basis (Municipal)	\$121,738,731
Net Debt	<u>24,216,926</u>
Remaining Borrowing Power	<u>\$97,521,805</u>

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

Calculation of "Self-Liquidating Purpose", Water Utility Per N.J.S.A. 40A:2-45

Cash receipts from fees, rents or other charges for year		\$5,047,201
Deductions:		
Operating and Maintenance Cost	\$4,209,349	
Debt Service per Water and Sewer Account	<u>356,562</u>	
Total Deductions		4,565,911
Excess in Revenue - Self-Liquidating		<u>\$481,290</u>

Footnote: If there is an "excess in revenue", all such utility debt is deductible.

The Township's long-term debt consisted of the following at December 31, 2014:

Paid by Current Fund:

<u>General Serial Bonds:</u>	<u>2014</u>	<u>2013</u>
\$7,168,000 General Serial Bonds - with an interest rate of 3.875% to 3.95% issued March 15, 2007, due through March 15, 2016	\$650,000	\$5,908,000
\$3,876,000 General Serial Bonds - with an interest rate of 4.50% to 5.00% issued December 4, 2008, due through October 15, 2022	3,576,000	3,626,000
\$3,120,000 Refunding Bonds - with an interest rate of 3.00% to 4.00% issued November 4, 2010, due through February 1, 2016	1,050,000	1,720,000
\$4,310,000 Refunding Bonds - with an interest rate of 1.50% to 3.00% issued March 28, 2012, due through November 1, 2024	3,855,000	4,185,000
\$5,030,000 Refunding Bonds - with an interest rate of 2.00% to 4.00% issued December 16, 2014, due through March 15, 2027	<u>5,030,000</u>	<u> </u>
Total General Serial Bonds	<u>\$14,161,000</u>	<u>\$15,439,000</u>

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

Paid by Water Utility Fund:	<u>2014</u>	<u>2013</u>
<u>Water and Sewer Utility Serial Bonds:</u>		
\$570,000 Water Utility Bonds - with an interest rate of 4.50% to 5.00% issued August 15, 2008, due through August 15, 2022	\$400,000	\$435,000
\$1,260,000 Water Utility Bonds - with an interest rate of 4.50% to 5.25% issued October 15, 2008, due through October 15, 2028	1,110,000	1,135,000
\$1,125,000 Water Utility Bonds - with an interest rate of 3.00% to 3.25% issued November 4, 2010, due through February 1, 2022	<u>445,000</u>	<u>615,000</u>
Total Water and Sewer Utility Bonds	<u>1,955,000</u>	<u>2,185,000</u>
Total Serial Bonds	<u>\$16,116,000</u>	<u>\$17,624,000</u>

Aggregate debt service requirements during the next five years and thereafter are as follows:

<u>Year</u>	<u>General Capital</u>			<u>Water and Sewer Utility</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$1,270,000	\$447,995	\$1,717,995	\$135,000	\$88,225	\$223,225
2016	1,230,000	448,121	1,678,121	135,000	82,325	217,325
2017	1,340,000	413,121	1,753,121	135,000	76,725	211,725
2018	1,375,000	363,621	1,738,621	135,000	71,300	206,300
2019	1,420,000	310,071	1,730,071	135,000	65,875	200,875
2020-2024	6,211,000	730,239	6,941,239	670,000	249,591	919,591
2025-2027	<u>1,315,000</u>	<u>59,175</u>	<u>1,374,175</u>	<u>610,000</u>	<u>80,056</u>	<u>690,056</u>
	<u>\$14,161,000</u>	<u>\$2,772,343</u>	<u>\$16,933,343</u>	<u>\$1,955,000</u>	<u>\$714,097</u>	<u>\$2,669,097</u>

General capital, water capital and assessment serial bonds are direct obligations of the Township for which its full faith and credit are pledged, and are payable from taxes levied on all taxable property located within the Township and/or water utilities revenues and special assessments.

**TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013
(continued)**

NOTE 3. MUNICIPAL DEBT, (continued)

At December 31, 2014 and 2013, the Township had authorized but not issued debt as follows:

	<u>2014</u>	<u>2013</u>
General Capital Fund	\$1,804,436	\$1,079,436
Water and Sewer Utility Capital Fund	265,000	1000

NOTE 4. GENERAL CAPITAL MCIA LEASE PURCHASE AGREEMENT PAYABLE

The Township entered into two lease purchase agreements with the Morris County Improvement Authority for the purchase of equipment including a 1500 GPM Pumper Apparatus with Equipment, (4) 2012 Ford Utility Police Interceptors and (3) 2014 Ford Police Interceptor Utility Vehicles totaling \$719,155. Principal and interest payments are due annually through 2017. The following is a schedule of the future minimum lease payments under the lease agreements, and the present value of the net minimum lease payments at December 31, 2014:

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2015	\$148,670	\$139,003	\$9,667
2016	96,747	91,365	5,382
2017	<u>56,790</u>	<u>54,412</u>	<u>2,378</u>
	<u>\$302,207</u>	<u>\$284,780</u>	<u>\$17,427</u>

NOTE 5. BOND ANTICIPATION NOTES

The Township issues bond anticipation notes to temporarily fund various capital projects prior to the issuance of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. Generally, such notes must be paid no later than the first day of the fifth month following the close of the tenth anniversary of the date of the original note. The State of New Jersey also prescribes that on or before the third anniversary date of the original note a payment of an amount at least equal to the first legally payable installment of the bonds in anticipation of which such notes were issued be paid or retired. A second and third legal installment must be paid if the notes are to be renewed beyond the fourth and fifth anniversary date of the original issuance.

On December 31, 2014 and 2013, the Township had \$8,323,490 and \$5,716,405, respectfully, in outstanding General Capital Bond Anticipation Notes. The Township also had \$1,826,750 in outstanding Water and Sewer Utility Capital Bond Anticipation Notes.

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013
(continued)

NOTE 5. BOND ANTICIPATION NOTES, (continued)

The following activity related to bond anticipation notes occurred during the calendar year ended December 31, 2014.

<u>2014</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<u>General Capital Notes Payable</u>				
TD Securities LLC	\$4,151,405	\$1,265,000	\$4,151,405	\$1,265,000
Janney Montgomery Scott LLC	<u>1,565,000</u>	<u>7,058,490</u>	<u>1,565,000</u>	<u>7,058,490</u>
	<u>5,716,405</u>	<u>8,323,490</u>	<u>5,716,405</u>	<u>8,323,490</u>
Water and Sewer Utility				
<u>Capital Notes Payable</u>				
TD Securities LLC	641,250	1,186,500	641,250	1,186,500
Janney Montgomery Scott LLC	<u>1,185,500</u>	<u>634,250</u>	<u>1,185,500</u>	<u>1,185,500</u>
	<u>1,826,750</u>	<u>1,820,750</u>	<u>1,826,750</u>	<u>1,820,750</u>
	<u>\$7,543,155</u>	<u>\$10,144,240</u>	<u>\$7,543,155</u>	<u>\$10,144,240</u>
<u>2013</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<u>General Capital Notes Payable</u>				
TD Bank, N.A.	\$2,704,935	\$	\$2,704,935	
TD Securities LLC		4,151,405		4,151,405
Janney Montgomery Scott LLC		<u>1,565,000</u>		<u>1,565,000</u>
	<u>2,704,935</u>	<u>5,716,405</u>	<u>2,704,935</u>	<u>5,716,405</u>
Water and Sewer Utility				
<u>Capital Notes Payable</u>				
TD Bank, N.A.	\$641,250	\$	\$641,250	
TD Securities LLC		641,250		641,250
Janney Montgomery Scott LLC		<u>1,185,500</u>		<u>1,185,500</u>
	<u>641,250</u>	<u>1,826,750</u>	<u>641,250</u>	<u>1,826,750</u>
	<u>\$3,346,185</u>	<u>\$7,543,155</u>	<u>\$3,346,185</u>	<u>\$7,543,155</u>

NOTE 6. LOCAL DISTRICT SCHOOL TAXES AND REGIONAL HIGH SCHOOL TAXES

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district. The Township of East Hanover has elected not to defer school taxes.

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013
(continued)

NOTE 7. PENSION PLANS

Description of Systems:

Substantially all of the Township's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Police and Firemens' Retirement System (PFRS) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey. The Public Employees' Retirement System and the Police and Firemens' Retirement System (PFRS) are considered a cost sharing multiple-employer plans. According to the State of New Jersey Administrative Code, all obligations of the systems will be assumed by the State of New Jersey should the systems terminate.

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to certain qualified members. Membership is mandatory for substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State-administered retirement system. Vesting occurs after 8-10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on contributions. In case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Chapter 103, P.L. 2007 amended the early retirement reduction formula for members hired on or after July 1, 2007 and retiring with 25 years of service to be reduced by 1% for every year between age 55 and 60, plus 3% for every year under age 55.

Chapter 89, P.L. 2008 increased the PERS eligibility age for unreduced benefits from age 60 to age 62 for members hired on or after November 1, 2008; increased the minimum annual compensation required for membership eligibility for new members. Also, it amended the early retirement reduction formula for members hired on or after November 1, 2008 and retiring with 25 years of service to be reduced by 1% for every year between age 55 and 62, plus 3% for every year under age 55.

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013
(continued)

NOTE 7. PENSION PLANS, (continued)

Description of Systems, (continued)

Public Employees' Retirement System (PERS), (continued)

Chapter 1, P.L. 2010, effective May 21, 2010, changed the membership eligibility criteria for new members of PERS from the amount of compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60 from 1/55, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/7th of the required amount, beginning in fiscal year 2012.

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

Chapter 78, P.L. 2011, provides that new members of 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. Tier 5 members will be eligible for a service retirement benefit at age 65.

Police and Firemens' Retirement System (PFRS)

The Police and Firemens' Retirement System was established in July 1944 under the provisions of N.J.S.A. 43:16A to provide retirement, death and disability benefits to its members. Membership is mandatory for all full time county and municipal police and firemen, and state firemen or officer employees with police powers appointed after June 30, 1944.

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013
(continued)

NOTE 7. PENSION PLANS, (continued)

Description of Systems, (continued)

Police and Firemens' Retirement System (PFRS), (continued)

Enrolled members of the Police and Firemens' Retirement System may retire at age 55 with no minimum service requirement. The annual allowance is equal to 2% of the members' final compensation for each year of service up to 30 years, plus 1% of each year of creditable service over 30 years. Final compensation equals the compensation for the final year of service prior to retirement. Special retirement is permitted to members who have 25 or more years of creditable service in the system. Benefits fully vest on reaching 10 years of service. Members are always fully vested for their own contributions. In the case of death before retirement, members' beneficiaries are entitled to full payment of members' contributions.

Chapter 1, P.L. 2010, effective May 21, 2010, eliminated the provision in PFRS that would permit a member to retire, at any age after 25 years of service credit, on a special retirement allowance of 70% of final compensation after the retirement system reaches a funded level of 104%. Also, for new members of PFRS, the law capped the maximum compensation that can be used to calculate a pension from the plan 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.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information for PERS and PFRS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Divisions of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

Significant Legislation

On March 17, 2009, the legislative of the State of New Jersey enacted Public Laws 2009, c.19 (S-21) the "Pension Deferral Program". This law allows the Division of Pensions and Benefits to provide non-state government pension system employers the option of paying their full amount, or an amount that reflects a 50 percent reduction of the normal and accrued liability component of the Public Employees' Retirement System and/or the Police and Firemen's Retirement System obligation for payment due to the State Fiscal Year ending June 30, 2009. The amount deferred will be repaid starting in April 2012 over a 15-year period at 8¼ percent. The amount will fluctuate based on pension system investment earnings on the deferred amount. The local employer is allowed to payoff the obligation at any time prior to April 2012.

The Township of East Hanover opted for this deferral in the amount of \$571,584. The amount outstanding at December 31, 2014 was \$487,917.

**TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013
(continued)**

NOTE 7. PENSION PLANS, (continued)

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS. This amount will increase to 6.5% plus an additional 1% phased in over 7 years beginning 2012 and 8.5% for PFRS, which increased to 10% in October 2011, of the employee's annual compensation, as defined by law. Employers are required to contribute at an actuarially determined rate in all Funds except the SACT. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and PFRS. In the PERS and PFRS, the employer contribution includes funding for post-retirement medical premiums.

The Township's contribution to the various plans, equal to the required contributions for each year, were as follows:

<u>Year</u>	<u>PERS</u>	<u>PFRS</u>
December 31, 2014	\$581,829	\$960,738
December 31, 2013	679,750	1,052,892
December 31, 2012	661,805	992,171

Defined Contribution Retirement Program

The Defined Contribution Retirement Program (DCRP) was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. The program provides eligible members, with a minimum base salary of \$1,500.00 or more, with a tax-sheltered, defined contribution retirement benefit, in addition to life insurance and disability coverage. The DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial.

If the eligible elected or appointed official will earn less than \$5,000.00 annually, the official may choose to waive participation in the DCRP for that office or position. The waiver is irrevocable.

This retirement program is a new pension system where the value of the pension is based on the amount of the contribution made by the employee, employer and through investment earnings. It is similar to a Deferred Compensation Program where the employee has a portion of tax deferred salary placed into an account that the employee manages through investment option provided by the employer.

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013
(continued)

NOTE 7. PENSION PLANS, (continued)

Defined Contribution Retirement Program, (continued)

The law requires that three classes of employees enroll in the DCRP detailed as follows:

All elected officials taking office on or after July 1, 2007, except that a person who is reelected to an elected office held prior to that date without a break in service may retain in the PERS.

A Governor appointee with advice and consent of the Legislature or who serves at the pleasure of the Governor only during that Governor's term of office.

Other employees commencing service after July 1, 2007, pursuant to an appointment by an elected official or elected governing body which include the statutory untenured Chief Administrative Officer such as the Business Administrator, County Administrator, or Municipal or County Manager, Department Heads, Legal Counsel, Municipal or County Engineer, Municipal Prosecutor and the Municipal Court Judge.

Notwithstanding the foregoing requirements, other employees who hold a professional license or certificate or meet other exceptions are permitted to remain to join or remain in PERS.

Contributions made by employees for DCRP are currently at 5.5% of the base wages. Member contributions are matched by a 3.0% employer contribution.

The Township's contribution to the DCRP for the years ended December 31, 2014, 2013 and 2012 were \$10,007, \$8,224 and \$1,049, respectively.

NOTE 8. FUND BALANCE APPROPRIATED

The fund balance at December 31, 2014 which has been appropriated as revenue in the 2015 budget is as follows:

Current Fund	\$1,702,067
Water and Sewer Utility Operating Fund	759,957

NOTE 9. ACCRUED SICK AND VACATION BENEFITS

The Township has permitted employees to accrue unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$3,440,865 as of December 31, 2014. The amount is not reported either as an expenditure or liability.

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013
(continued)

NOTE 10. INTERFUND BALANCES AND ACTIVITY

Balances due to/from other funds at December 31, 2014 consist of the following:

<u>\$208,080</u>	Due to the Federal and State Grant Fund from the Current Fund for grants received but not turned over.
------------------	--

It is anticipated that all interfunds will be liquidated during the year.

NOTE 11. EMERGENCY SERVICES VOLUNTEER LENGTH OF SERVICE AWARD PLAN (LOSAP)

On May 8, 2002, the Division of Local Government Services approved the Township's LOSAP plan, provided by the Lincoln Financial Group. The purpose of this plan is to enhance the Township's ability to retain and recruit volunteer firefighters and volunteer members of emergency service squads.

Lincoln Financial Group will provide for the benefit of participants, a multi-fund variable annuity contract as its funding vehicle. The plan shall provide for an annual contribution of \$1,150 per year of active emergency service, subject to periodic increases as permitted by N.J.A.C. 5:30-14.9. The Township's contribution shall be included in the current years budget.

All amounts awarded under a length of service award plan shall remain the asset of the sponsoring agency; the obligation of the sponsoring agency to participating volunteers shall be contractual only; and no preferred or special interest in the awards made shall accrue to such participants. Such money shall be subject to the claims of the sponsoring agency's general creditors until distributed to any or all participants.

We have reviewed the plan for the year ended December 31, 2014 in accordance with the American Institute of Certified Public Accountants (AICPA) Statement on Standards for Accounting and Review Services.

NOTE 12. RISK MANAGEMENT

The Township is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained insurance coverage to guard against these events which will provide minimum exposure to the Township should they occur. During the 2014 calendar year, the Township did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

**TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013
(continued)**

NOTE 12. RISK MANAGEMENT, (continued)

The Township of East Hanover is a member of the Morris County Joint Insurance Fund (the "Fund"). The Fund provides its members with Liability, Property, Worker's Compensation, Public Official and Employer Liability and Environmental Insurance coverage. The Fund is both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicle and equipment liability and worker's compensation. The coverage amounts are on file with the Township.

The relationship between the Township and respective insurance funds is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Township is contractually obligated to make all annual and supplementary contributions to insurance funds, to report claims on a timely basis, cooperate with the management of the Fund, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the insurance funds. Members have a contractual obligation to fund any deficit of the insurance funds attributable to a membership year during which they are a member.

The funds provide its members with risk management services, including the defense of and settlement of claims, and established reasonable and necessary loss reduction and prevention procedures to be followed by the members.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage's in any of the prior three years.

NOTE 13. TAXES COLLECTED IN ADVANCE

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

	Balance <u>Dec 31, 2014</u>	Balance <u>Dec 31, 2013</u>
Prepaid Taxes	<u>\$170,011</u>	<u>\$176,810</u>
Cash Liability for Taxes Collected in Advance	<u>\$170,011</u>	<u>\$176,810</u>

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013
(continued)

NOTE 14. LITIGATION

The Township is a defendant in various legal proceedings. These cases, if decided against the Township, would be raised by future taxation. The Township's legal counsel estimate such amounts to be immaterial.

Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2014. The Township is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the Township does not recognize a liability, if any, until these cases have been adjudicated. The Township has established a Reserve for Pending Tax Appeals at December 31, 2014 in the amount of \$34,062 and has an appropriation of \$250,000 remaining in the 2013 appropriation reserves and budgeted \$313,000 in the 2014 budget which it feels will be sufficient to cover any reductions in taxes and related refund of revenue.

On August 14, 2013, the State of New Jersey Local Finance Board approved a refunding Bond Ordinance in the amount of \$1,565,000 to fund various tax appeals. This ordinance was approved to be repaid over 5 years.

NOTE 15. OTHER POST EMPLOYMENT BENEFITS

The Township of East Hanover approved a resolution to participate in the Health Program provided by the New Jersey State Health Benefits Act of the State of New Jersey (N.J.S.A. 52:14-17.25 et seq.) and to authorize the coverage for all the employees and their dependents thereunder in accordance with the statute and regulations adopted by the State Health Benefits Commission. The State Health Benefits Program was established in 1961 to provide health benefits to State employees, retirees and their dependents.

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. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

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 issues 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 <http://www.state.nj.us/treasury/pension/pdf/financial/gasb-43-july2013.pdf>

**TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013
(continued)**

NOTE 15. OTHER POST EMPLOYMENT BENEFITS, (continued)

Plan Coverage

Any employee who retires after twenty-five (25) years or more of service within a state administered retirement system shall be entitled to be continued in the above health insurance coverage on a family-plan basis, with the cost thereof to be paid by the Township. This does not include dental benefits.

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 employees in the SHBP are billed to the Township of East Hanover on a monthly basis. The rates charged by the system for the year ended December 31, 2014 were as follows:

The Township of East Hanover contributions to SHBP for post-retirement benefits for the year ended December 31, 2014 was \$978,214, for 67 retired participants, which equaled the required contribution for the year.

NOTE 16. FIXED ASSETS

The following is a summary of General Fixed Assets Account Group as of December 31, 2014:

	Restated Balance <u>Dec. 31, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2014</u>
Land	\$31,073,600	\$300,000	\$	\$31,373,600
Buildings	33,493,121			33,493,121
Machinery and Equipment	<u>8,337,735</u>	<u>427,537</u>	<u>286,811</u>	<u>8,478,461</u>
	<u>\$72,904,456</u>	<u>\$727,537</u>	<u>\$286,811</u>	<u>\$73,345,182</u>

NOTE 17. SUBSEQUENT EVENT

The Township has evaluated subsequent events through July 16, 2015, the date which the financial statements were available to be issued and no other items were noted for disclosure.

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SUPPLEMENTARY DATA

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TOWNSHIP OF EAST HANOVER

Supplementary Data

Officials in Office and Surety Bonds

The following officials were in office during the period under audit.

<u>Name</u>	<u>Title</u>	<u>Amount of bond</u>
Joseph Pannullo	Mayor	
Frank DeMaio, Jr.	Council President	
Carolyn M. Jandoli	Councilmember	
Michael Martorelli	Councilmember	
Giuseppe Peluso	Councilmember	
Joseph Tempesta Jr.	Township Administrator	(A)
Paula A. Massaro	Township Clerk	(A)
Kenneth Huelbig	Treasurer, Chief Financial Officer	(A)
Kenneth Huelbig	Tax Collector (6/1/14-12/31/14)	(A)
Carole D. Reardon	Tax Collector (1/1/14-5/31/14)	(A)
Barbara Yuille-Wynne	Water and Sewer Collector	(A)
Barbara Yuille-Wynne	Deputy Tax Collector (11/1/14-12/31/14)	(A)
Rui Caetano	Deputy Tax, Water and Sewer Collector	(A)
Kevin E. Esposito	Tax Assessor	(A)
Matthew J. O'Donnell, Esq.	Township Attorney	(A)
Vincent A. Pirone, Esq.	Magistrate	
Andrea Contaldi	Court Administrator	
Stanley Hansen	Chief of Police	(A)
Thomas Pershouse	Construction Official	(A)
Theresa Maggiulli	Register of Vital Statistics	(A)

(A) - Statutory positions are covered under the Morris County Municipal Joint Insurance Fund (\$50,000) and Municipal Excess Liability Joint Insurance Fund (Excess Crime Policy - Public Employee Bond - \$950,000)

TOWNSHIP OF EAST HANOVER

Supplementary data

Comparative Schedule of Tax Rate Information

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Tax rate	<u>2.094</u>	<u>2.086</u>	<u>2.075</u>
Apportionment of tax rate:			
Municipal	0.609	0.595	0.569
School	1.137	1.139	1.136
County	<u>0.348</u>	<u>0.352</u>	<u>0.370</u>

Assessed Value

2014		\$ 2,533,668,034
2013		2,465,071,934
2012		2,464,075,834

Comparison of Tax Levies and Collections Currently

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

		<u>Currently</u>	
<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collection</u>
2014	\$ 53,397,471	52,655,605	98.61%
2013	53,165,124	52,307,006	98.39%
2012	51,538,926	51,310,869	99.56%

Delinquent Taxes and Tax Title Liens

This tabulation includes a comparison, expressed in percentages, of the total of delinquent taxes and tax title liens in relation to the tax levies of the last three years.

		<u>Amount of delinquent taxes</u>	<u>Tax title liens</u>	<u>Total delinquent</u>	<u>Percentage of tax levy</u>
<u>Dec. 31</u>					
2014	\$	378,259	749,829	1,128,088	2.11%
2013		527,702	800	528,502	0.99%
2012		228,057	504	228,561	0.44%

TOWNSHIP OF EAST HANOVER

Supplementary data

Property Acquired by Tax Title Lien Liquidation

No properties have been acquired in 2014 by foreclosure or deed, as a result of liquidation of tax title liens.

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

<u>Year</u>	<u>Amount</u>
2014	\$ 1,518,500
2013	1,518,500
2012	1,518,500

Comparative Schedule of Fund Balance

	<u>Year</u>	<u>Dec. 31</u>	<u>Utilized in budget of succeeding year</u>
Current Fund	2014	\$ 2,823,728	1,702,067
	2013	3,578,027	1,750,000
	2012	2,828,748	1,750,000
	2011	3,431,857	2,548,792
	2010	3,372,118	2,581,354
Water Utility Operating Fund	2014	1,069,501	759,957
	2013	1,056,375	809,911
	2012	634,361	494,469
	2011	785,803	233,500
	2010	751,608	280,000

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TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Cash - Collector-Treasurer

Current Fund

Year Ended December 31, 2014

	<u>Current Fund</u>
Balance - December 31, 2013	\$ 6,014,175
Increased by Receipts:	
Taxes Receivable	52,591,457
Miscellaneous Revenue Not Anticipated	587,463
Tax Overpayments	29,516
Prepaid Revenue	170,011
Petty Cash	1,200
Due from State - Senior Citizen and Veteran Deductions	113,351
Revenue Accounts Receivable	4,381,833
Due to State of New Jersey	39,836
Interfunds	596,469
Grants Receivable	126,820
Unappropriated Reserves	42,233
	<hr/>
	58,680,189
	<hr/>
	64,694,364
Decreased by Disbursements:	
Current Year Budget Appropriations	19,335,305
Petty Cash	1,200
Interfunds	863,516
Due to State of New Jersey	25,445
Appropriation Reserves	958,590
Tax Overpayment Refunds	443,686
Local District School Taxes	17,442,473
Regional School District Taxes	11,360,924
County Taxes Payable	9,020,971
Various Reserves	10,806
Grants	170,675
	<hr/>
	59,633,591
	<hr/>
Balance - December 31, 2014	\$ <u>5,060,773</u>

Exhibit A-5

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Cash - Change Fund

Current Fund

Year Ended December 31, 2014

Balance - December 31, 2013	\$ <u>150</u>
Balance - December 31, 2014	\$ <u><u>150</u></u>

Exhibit A-6

Schedule of Cash - Petty Cash

Current Fund

Year Ended December 31, 2014

Increased by:	
Disbursed	\$ <u>1,200</u>
Decreased by:	
Returned to Treasurer	\$ <u><u>1,200</u></u>

TOWNSHIP OF EAST HANOVER, N.J.

**Schedule of Amount Due (to)/from State of New Jersey
for Senior Citizens' and Veterans' Deductions - CH. 129 P.L. 1976**

Current Fund

Year Ended December 31, 2014

Balance - December 31, 2013		\$	(8,817)
Increased by:			
Senior Citizens' Deductions Per Tax Billing	\$	20,000	
Veterans' Deductions Per Tax Billing		97,000	
Senior Citizen's and Veteran's Allowed - 2014		<u>1,000</u>	
			<u>118,000</u>
			109,183
Decreased by:			
State Share of Senior Citizens and Veteran Deductions Received in Cash	\$	113,351	
Senior Citizen's and Veteran's Disallowed - 2014		250	
Prior Years Disallowed by State		<u>4,500</u>	
			<u>118,101</u>
Balance - December 31, 2014		\$	<u><u>(8,918)</u></u>

TOWNSHIP OF EAST HANOVER, N.J.
Schedule of Amount Due (to)/from Current Fund
Federal and State Grant Fund
Year Ended December 31, 2014

Balance - December 31, 2013	\$	205,542
Increased by:		
Budget Appropriations - Local Match	\$	4,160
Unappropriated Reserves		42,233
Grants Receivable		<u>126,820</u>
		<u>173,213</u>
		378,755
Decreased by:		
Reimbursement for expenditures paid		<u>170,675</u>
Balance - December 31, 2014	\$	<u><u>208,080</u></u>

Schedule of Municipal Liens
Current Fund
Year Ended December 31, 2014

Balance - December 31, 2013	\$	800
Increased by:		
Transferred from Delinquent Taxes	\$	289,457
Interest and costs - 2014 tax sale		72,057
Subsequent Taxes		363,606
Penalties and Fees		<u>23,909</u>
		<u>749,029</u>
Balance - December 31, 2014	\$	<u><u>749,829</u></u>

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Taxes Receivable and Analysis of Property Tax Levy

Current Fund

Year Ended December 31, 2014

Year	Balance, Dec. 31, 2013	Levy	2013 Collected	2014 Collected	Senior Citizen and Veteran Deductions	Transferred to Tax Title Liens	Canceled	Balance, Dec. 31, 2014
2013	527,702			233,012		289,457	5,233	
2014	527,702	53,394,870	176,810	233,012	117,750	289,457	5,233	378,259
	\$ 527,702	\$ 53,394,870	176,810	52,591,457	117,750	653,063	5,233	378,259

Analysis of Tax Levy

Tax yield:	
General Purpose Tax	\$ 53,055,009
Special District Taxes	290,601
Added Tax (R.S. 54:4-63.1 et seq.)	49,260
	\$ 53,394,870

Tax Levy:

Local District School Tax	\$ 17,442,473
Regional School Taxes	11,360,924
Local Open Space Taxes	253,601
Special District Tax	290,601
County Tax	\$ 8,777,135
County Added and Omitted Taxes	8,194
	8,785,329

Local Tax for Municipal Purposes	\$ 15,201,395
Add: Additional Taxes Levied	60,547

Local Tax for Municipal Purposes	15,261,942
	\$ 53,394,870

TOWNSHIP OF EAST HANOVER, N.J.

**Schedule of Property Acquired for Taxes -
Assessed Valuation**

Current Fund

Year Ended December 31, 2014

Balance - December 31, 2013	\$ <u>1,518,500</u>
Balance - December 31, 2014	\$ <u><u>1,518,500</u></u>

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Revenue Accounts Receivable

Current Fund

Year Ended December 31, 2014

	<u>Balance</u> <u>Dec. 31, 2013</u>	<u>Accrued</u>	<u>Collected</u>	<u>Balance</u> <u>Dec. 31, 2014</u>
Clerk:				
Licenses:				
Alcoholic beverages	\$	27,688	27,688	
Fees and Permits		108,179	108,179	
Municipal Court :				
Fines and Costs	17,799	182,109	180,162	19,746
Treasurer:				
Cablevision Franchise Fees		160,297	160,297	
Interest and Costs on Taxes		74,635	74,635	
Interest on Investments and Deposits		20,606	20,606	
Recreation Program Fees		96,913	96,913	
Energy Receipts Tax		2,819,976	2,819,976	
Uniform Construction Code Fees		678,477	678,477	
Interlocal Service Agreements				
Borough of Roseland		73,097	73,097	
East Hanover School District		8,724	8,724	
Borough of Parsippany		66,326	66,326	
Uniform Fire Safety Act - Local		66,753	66,753	
Open Space Trust Fund - Share of Debt Service		405,179	405,179	
Capital Surplus		30,867	30,867	
	<u>\$ 17,799</u>	<u>4,819,826</u>	<u>4,817,879</u>	<u>19,746</u>
		Interfunds \$	436,046	
		Cash	<u>4,381,833</u>	
		\$	<u>4,817,879</u>	

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Interfunds

Current Fund

Year Ended December 31, 2014

<u>Fund</u>	Due from/(to) Balance Dec. 31, 2013	<u>Increased</u>	<u>Decreased</u>	Due from/(to) Balance Dec. 31, 2014
Federal and State Grant Fund	\$ (205,542)	170,675	173,213	(208,080)
Animal Control Trust Fund		6,250	6,250	
Other Trust Fund	500	72,662	73,162	
Open Space Trust Fund		658,780	658,780	
Water Operating Fund		438,561	438,561	
General Capital Fund		186,346	186,346	
	<u>\$ (205,042)</u>	<u>1,533,274</u>	<u>1,536,312</u>	<u>(208,080)</u>
Due to Current Fund	500	72,662	73,162	
Due from Current Fund	<u>(205,542)</u>	<u>1,460,612</u>	<u>1,463,150</u>	<u>(208,080)</u>
	<u>\$ (205,042)</u>	<u>1,533,274</u>	<u>1,536,312</u>	<u>(208,080)</u>
		Cash Receipts \$ 540,669	55,800	
		Cash Disbursements 35,400	828,116	
		Reimbursement for expenditures paid 532,084	27,775	
		Municipal Open Space Taxes 253,601		
		Unappropriated Grants	42,233	
		Grants Receivable	126,820	
		Local Match	4,160	
		Budgeted Revenue	436,046	
		Miscellaneous Revenue 21,520		
		Transfer from Appropriation Reserves	15,362	
		Capital Improvement Fund 150,000		
		<u>\$ 1,533,274</u>	<u>1,536,312</u>	

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Deferred Charges N.J.S.A. 40A:4-53 Special Emergency

Current Fund

Year Ended December 31, 2014

<u>Date</u> <u>Authorized</u>	<u>Purpose</u>	<u>Amount</u> <u>Authorized</u>	<u>1/5 of Net</u> <u>Amount</u> <u>Authorized</u>	<u>Balance,</u> <u>Dec. 31,</u> <u>2013</u>	<u>Reduced</u> <u>in 2014</u>	<u>Balance,</u> <u>Dec. 31,</u> <u>2014</u>
12/17/2012	Accrued Vacation and Sick	\$ 344,644	68,929	275,715	68,929	206,786

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Appropriation Reserves

Current Fund

Year Ended December 31, 2014

	Balance, Dec. 31, <u>2013</u>	Balance after Transfers and <u>Encumbrances</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Salaries and Wages Within "CAPS":				
Administrative and Executive	\$ 100	100		100
Municipal Clerk	853	853		853
Financial Administration	10,519	10,519		10,519
Computer Data Processing	480	480		480
Collection of Taxes	100	100		100
Planning Board	169	169		169
Police	111,175	91,175	84,357	6,818
Emergency Management	495	495		495
Fire Suppression	1	1		1
Fire Prevention	3,807	3,807		3,807
Municipal Court	100	100		100
Road Repairs and Maintenance	2,882	2,882		2,882
Administration of Public Works	540	540		540
Solid Waste Collection	4,439	4,439		4,439
Public Buildings and Grounds	249	249		249
Vehicle Maintenance	563	563		563
Health Department	10,700	10,700		10,700
Recreation Services and Programs	2,723	2,723		2,723
Maintenance of Parks	4,526	4,526		4,526
Construction Code Official	1,480	1,480		1,480
Total Salaries and Wages Within "CAPS"	155,901	135,901	84,357	51,544
Other Expenses Within "CAPS":				
Administrative and Executive	104	104		104
Mayor and Council	645	844	199	645
Municipal Clerk	5,956	6,996	1,948	5,048
Financial Administration:				
Other Expenses	8,071	8,195	412	7,783
Audit Services	41,800	66,800	66,250	550
Computer Data Processing	642	1,287	645	642
Collection of Taxes	1,367	1,897	529	1,368
Assessment of Taxes:				
Other Expenses	660	721	61	660
Legal Services and Costs	18,382	24,206	6,448	17,758
Engineering Services and Costs	24,898	34,186	17,199	16,987

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Appropriation Reserves

Current Fund

Year Ended December 31, 2014

	Balance, Dec. 31, <u>2013</u>	Balance after Transfers and <u>Encumbrances</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Planning Board	1,749	2,320	1,748	572
Insurance:				
General Liability	707	707		707
Employee Group Health	56,924	87,034	74,898	12,136
Police:				
Other Expenses	21,962	33,321	17,510	15,811
Emergency Management Services	4,427	11,924	6,866	5,058
Fire Suppression	9,755	28,139	24,898	3,241
Fire Prevention	1,031	1,031		1,031
Municipal Prosecutor	1,250	1,250	250	1,000
Municipal Court	7,000	7,000		7,000
Public Defender	9,800	11,150	1,950	9,200
Road Repairs and Maintenance	27,332	42,821	37,097	5,724
Administration of Public Works	10,000	10,566	1,025	9,541
Solid Waste Collection	24,021	41,349	32,436	8,913
Public Buildings and Grounds	6,722	7,942	3,564	4,378
Vehicle Maintenance	11,657	27,413	16,445	10,968
Community Services Act	75,000	95,000	82,833	12,167
Health Department	5,983	6,572	440	6,132
Animal Control	8,961	8,961	8,961	
Recreation	8,238	6,711	1,848	4,863
Maintenance of Parks	6,272	14,203	9,024	5,179
Celebration of Public Events				
Other Expenses	6,021	6,529	3,377	3,152
Senior Citizen Expenses		4,025	2,870	1,155
Gasoline	50,447			
Electric and Gas	60,874	35,874	21,164	14,710
Telephone	6,951	9,451	8,161	1,290
Natural Gas	16,941	11,941	7,377	4,564
Street Lighting	51,609	41,609	33,934	7,675
Motor Fuel		54,957	30,787	24,170
Accumulated Leave Compensation	32,855	63,455	63,439	16
Construction Code Official	2,885	3,487	602	2,885
Contingent	1,000	1,000		1,000
Total Other expenses Within "CAPS"	<u>630,899</u>	<u>822,978</u>	<u>587,195</u>	<u>235,783</u>

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Appropriation Reserves

Current Fund

Year Ended December 31, 2014

	Balance, Dec. 31, <u>2013</u>	Balance after Transfers and <u>Encumbrances</u>	<u>Paid or Charged</u>	<u>Balance Lapsed</u>
Deferred Charges and Statutory Expenditures Within "CAPS":				
Social Security System (O.A.S.I.)	2,664	2,662		2,662
Defined Contribution Pension Plan	<u>1,776</u>	<u>1,776</u>		<u>1,776</u>
 Total Deferred Charges and Statutory Expenditures Within "CAPS"	 <u>4,440</u>	 <u>4,438</u>		 <u>4,438</u>
 Other Expenses Excluded From "CAPS":				
Maintenance of Free Public Library	32,174	62,174	62,174	
LOSAP	24,600	24,600	22,400	2,200
Tax Appeals	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	
Total Other Expenses Excluded from "CAPS"	<u>306,774</u>	<u>336,774</u>	<u>334,574</u>	<u>2,200</u>
 Total Reserves	 \$ <u>1,098,014</u>	 <u>1,300,091</u>	 <u>1,006,126</u>	 <u>293,965</u>
		Appropriation Reserves Encumbrances		
		1,098,014 <u>202,077</u>		
		\$ <u>1,300,091</u>		
			Cash Disbursed \$ 958,590	
			Transfer to Due to Library 32,174	
			Interfund <u>15,362</u>	
			\$ <u>1,006,126</u>	

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Encumbrances Payable

Current Fund

Year Ended December 31, 2014

Balance - December 31, 2013	\$ 202,077
Increased by:	
Transferred from Current Year Budget	<u>146,384</u>
	348,461
Decreased by:	
Transferred to Appropriation Reserves	<u>202,077</u>
Balance - December 31, 2014	<u><u>\$ 146,384</u></u>

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Reserve for Other Expenditures

Current Fund

Year Ended December 31, 2014

	Pending Tax Appeals	Library	Total
Balance - December 31, 2013	\$ 147,783	295,077	\$ 442,860
Increased by:			
Transfer from Appropriation Reserves		<u>32,174</u>	<u>32,174</u>
	147,783	327,251	475,034
Decreased by:			
Cash Disbursements	10,806		10,806
Transfer to Tax Overpayments	<u>102,915</u>		<u>102,915</u>
	<u>113,721</u>		<u>113,721</u>
Balance - December 31, 2014	<u>\$ 34,062</u>	<u>327,251</u>	<u>\$ 361,313</u>

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Amount Due to the
State of New Jersey

Current Fund

Year Ended December 31, 2014

	<u>Marriage License Fee</u>	<u>Burial Permit Fee</u>	<u>Construction Training Fee</u>	<u>Total</u>
Balance - December 31, 2013	\$ 200	20	6,468	\$ 6,688
Increased by:				
Collections	<u>1,575</u>	<u>90</u>	<u>38,171</u>	<u>39,836</u>
	1,775	110	44,639	46,524
Decreased by:				
Payments	<u>1,500</u>	<u>60</u>	<u>23,885</u>	<u>25,445</u>
Balance - December 31, 2014	<u>\$ 275</u>	<u>50</u>	<u>20,754</u>	<u>\$ 21,079</u>

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Tax Overpayments

Current Fund

Year Ended December 31, 2014

Balance - December 31, 2013		\$	327,369
Increased by:			
Collections	\$	29,516	
Transfer from Reserve for Tax Appeal		<u>102,915</u>	
		\$	<u>132,431</u>
			459,800
Decreased by:			
Refunds			<u>443,686</u>
Balance - December 31, 2014		\$	<u><u>16,114</u></u>

TOWNSHIP OF EAST HANOVER, N.J.
Schedule of Local School District Tax Payable

Current Fund

Year Ended December 31, 2014

Increased by:	
2014 Levy	\$ <u>17,442,473</u>
Decreased by:	
Payments	\$ <u><u>17,442,473</u></u>

Schedule of Regional School District Tax Payable

Current Fund

Year Ended December 31, 2014

Increased by:	
2014 Levy	\$ <u>11,360,924</u>
Decreased by:	
Payments	\$ <u><u>11,360,924</u></u>

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of County Taxes Payable

Current Fund

Year Ended December 31, 2014

Balance - December 31, 2013		\$	243,836
Increased by:			
2014 Levy	\$	8,442,625	
2014 Open Space		334,510	
2014 Added Assessments		<u>8,194</u>	
			<u>8,785,329</u>
			9,029,165
Decreased by:			
Payments			<u>9,020,971</u>
Balance - December 31, 2014		\$	<u><u>8,194</u></u>

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Prepaid Taxes

Current Fund

Year Ended December 31, 2014

Balance - December 31, 2013	\$ 176,810
Increased by:	
Collections	<u>170,011</u>
	346,821
Decreased by:	
Applied to 2014 Taxes Receivable	<u>176,810</u>
Balance - December 31, 2014	<u><u>\$ 170,011</u></u>

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Grants Receivable

Federal and State Grant Fund

Year Ended December 31, 2014

<u>Grant</u>	Balance, Dec. 31, <u>2013</u>	2014 Budget Revenue <u>Realized</u>	<u>Received</u>	Balance, Dec. 31, <u>2014</u>
Municipal Alliance on Alcoholism and Drug Abuse - 2011	\$ 5,874			5,874
Municipal Alliance on Alcoholism and Drug Abuse - 2012	3,341			3,341
Municipal Alliance on Alcoholism and Drug Abuse - 2013	10,878	5,439	4,021	12,296
Municipal Alliance on Alcoholism and Drug Abuse - 2015		11,197		11,197
FY12 NJDOT Melanie Lane	51,250			51,250
FY12 NJDOT Melanie Lane Bridge	106,965		96,261	10,704
Clean Communities Grant		20,105	20,105	
Alcohol Education/Rehab Program		295	295	
Body Armor Replacement Grant		3,368	3,368	
Drive Sober or Get Pulled Over Holiday Crackdown	4,400			4,400
Bullet Proof Vest 2010	1,114		1,114	
Bullet Proof Vest 2011	1,656		1,656	
Bullet Proof Vest 2012	2,846			2,846
Emergency Management Assistance		5,000		5,000
	<u>\$ 188,324</u>	<u>45,404</u>	<u>126,820</u>	<u>106,908</u>

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Appropriated Reserves for Grants

Federal and State Grant Fund

Year Ended December 31, 2014

<u>Grant</u>	Balance, Dec. 31, <u>2013</u>	Transfer From 2014 <u>Budget</u>	<u>Expended</u>	Balance, Dec. 31, <u>2014</u>
Municipal Alliance on Alcohol and Drug Abuse - 2011	\$ 5,313			5,313
Municipal Alliance on Alcohol and Drug Abuse - 2012	1,810		(4,085)	5,895
Municipal Alliance on Alcohol and Drug Abuse - 2013	10,878	5,439	10,541	5,776
Local Match	2,179	1,360	3,539	
Municipal Alliance on Alcohol and Drug Abuse - 2015		11,197		11,197
Local Match		2,800		2,800
Clean Communities Program Grant - 2013	18,123		18,123	
Clean Communities Program Grant - 2014		20,105	3,991	16,114
Alcohol Education and Rehabilitation - 2011	1,079		900	179
Alcohol Education and Rehabilitation - 2012	1,403			1,403
Alcohol Education and Rehabilitation - 2013	1,267			1,267
Alcohol Education and Rehabilitation - 2014		295		295
FY12 NJDOT Melanie Lane	205,000			205,000
FY12 NJDOT Melanie Lane Bridge	94,146		94,146	
Drive Sober or Get Pulled Over Holiday Crackdown	4,400			4,400
Body Armor Replacement Program - 2008	1,624			1,624
Body Armor Replacement Program - 2011	159		30	129
Body Armor Replacement Program - 2012	3,302			3,302
Body Armor Replacement Program - 2013	4,268			4,268
Body Armor Replacement Program - 2014		3,368		3,368
Bullet Proof Vest Program - 2013	2,846		2,846	
Recycling Tonnage Grant - 2012	2,767		2,709	58
Recycling Tonnage Grant - 2013	33,302		32,935	367
Emergency Mgmt. Agency Assistance Funding		5,000	5,000	
	<u>\$ 393,866</u>	<u>49,564</u>	<u>170,675</u>	<u>272,755</u>
		Budget Match \$ 4,160		
		Appropriated by 40a:4-87 <u>45,404</u>		
		<u>\$ 49,564</u>		

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Unappropriated Reserves for Grants

Federal and State Grant Fund

Year Ended December 31, 2014

<u>Grant</u>	<u>Received</u>	Balance, Dec. 31, <u>2014</u>
Recycling Tonnage Grant	\$ <u>42,233</u>	<u>42,233</u>
	\$ <u><u>42,233</u></u>	<u><u>42,233</u></u>

TOWNSHIP OF EAST HANOVER

Schedule of Cash

Trust Funds

Year Ended December 31, 2014

	Animal Trust Fund	Other Trust Fund	Unemployment Compensation Trust Fund	Emergency Service LOSAP Fund
Balance - December 31, 2013	\$ 4,873	2,447,902	159,484	490,406
Increase by Receipts:				
Reserve for Animal Trust Expenditures	10,025			
Interfunds		267,343		
Due to the State of New Jersey	1,307			
Various Reserves and Deposits		1,319,126		
Payroll Deductions		12,659,386	20,915	
Contributions				33,709
Interest Earnings	34		426	
Net Gain on Benefit Contributions				31,183
Total Receipts	11,366	14,245,855	21,341	64,892
	16,239	16,693,757	180,825	555,298
Decreased by Disbursements:				
Reserve for Animal Trust Expenditures	34			
Interfunds	6,250	436,779		
Due to the State of New Jersey	1,306		12,358	
Various Reserves and Deposits		1,142,044		
Payroll Deductions		12,671,240		
Account Charges/Tax				1,325
LOSAP Distributions				26,381
Total Disbursements	7,590	14,250,063	12,358	27,706
Balance - December 31, 2014	\$ 8,649	2,443,694	168,467	527,592

TOWNSHIP OF EAST HANOVER

Schedule of Due to State of New Jersey

Trust Funds

Year Ended December 31, 2014

	Dog License <u>Fees</u>	Quarterly Unemployment <u>Taxes Due</u>
Balance - December 31, 2013	\$ _____	_____ 987
Increased by:		
Dog License Fees	1,307	
Unemployment Billings	_____	_____ 12,999
	_____ 1,307	_____ 12,999
	1,307	13,986
Decreased by:		
Cash Disbursements	_____ 1,306	_____ 12,358
Balance - December 31, 2014	\$ _____ 1	_____ 1,628

TOWNSHIP OF EAST HANOVER

Schedule of Interfunds Receivable/(Payable)

Trust Funds

Year Ended December 31, 2014

	Balance <u>Dec. 31, 2013</u>	<u>Increased</u>	<u>Decreased</u>
Open Space Trust Fund			
Current Fund	\$ <u> </u>	658,780	<u>658,780</u>
Total Open Space Trust		<u>658,780</u>	<u>658,780</u>
Other Trust Fund:			
Current Fund	\$ <u> (500)</u>	<u>73,162</u>	<u>72,662</u>
Total Other Trust		<u>73,162</u>	<u>72,662</u>
Animal Trust Fund			
Current Fund	\$ <u> </u>	6,250	<u>6,250</u>
Total Animal Trust Fund		<u>6,250</u>	<u>6,250</u>
	\$ <u> (500)</u>	<u>738,192</u>	<u>737,692</u>
Due to Current Fund	\$ <u> (500)</u>	73,162	72,662
Due from Current Fund		<u>665,030</u>	<u>665,030</u>
	\$ <u> (500)</u>	<u>738,192</u>	<u>737,692</u>
			Receipts \$ 267,343
		Disbursements 443,029	
		Budgeted Revenue	405,179
		Miscellaneous Revenue	
		Tax Sale Premiums 26,200	
		Reimbursement for expenditures paid	65,170
		Open Space Tax Levy 253,601	
		Transfer from Appropriation Reserves 15,362	
		\$ <u>738,192</u>	<u>737,692</u>

TOWNSHIP OF EAST HANOVER

Schedule of Various Reserves and Deposits

Trust Funds

Year Ended December 31, 2014

	Balance <u>Dec. 31, 2013</u>	<u>Increased</u>	<u>Decreased</u>	Balance <u>Dec. 31, 2014</u>
Escrow Deposits	\$ 1,188,488	490,557	465,852	1,213,193
Developer's Interest	22,385	20,632	16,246	26,771
Parking Offense Adjudication Act	2,607	362		2,969
Public Defender	5,521		5,521	
Police Contractual Payroll	31,223	218,940	222,244	27,919
Recreation	45,070	111,145	121,115	35,100
Accrued Compensated Absences	22,569	15,362		37,931
Tax Title Lien Premiums	37,500	26,200	35,400	28,300
Law Enforcement	24,492	2,926		27,418
Affordable Housing	25,700	322,668	7,959	340,409
Municipal Open Space	260,241	1,170,217	731,806	698,652
Municipal Open Space - Green Acres	<u>764,720</u>		<u>764,720</u>	
	<u>\$ 2,430,516</u>	<u>2,379,009</u>	<u>2,370,863</u>	<u>2,438,662</u>
		Cash Receipts		
		1,319,126		
		Cash Disbursements	1,142,044	
		Re-Allocation of Balances	764,720	
		764,720		
		Interfunds	464,099	
		<u>295,163</u>	<u>464,099</u>	
		<u>2,379,009</u>	<u>2,370,863</u>	

TOWNSHIP OF EAST HANOVER
Schedule of Reserve for Payroll Deductions Payable
Trust Fund
Year Ended December 31, 2014

Balance - December 31, 2013	\$	16,886
Increased by:		
Payroll Deductions		<u>12,659,386</u>
		12,676,272
Decreased by:		
Cash Disbursements		<u>12,671,240</u>
Balance - December 31, 2014	\$	<u><u>5,032</u></u>

TOWNSHIP OF EAST HANOVER

Schedule of Reserve for Animal Trust Fund Expenditures

Trust Funds

Year Ended December 31, 2014

Balance - December 31, 2013		\$	4,873
Increased by:			
Dog License Fees	\$	7,922	
Cat License Fees		1,053	
Miscellaneous Revenue:			
Late Fees - Dog		920	
Late Fees - Cat		110	
Other		20	
Interest Earnings		34	
			<u>10,059</u>
			14,932
Decreased by:			
Cash Disbursements		34	
Interfunds		6,250	
			<u>6,284</u>
Balance - December 31, 2014		\$	<u><u>8,648</u></u>

Animal License Fees Collected

	<u>Year</u>		
	2012	\$	10,135
	2013		<u>10,314</u>
Maximum Reserve	\$		<u><u>20,449</u></u>

TOWNSHIP OF EAST HANOVER

Schedule of Accounts Receivable

Trust Funds

Year Ended December 31, 2014

Increased by:

Unemployment Insurance Payroll Deductions \$ 20,915

Decreased by:

Cash Receipts \$ 20,915

TOWNSHIP OF EAST HANOVER
Schedule of Reserve for Unemployment
Compensation Insurance Fund

Trust Funds

Year Ended December 31, 2014

Balance - December 31, 2013		\$	158,497
Increased by:			
Interest Earnings	\$		426
Current Year Contributions			<u>20,915</u>
			<u>21,341</u>
			179,838
Decreased by:			
Accounts Payable			<u>12,999</u>
Balance - December 31, 2014		\$	<u><u>166,839</u></u>

TOWNSHIP OF EAST HANOVER

Schedule of Service Award Contributions Receivable

Trust Funds

Year Ended December 31, 2014

Balance - December 31, 2013		\$	34,860
Increased by:			
2014 Service Award Contributions			<u>40,275</u>
			75,135
Decreased by:			
Cash Received	\$	33,709	
Refund of Contribution		<u>1,151</u>	
			<u>34,860</u>
Balance - December 31, 2014		\$	<u><u>40,275</u></u>

TOWNSHIP OF EAST HANOVER

Schedule of Net Assets Available for Benefits

Trust Funds

Year Ended December 31, 2014

Balance - December 31, 2013		\$	525,266
Increased by:			
Contributions	\$	40,275	
Gain on Benefit Contributions		<u>31,183</u>	
			<u>71,458</u>
			596,724
Decreased by:			
Account Charges/Tax	\$	1,325	
Refund of Contribution		1,151	
Distributions		<u>26,381</u>	
			<u>28,857</u>
Balance - December 31, 2014		\$	<u><u>567,867</u></u>

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Cash

General Capital Fund

Year Ended December 31, 2014

Balance - December 31, 2013		\$	2,594,074
Increased by Receipts:			
Bond Anticipation Notes	\$	2,932,255	
Interfunds		135,954	
Grants Receivable		534,375	
Premium on Sale of Notes		<u>54,101</u>	
			<u>3,656,685</u>
			6,250,759
Decreased by Disbursements:			
Improvement Authorizations			<u>4,589,116</u>
Balance - December 31, 2014		\$	<u><u>1,661,643</u></u>

TOWNSHIP OF EAST HANOVER, N.J.

Analysis of Cash

General Capital Fund

Year Ended December 31, 2014

Fund Balance	\$	54,101
Capital Improvement Fund		76,930
Grants Receivable		(963,654)

Improvement Authorizations:

<u>Ordinance</u>	<u>Improvement Description</u>	
<u>Number</u>		
4-00b	Improvements to McKinley Avenue	(39,436)
07-11	Various Capital Improvements	60,368
10-12	Various Capital Improvements	233,705
14-12	Purchase of an Aerial Ladder Truck	24,859
3-13	Various Capital Improvements	113,962
1-14	Replacement of Melanie Lane Bridge	934,526
10-14	Various Capital Improvements	1,166,282
		<hr/>
		\$ <u>1,661,643</u>

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Interfunds

General Capital Fund

Year ended December 31, 2014

	<u>Increased</u>	<u>Decreased</u>
Current Fund	\$ <u>186,346</u>	<u>186,346</u>
	\$ <u><u>186,346</u></u>	<u><u>186,346</u></u>
Cash Receipts	\$	135,954
Capital Improvement Fund	150,000	
Grants Receivable	36,346	
Budget Revenue		30,867
Reimbursement for Expenses Paid		<u>19,525</u>
	\$ <u><u>186,346</u></u>	<u><u>186,346</u></u>

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Grants Receivable

General Capital Fund

Year Ended December 31, 2014

Balance - December 31, 2013		\$	534,375
Increased by:			
Grant Awards			<u>1,000,000</u>
			1,534,375
Decreased by:			
Cash Receipts	\$	534,375	
Interfunds		<u>36,346</u>	
			<u>570,721</u>
Balance - December 31, 2014		\$	<u><u>963,654</u></u>

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Deferred Charges to Future
Taxation - Funded

General Capital Fund

Year Ended December 31, 2014

Balance - December 31, 2013		\$ <u>15,743,072</u>
Increased by:		
Capital Lease Authorizations	\$ 116,153	
Refunding Bonds Issued	<u>5,030,000</u>	
		<u>5,146,153</u>
		20,889,225
Decreased by:		
Current year Budget Appropriations:		
Capital Lease Payments	\$ 135,445	
Serial Bond Principal	1,350,000	
Refunding Bonds	<u>4,958,000</u>	
		<u>6,443,445</u>
Balance - December 31, 2014		\$ <u><u>14,445,780</u></u>

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Deferred Charges to Future Taxation - Unfunded

General Capital Fund

Year Ended December 31, 2014

Ordinance Number	Improvement Description	Balance Dec. 31, 2013	2014 Authorizations	Budget Appropriations	Balance Dec. 31, 2014	Analysis of Balance		
						Financed by Bond Anticipation Notes	Expenditures	Unexpended Improvement Authorization
	General Improvements:							
4-00b	Improvements to McKinley Avenue	\$ 39,436			39,436		39,436	
13-09	Various Capital Improvements	1,140,000			1,114,830	1,114,830		
04-10	Refunding Bond Ordinance	505,000		25,170	505,000			505,000
1-12	Refunding Bond Ordinance	440,000			440,000			440,000
10-12	Various Capital Improvements	1,564,935			1,564,935			
14-12	Purchase of an Aerial Ladder Truck	95,000			95,000	95,000		
3-13	Various Capital Improvements	1,446,470			1,446,470			
5-13	Tax Appeal Refunds	1,565,000		300,000	1,265,000	1,265,000		
1-14	Replacement of Melanie Lane Bridge		1,750,000		1,750,000	1,400,000		350,000
10-14	Various Capital Improvements		1,437,255		1,437,255	1,437,255		
13-14	Refunding Bond Ordinance		470,000		470,000			470,000
		\$ 6,795,841	3,657,255	325,170	10,127,926	8,323,490	39,436	1,765,000

Improvement Authorizations - Unfunded \$	
Less: Unexpended proceeds of Bond Anticipation Notes	4,238,334
Ordinance:	
10-12	233,705
14-12	24,859
3-13	113,962
1-14	934,526
10-14	1,166,282
	\$ 1,765,000

TOWNSHIP OF EAST HANOVER, N.J.
 Schedule of General Serial Bonds Payable

General Capital Fund

Year Ended December 31, 2014

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding, December 31, 2014		Interest Rate	Balance Dec. 31, 2013	Increased	Decreased	Balance Dec. 31, 2014	
			Date	Amount						
General Improvement	March 15, 2007	7,168,000	03/15/15	300,000	3.900%	\$ 5,908,000		5,258,000	650,000	
			03/15/16	350,000	3.900%					
General Improvement	December 4, 2008	3,876,000	10/11/15	50,000	4.500%	3,626,000		50,000	3,576,000	
			10/15/16	25,000	4.500%					
			10/15/17	465,000	5.000%					
			10/15/18	505,000	5.000%					
			10/15/19	555,000	5.000%					
			10/15/20	600,000	4.500%					
			10/15/21	655,000	4.500%					
	10/15/22	721,000	4.625%							
Refunding Bonds	November 4, 2010	3,120,000	02/01/15	530,000	4.000%	1,720,000		670,000	1,050,000	
			02/01/16	520,000	4.000%					
Refunding Bonds	March 28, 2012	4,310,000	11/01/15	325,000	2.000%	4,185,000		330,000	3,855,000	
			11/01/16	320,000	3.000%					
			11/01/17	415,000	3.000%					
			11/01/18	410,000	3.000%					
			11/01/19	410,000	3.000%					
			11/01/20	405,000	3.000%					
			11/01/21	400,000	3.000%					
			11/01/22	395,000	3.000%					
	11/01/23	390,000	3.000%							
	11/01/24	385,000	3.000%							

TOWNSHIP OF EAST HANOVER, N.J.
 Schedule of General Serial Bonds Payable

General Capital Fund

Year Ended December 31, 2014

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding, December 31, 2014		Interest Rate	Balance Dec. 31, 2013	Increased	Decreased	Balance Dec. 31, 2014
			Date	Amount					
Refunding Bonds	Dec. 16, 2014	5,030,000	03/15/15	65,000	2.000%	5,030,000	5,030,000		5,030,000
			03/15/16	15,000	3.000%				
			03/15/17	460,000	3.000%				
			03/15/18	460,000	3.000%				
			03/15/19	455,000	4.000%				
			03/15/20	460,000	4.000%				
			03/15/21	455,000	3.000%				
			03/15/22	450,000	3.000%				
			03/15/23	450,000	3.000%				
			03/15/24	445,000	3.000%				
			03/15/25	440,000	3.000%				
			03/15/26	435,000	3.000%				
			03/15/27	440,000	3.000%				

\$ 15,439,000	5,030,000	6,308,000	14,161,000
Budget Appropriations \$	1,350,000		
Bonds Refunded	4,958,000		
\$	6,308,000		

TOWNSHIP OF EAST HANOVER, N.J.
 Schedule of Bond Anticipation Notes Payable

General Capital Fund

Year ended December 31, 2014

Ord. No.	Improvement Description	Date of issue of original notes	Date of issue	Date of Maturity	Interest rate	Balance Dec. 31 2013	Increased	Decreased	Balance, Dec. 31, 2014
13-09	Various Capital Improvements	Aug. 24, 2011	Aug. 20, 2014	Aug. 20, 2015	1.00%	1,140,000	1,114,830	1,140,000	1,114,830
10-12	Various Capital Improvements	Aug. 23, 2012	Aug. 20, 2014	Aug. 20, 2015	1.00%	1,564,935	1,564,935	1,564,935	1,564,935
3-13	Various Capital Improvements	Aug. 22, 2013	Aug. 20, 2014	Aug. 20, 2015	1.00%	1,446,470	1,446,470	1,446,470	1,446,470
5-13	Tax Appeal Refunds	Nov. 26, 2013	Nov. 24, 2014	Nov. 24, 2015	1.00%	1,565,000	1,265,000	1,565,000	1,265,000
14-12	Purchase of Aerial Ladder Truck	Aug. 20, 2014	Aug. 20, 2014	Aug. 20, 2015	1.00%		95,000		95,000
1-14	Replacement of Melanie Lane Bridge	Aug. 20, 2014	Aug. 20, 2014	Aug. 20, 2015	1.00%		1,400,000		1,400,000
10-14	Various Capital Improvements	Aug. 20, 2014	Aug. 20, 2014	Aug. 20, 2015	1.00%		1,437,255		1,437,255
						\$ 5,716,405	8,323,490	5,716,405	8,323,490

TOWNSHIP OF EAST HANOVER, N.J.
 Schedule of Lease Purchase Agreement Payable

General Capital Fund

Year Ended December 31, 2014

Purpose	Date of Issue	Original Issue	Maturities of Loans Outstanding, December 31, 2014		Interest Rate	Balance Dec. 31, 2013	Increased	Decreased	Balance Dec. 31, 2014
			Date	Amount					
1500 GPM Pumper Apparatus with Equipment	July 1, 2007	452,250	7/1/15	49,951	4.370% \$	204,357		47,860	156,497
			7/1/16	52,134	4.370%				
			7/1/17	54,412	4.370%				
(4) 2012 Ford Utility Police Interceptors	November 20, 2012	150,752	2/1/14	50,534	2.750%	99,715		49,181	50,534
(3) 2014 Ford Police Interceptor Utility	December 15, 2013	116,153	9/1/15	38,518	1.850%		116,153	38,404	77,749
			9/1/16	39,231	1.850%				
						\$ 304,072	116,153	135,445	284,780

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Improvement Authorizations

General Capital Fund

Year Ended December 31, 2014

Ordinance Number	Improvement Description	Ordinance Amount	Balance Dec. 31, 2013		2014 Authorizations	Paid or Charged	Balance Dec. 31, 2014	
			Funded	Unfunded			Funded	Unfunded
<u>General Improvements:</u>								
04-10	Refunding Bond Ordinance	4,750,000		505,000			505,000	
7-11	Various Capital Improvements	642,436	60,368			60,368		
1-12	Refunding Bond Ordinance	4,750,000		440,000			440,000	
10-12	Various Capital Improvements	1,647,300		557,244		323,539	233,705	
14-12	Purchase of an Aerial Ladder Truck	850,000		48,021		23,162	24,859	
3-13	Various Capital Improvements	1,522,600		998,810		884,848	113,962	
5-13	Tax Appeal Refunds	1,565,000		1,565,000		1,565,000		
1-14	Replacement of Melanie Lane Bridge	2,750,000			2,750,000	1,465,474	1,284,526	
10-14	Various Capital Improvements	1,512,900			1,512,900	346,618	1,166,282	
13-14	Refunding Bond Ordinance	5,500,000			5,500,000	5,030,000	470,000	
			\$ 60,368	\$ 4,114,075	\$ 9,762,900	\$ 9,638,641	\$ 60,368	\$ 4,238,334

Capital Improvement Fund \$ 75,645
 Authorized but not Issued 9,687,255
 \$ 9,762,900

Cash \$ 4,589,116
 Refunding Bonds Issued 5,030,000
 Interfunds 19,525
 \$ 9,638,641

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Capital Improvement Fund

General Capital Fund

Year Ended December 31, 2014

Balance - December 31, 2013	\$	2,575
Increased by:		
Budget Appropriation		<u>150,000</u>
		152,575
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>75,645</u>
Balance - December 31, 2014	\$	<u><u>76,930</u></u>

TOWNSHIP OF EAST HANOVER, N.J.
Schedule of Bonds and Notes Authorized But Not Issued
General Capital Fund
Year Ended December 31, 2014

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2013</u>	<u>2014 Authorizations</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2014</u>
4-00b	Improvements to McKinley Avenue	39,436			39,436
04-10	Refunding Bond Ordinance	505,000			505,000
1-12	Refunding Bond Ordinance	440,000			440,000
14-12	Purchase of an Aerial Ladder Truck	95,000		95,000	
1-14	Replacement of Melanie Lane Bridge		1,750,000	1,400,000	350,000
10-14	Various Capital Improvements		1,437,255	1,437,255	
13-14	Refunding Bond Ordinance		5,500,000	5,030,000	470,000
		<u>\$ 1,079,436</u>	<u>8,687,255</u>	<u>7,962,255</u>	<u>1,804,436</u>
			Refunding Bonds Issued \$	5,030,000	
			Bond Anticipation Notes Issued	<u>2,932,255</u>	
				<u>\$ 7,962,255</u>	

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TOWNSHIP OF EAST HANOVER

Schedule of Cash - Treasurer

Water and Sewer Utility Fund

Year ended December 31, 2014

	<u>Operating</u>	<u>Capital</u>
Balance - December 31, 2012	\$ <u>1,710,169</u>	<u>230,260</u>
Increased by Receipts:		
Water Collector	4,158,169	
Interest on Investments	3,950	529
Other Miscellaneous	19,634	
NYNEX Lease on tower	43,050	
Overpayments	11,498	
Bond Anticipation Notes		1,000
Premium on Sale of Bonds		11,121
Interfunds	<u>529</u>	
	<u>4,236,830</u>	<u>12,650</u>
	5,946,999	242,910
Decreased by Disbursements:		
2014 Appropriations	3,244,298	
2013 Appropriation Reserves	269,508	
Interfunds	438,561	529
Accrued Interest on Bonds	95,569	
Accrued Interest on Notes	21,676	
Improvement Authorizations		<u>158,446</u>
	<u>4,069,612</u>	<u>158,975</u>
Balance - December 31, 2013	\$ <u><u>1,877,387</u></u>	<u><u>83,935</u></u>

TOWNSHIP OF EAST HANOVER

Analysis of Cash

Water and Sewer Utility Capital Fund

Year ended December 31, 2014

		Balance, Dec. 31, <u>2014</u>
Fund Balance		\$ 17,993
Capital Improvement Fund		15,347
Improvement authorizations:		
<u>Ordinance</u>	<u>General improvements</u>	
number		
11-12	Various Utility Improvements	38,991
4-13	Various General Water/Sewer Improv.	139,614
9-14	Various General Water/Sewer Improv.	<u>(128,010)</u>
		\$ <u>83,935</u>

TOWNSHIP OF EAST HANOVER

Schedule of Interfunds

Water and Sewer Utility Operating Fund

Year ended December 31, 2014

	<u>Increased</u>	<u>Decreased</u>
Water Utility Capital Fund	\$ 529	529
Current Fund	<u>438,561</u>	<u>438,561</u>
	<u>\$ 439,090</u>	<u>439,090</u>

Cash Receipts		\$ 529
Cash Disbursements	\$ 438,561	
Expenses Reimbursement		438,561
Interest Earnings	<u>529</u>	
	<u>\$ 439,090</u>	<u>439,090</u>

Exhibit D-8

TOWNSHIP OF EAST HANOVER
Schedule of Consumers' Accounts Receivable -
Operating Fund
Water and Sewer Utility Operating Fund
Year ended December 31, 2014

Balance - December 31, 2013		\$	113,891
Increased by:			
Water Utility Billings	\$		1,786,516
Sewer Utility Billings			<u>2,417,399</u>
			<u>4,203,915</u>
			4,317,806
Decreased by:			
Cash receipts	\$		4,158,169
Overpayments applied			<u>11,958</u>
			<u>4,170,127</u>
Balance - December 31, 2014		\$	<u><u>147,679</u></u>

Exhibit D-9

Inventory - Material and Supplies
Water and Sewer Utility Operating Fund
Year ended December 31, 2014

Balance - December 31, 2013		\$	44,599
Increased by:			
Purchases			<u>55,108</u>
			99,707
Decreased by:			
Inventory usage			<u>49,769</u>
Balance - December 31, 2014		\$	<u><u>49,938</u></u>
Anaylsis of Balance:			
Water Portion			46,038
Sewer Portion			<u>3,900</u>
		\$	<u><u>49,938</u></u>

TOWNSHIP OF EAST HANOVER

Schedule of Fixed Capital

Water and Sewer Utility Capital Fund

Year ended December 31, 2014

<u>Account</u>	Balance, Dec. 31, <u>2014</u>
Distribution Mains and Appurtenances	\$ 3,088,151
Storage Tanks	237,175
Wells and Well House Structure	1,597,008
Backhoe and Loader	35,500
Meters	1,039,655
Hydrants	80,730
Land	31,300
Treatment Plant	802,496
Water Tower	142,934
Acquisition of Equipment	314,587
Acquisition of Automotive Equipment/Vehicles	238,500
Drilling and Well Development	199,735
Fixed Base Radio Meter Reading System	500,000
Refunding Bond	<u>12,000</u>
	<u>\$ 8,319,771</u>

TOWNSHIP OF EAST HANOVER

Schedule of Fixed Capital Authorized and Uncompleted

Water and Sewer Utility Capital Fund

Year ended December 31, 2014

Ordinance number	Improvement description	Ordinance		Balance, Dec. 31, 2013	2014 Authorizations	Balance, Dec. 31, 2014
		Date	Amount			
10-01	Development of Potable Water	03/19/01	\$ 249,259	\$ 249,259		249,259
14-01	Improvements of Water Utility System	04/24/01	1,600,000	1,600,000		1,600,000
15-01	Acquisition of Equipment	04/24/01	260,000	260,000		260,000
19-04a	Improvements to Buildings and Grounds at Pump Stations	05/10/04	150,000	150,000		150,000
19-04b	Acquisition of New or Replacement Equipment and Machinery	05/10/04	50,000	50,000		50,000
14-06	Improvements of Water Utility System	07/10/06	725,000	725,000		725,000
6-10	Improvements to Water System	07/10/06	300,000	300,000		300,000
8-11	Improvements to Water System	08/08/11	175,000	175,000		175,000
11-12	Various Utility Improvements	07/09/12	276,500	276,500		276,500
4-13	Various General Water/Sewer Improv.	05/06/13	185,000	185,000		185,000
9-14	Various General Water/Sewer Improv.	05/12/14	265,000	265,000	265,000	265,000
				\$ 3,970,759	265,000	4,235,759

TOWNSHIP OF EAST HANOVER
Schedule of 2013 Appropriation Reserves
Water and Sewer Utility Operating Fund
Year ended December 31, 2014

	Balance, Dec. 31, <u>2013</u>	Balance after transfers and <u>encumbrances</u>	<u>Paid or charged</u>	<u>Balance Lapsed</u>
Operating:				
Salaries and Wages	\$ 17,430	7,430		7,430
Other Expenses	84,725	78,109	64,704	13,405
Purchase of Water	123,079	205,576	204,804	772
Par-Troy Treatment Plant	319,990	319,990		319,990
Florham Park Treatment Plant	<u>149</u>	<u>149</u>		<u>149</u>
Total Operating	<u>545,373</u>	<u>611,254</u>	<u>269,508</u>	<u>341,746</u>
Deferred Charges and Statutory Expenditures:				
Statutory Expenditures - Contribution to:				
Public Employees' Retirement System	<u>1</u>	<u>1</u>		<u>1</u>
Total Deferred Charges and Statutory Expenditures	<u>1</u>	<u>1</u>		<u>1</u>
	<u>\$ 545,374</u>	<u>611,255</u>	<u>269,508</u>	<u>341,747</u>
Appropriation Reserves				
		545,374		
Encumbrances				
		<u>65,881</u>		
		<u>\$ 611,255</u>		

TOWNSHIP OF EAST HANOVER

Schedule of Overpayments

Water and Sewer Utility Operating Fund

Year ended December 31, 2014

Balance - December 31, 2013	\$ 11,129
Increased by:	
Cash Receipts	<u>11,498</u>
	22,627
Decreased by:	
Applied	<u>11,958</u>
Balance - December 31, 2014	<u><u>\$ 10,669</u></u>

TOWNSHIP OF EAST HANOVER
Schedule of Accrued Interest on Bonds
Water and Sewer Utility Operating Fund
Year ended December 31, 2014

Balance - December 31, 2013	\$	29,835
Increased by:		
Transfer from Accrued Interest on Notes	\$	2,762
Budget Appropriation		95,569
		98,331
		128,166
Decreased by:		
Payments		95,569
Balance- December 31, 2014	\$	32,597

Analysis of Balance

<u>Principal</u> <u>Outstanding</u> <u>Dec. 31, 2014</u>	<u>Period (Days)</u>	<u>Interest</u> <u>Rate</u>	<u>Required</u> <u>Amount</u>
\$ 435,000	135	4.750%	7,748
1,135,000	45	5.000%	7,094
615,000	60	4.000%	4,100
			\$ 18,942

TOWNSHIP OF EAST HANOVER
Schedule of Accrued Interest on Notes
Water and Sewer Utility Operating Fund
Year ended December 31, 2014

Balance, December 31, 2013	\$	1,575
Increased by:		
Budget Appropriation		24,438
		26,013
Decreased by:		
Transferred to Accrued Interest on Bonds	\$	2,762
Payments		21,676
		24,438
Balance, December 31, 2014	\$	1,575

Analysis of Balance

	Principal Outstanding <u>Dec. 31, 2014</u>	Period (Days) <u>Period (Days)</u>	Interest Rate <u>Rate</u>		Required Amount <u>Amount</u>
\$	190,000	131	1.00%	\$	691
	285,000	131	1.00%		1,037
	166,250	131	1.00%		605
	725,000	35	1.00%		705
	276,500	35	1.00%		269
	185,000	35	1.00%		180
				\$	3,487

Exhibit D-16

TOWNSHIP OF EAST HANOVER
Schedule of Reserve for Amortization
Water and Sewer Utility Capital Fund
Year ended December 31, 2014

Balance, December 31 - 2013		\$ 7,914,770
Increased by:		
Budget Appropriation -		
Bond Anticipation Notes	\$ 7,000	
Bonds	<u>230,000</u>	
		<u>237,000</u>
Balance, December 31 - 2014		<u>\$ 8,151,770</u>

Exhibit D-17

Schedule of Capital Improvement Fund
Water and Sewer Utility Capital Fund
Year ended December 31, 2014

Balance- December 31, 2013	\$ <u>15,347</u>
Balance- December 31, 2014	\$ <u><u>15,347</u></u>

TOWNSHIP OF EAST HANOVER

Schedule of Interfunds

Water and Sewer Utility Capital Fund

Year ended December 31, 2014

	<u>Increased</u>	<u>Decreased</u>
Water Utility Operating Fund	\$ <u>529</u>	\$ <u>529</u>
	\$ <u>529</u>	\$ <u>529</u>
<u>Analysis</u>		
Due from Water Utility Capital Fund	\$ <u>529</u>	<u>529</u>
	\$ <u>529</u>	<u>529</u>
Cash Disbursements	\$	529
Interest	<u>529</u>	<u>529</u>
	\$ <u>529</u>	\$ <u>529</u>

TOWNSHIP OF EAST HANOVER
Schedule of Deferred Reserve for Amortization
Water and Sewer Utility Capital Fund
Year ended December 31, 2014

<u>Ordinance number</u>	<u>Improvement description</u>	<u>Date of Ordinance</u>	Balance, Dec. 31, <u>2013</u>	Balance, Dec. 31, <u>2014</u>
10-01	Development and Redevelopment of Potable Water	April 24, 2001	\$ 249,260	249,260
14-01	Improvements of Water Utility System	April 24, 2001	80,000	80,000
19-04a	Improvements to Buildings and Grounds at Pump Stations	May 10, 2004	7,500	7,500
19-04b	Acquisition of New or Replacement Equipment and Machinery	May 10, 2004	2,500	2,500
6-10	Improvements of Water System	December 27, 2010	15,000	15,000
8-11	Improvements of Water System	August 8, 2011	8,750	8,750
			<u>\$ 363,010</u>	<u>363,010</u>

TOWNSHIP OF EAST HANOVER
Schedule of Water Utility Serial Bonds
Water and Sewer Utility Capital Fund

Year ended December 31, 2014

Purpose	Date of issue	Original issue	Maturities of bonds outstanding, December 31, 2014		Interest rate	Balance, Dec. 31, 2013	Decreased	Balance, Dec. 31, 2014
			Date	Amount				
Water Improvements	Aug. 15, 2008	570,000	Aug. 15, 2015-21	50,000	4.750 \$	435,000	35,000	400,000
			Aug. 15, 2022	50,000	5.000			
Water Improvements	Oct. 15, 2008	1,260,000	Oct. 15, 2015-16	25,000	4.500	1,135,000	25,000	1,110,000
			Oct. 15, 2017-19	25,000	5.000			
			Oct. 15, 2020-21	25,000	4.580			
			Oct. 15, 2022	50,000	4.625			
			Oct. 15, 2023	135,000	5.000			
			Oct. 15, 2024	140,000	5.000			
			Oct. 15, 2025	145,000	5.000			
Oct. 15, 2026	150,000	5.125						
Oct. 15, 2027	155,000	5.125						
Oct. 15, 2028	160,000	5.250						

TOWNSHIP OF EAST HANOVER
Schedule of Water Utility Serial Bonds
Water and Sewer Utility Capital Fund

Year ended December 31, 2014

<u>Purpose</u>	<u>Date of issue</u>	<u>Original issue</u>	<u>Date</u>	<u>Amount</u>	<u>Interest rate</u>	<u>Balance, Dec. 31, 2013</u>	<u>Decreased</u>	<u>Balance, Dec. 31, 2014</u>
Refunding Bonds	Nov. 4, 2010	1,125,000	Feb. 1, 2015-16 Feb. 1, 2017-19 Feb. 1, 2020 Feb. 1, 2021 Feb. 1, 2022	60,000 60,000 55,000 55,000 35,000	4.000 3.000 3.000 3.125 3.250	615,000	170,000	445,000
						\$ 2,185,000	230,000	1,955,000

TOWNSHIP OF EAST HANOVER

Schedule of Bond Anticipation Notes Payable

Water and Sewer Utility Capital Fund

Year ended December 31, 2014

Ord. No.	Improvement Description	Date of issue of original notes	Date of issue	Date of Maturity	Interest rate	Balance Dec.31 2013	Increased	Decreased	Balance, Dec.31, 2014
19-04	Water/Sewer Utility Improvements	Aug. 24, 2011	Aug. 20, 2014	Aug. 20, 2015	1.00%	190,000	183,000	190,000	183,000
14-06	Improvements to Water/Sewer Utility	Nov. 26, 2013	Nov. 24, 2014	Nov. 24, 2015	1.00%	725,000	725,000	725,000	725,000
6-10	Improvements to Water System	Aug. 23, 2012	Aug. 20, 2014	Aug. 20, 2015	1.00%	285,000	285,000	285,000	285,000
8-11	Improvements to Water System	Aug. 23, 2012	Aug. 20, 2014	Aug. 20, 2015	1.00%	166,250	166,250	166,250	166,250
11-12	Various Utility Improvements	Nov. 26, 2013	Nov. 24, 2014	Nov. 24, 2015	1.00%	276,500	276,500	276,500	276,500
4-13	Various General Water/Sewer Imp.	Nov. 26, 2013	Nov. 24, 2014	Nov. 24, 2015	1.00%	184,000	185,000	184,000	185,000
						\$ 1,826,750	1,820,750	1,826,750	1,820,750
						Cash \$ 1,000			
						Budget Appropriations Renewed 1,819,750		7,000	
								1,819,750	
						\$ 1,820,750		1,826,750	

TOWNSHIP OF EAST HANOVER

Schedule of Bonds and Notes Authorized But Not Issued

Water and Sewer Utility Capital Fund

Year ended December 31, 2014

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2013</u>	<u>2014 Authorizations</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2014</u>
4-13	Various General Water/Sewer Improvements	\$ 1,000		1,000	
9-14	Various General Water/Sewer Improvements		265,000		265,000
		<u>\$ 1,000</u>	<u>265,000</u>	<u>1,000</u>	<u>265,000</u>
			Notes Issued \$	<u>1,000</u>	
				<u>\$ 1,000</u>	

TOWNSHIP OF EAST HANOVER

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PART II

**LETTER ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2014

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INDEPENDENT AUDITOR'S 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

The Honorable Mayor and
Members of the Township Council
Township of East Hanover
East Hanover, New Jersey 07442

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements-regulatory basis of the Township of East Hanover in the County of Morris as of and for the year ended December 31, 2014 and the related notes to the financial statements, and have issued our report thereon dated July 16, 2015 which was adverse due to being presented in accordance with New Jersey regulatory basis of accounting.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements-regulatory basis, we considered the Township of East Hanover's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements-regulatory basis, but not for the purpose of expressing an opinion on the effectiveness of the Township of East Hanover's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of East Hanover'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 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.



Honorable Mayor and
Members of the Township Council
Page 2.

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 certain immaterial deficiencies in internal control that we have reported to management of the Township of East Hanover in the accompanying comments and recommendations section of this report.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of East Hanover's financial statements-regulatory basis are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Township of East Hanover in the accompanying comments and recommendations section of this report.

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 Township of East Hanover internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of East Hanover internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.


Steven D. Wielkocz, C.P.A.
Registered Municipal Accountant
No. CR00413


FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey

July 16, 2015

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY OMB CIRCULAR A-133 AND N.J. OMB CIRCULAR 04-04

Honorable Mayor and
Members of the Township Council
Township of East Hanover
County of Morris, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited the Township of East Hanover in the County of Morris compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the New Jersey State Office of Management and Budget's State Aid/Grant Compliance Supplement that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2014. The Township of East Hanover's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Township of East Hanover's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, "*Audits of States, Local Governments, and Non-Profit Organizations*"; and the provisions of the New Jersey State Treasury Circular Letter 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Those standards and OMB



Circular A-133 and N.J. OMB Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the Township of East Hanover's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination on the Township of East Hanover's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the Township of East Hanover complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of the Township of East Hanover is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Township of East Hanover's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal and state program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance with OMB Circular A-133 and N.J. OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Township of East Hanover's internal control over compliance.

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

Honorable Mayor and
Members of the Township Council
Page 3.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and N.J. OMB Circular 04-04. Accordingly, this report is not suitable for any other purpose.



Steven D. Wielkocz, C.P.A.
Registered Municipal Accountant
No. CR00413



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey

July 16, 2015

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TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Expenditures of Federal Awards

Year ended December 31, 2014

Program	CFDA number	Grant period	Award Amount	Balance at Dec. 31, 2013	Cash Received	Expenditures	Cancellations	Deferred Revenue/ (Accounts Receivable) at Dec. 31, 2014	MEMO Cumulative Total Expenditures
Federal and State Grant Fund:									
Department of Transportation									
Transportation Trust Fund - Melanie Lane	20.205	2012	205,000	153,750				153,750 *	
Transportation Trust Fund - Melanie Lane Bridge	20.205	2012	300,000	(12,820)	96,261	94,145		(10,704) *	300,000
				140,930	96,261	94,145		143,046 *	300,000
Department of Law and Public Safety									
Emergency Management Agency Assistance (EMAA)	97.042	2014	5,000			5,000		(5,000) *	5,000
						5,000		(5,000) *	5,000
Department of Law and Public Safety									
FEMA Reimbursement - Hurricane Sandy	97.036	2013	503,683	(268,710)	267,125			(1,585) *	503,683
				(268,710)	267,125			(1,585) *	503,683
National Highway Traffic Safety Administration									
Drive Sober or Get Pulled Over Year End Holiday Crackdown	20.616	2013	4,400					*	
Department of Justice									
Bullet Proof Vest Program	16.710	2010	1,400	(1,114)	1,114			*	1,400
Bullet Proof Vest Program	16.710	2011	1,686	(1,656)	1,656			*	1,868
Bullet Proof Vest Program	16.710	2012	2,846			2,846		(2,846) *	2,846
				(2,770)	2,770	2,846		(2,846) *	6,114
Subtotal Federal and State Grant Fund				(130,550)	366,156	101,991		133,615 *	814,797
General Capital Fund:									
Department of Homeland Security									
Assistance to Firefighters Grant	97.044	2012	712,500	(534,325)	534,325			*	712,500
				(534,325)	534,325			*	712,500
Subtotal General Capital Fund									
Total Federal Awards				\$ (664,875)	900,481	101,991		133,615 *	1,527,297

Note: This schedule was not subject to an audit in accordance with OMB A-133

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TOWNSHIP OF EAST HANOVER, N.J.
Schedule of Expenditures of State Financial Assistance
Year ended December 31, 2014

	Grant number	Grant period	Award Amount	Balance Dec. 31, 2013	Cash Received	Budgetary Expenditures	Cancellations	Deferred Revenue/ (Accounts Receivable) at Dec. 31, 2014	MEMO Cumulative Total Expenditures
Federal and State Grant Fund:									
Department of Law and Public Safety									
Body Armor Replacement Fund	98-718-066-1020-001	2008	3,397	1,624				1,624 *	1,773
Body Armor Replacement Fund	98-718-066-1020-001	2011	3,397	159		30		129 *	3,238
Body Armor Replacement Fund	98-718-066-1020-001	2012	3,302	3,302				3,302 *	
Body Armor Replacement Fund	98-718-066-1020-001	2013	4,267	4,267				4,267 *	
Body Armor Replacement Fund	98-718-066-1020-001	2014	3,368		3,368			3,368 *	
				9,352	3,368	30		12,690 *	5,011
Department of Treasury									
Municipal Alliance	100-082-2000-044-995120	2011	10,878	(561)				(561) *	5,565
Municipal Alliance	100-082-2000-044-995120	2012	10,878	(1,531)		(4,086)		2,555 *	4,982
Municipal Alliance	100-082-2000-044-995120	2013	16,317		4,021	10,541		(6,520) *	10,541
Municipal Alliance	100-082-2000-044-995120	2015	11,197						
				(2,092)	4,021	6,455		(4,526) *	21,088
Department of Environmental Protection									
Clean Communities Act	765-042-4900-004-6020	2013	21,436	18,123					21,436
Clean Communities Act	765-042-4900-004-6020	2014	20,105		20,105			16,114 *	3,991
Recycling Grant	765-042-4900-001-6020	2012	36,154	2,767		2,709		58 *	36,096
Recycling Grant	765-042-4900-001-6020	2013	36,802	33,302		32,935		367 *	36,435
Recycling Grant	765-042-4900-001-6020	2014	42,233		42,233			42,233 *	
				54,192	62,338	57,758		58,772 *	97,958
Department of Health and Senior Services									
Alcohol Education and Rehabilitation	9735-760-0600000-60	2011	1,079	1,079		900		179 *	900
Alcohol Education and Rehabilitation	9735-760-0600000-60	2012	1,403	1,403				1,403 *	
Alcohol Education and Rehabilitation	9735-760-0600000-60	2013	1,267	1,267				1,267 *	
Alcohol Education and Rehabilitation	9735-760-0600000-60	2014	295		295			295 *	
				3,749	295	900		3,144 *	900
				65,201	70,022	65,143		70,080 *	124,957
Total Federal and State Grant Fund									
General Capital Fund:									
Department of Transportation									
(Pass Through County of Morris)	6320-480-078-6320-496	Ord. 1-2014	1,000,000						
Melanie Lane Bridge Replacement						716,693			716,693
						716,693			716,693
						781,836			841,650
				65,201	70,022	781,836		70,080 *	841,650
Total State Awards									

Note: This schedule was subject to an audit in accordance with N.J. OMB 04-04

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**TOWNSHIP OF EAST HANOVER
NOTES TO THE SCHEDULES OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 1. GENERAL

The accompanying schedules of expenditures of awards present the activity of all federal and state financial assistance programs of the Township of East Hanover. The Township is defined in Note 1A to the Township's financial statements. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies is included on the schedule of expenditures and awards.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards are presented using the modified accrual basis of accounting as prescribed for counties by the Division of Local Government Services, Department of Community Affairs, State of New Jersey which differ in certain respects from generally accepted accounting principles (GAAP) applicable to local government units. This basis of accounting is described in Note 1(B) to the Township's financial statements.

NOTE 3. RELATIONSHIP TO FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with amounts reported in the Township's financial statements. Financial assistance awards are reported in the Township's financial statements on a basis of accounting described above as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	\$101,991	\$65,143	\$167,134
General Capital Fund	_____	<u>716,693</u>	<u>716,693</u>
	<u>\$101,991</u>	<u>\$781,836</u>	<u>\$883,827</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree, in all material respect, with the amounts reported in the related federal and state financial reports. However, we noted certain differences which are reported in the accompanying schedule of findings of noncompliance and questioned costs.

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**TOWNSHIP OF EAST HANOVER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Section 1 – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Adverse GAAP: Qualified – regulatory basis

Internal control over financial reporting:

1. Material weakness(es) identified? yes X no

2. Were significant deficiencies identified that are not considered to be material weaknesses? yes X no

Noncompliance material to general-purpose financial statements noted? yes X no

Federal Awards Section

N/A

State Awards Section

Dollar threshold used to determine type A programs: \$ 300,000

Auditee qualified as low-risk auditee? yes X no

Type of auditors’ report on compliance for major programs: unmodified

Internal Control over compliance:

1. Material weakness(es) identified? yes X no

2. Were significant deficiencies identified that are not considered to be material weaknesses? yes X no

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (Section 510(a))? yes X no

Identification of major programs:

Grant Award Number(s)

6320-480-078-6320-496

Name of State Program

NJDOT Melanie Lane Bridge Replacement

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**TOWNSHIP OF EAST HANOVER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDING DECEMBER 31, 2014**

This section identifies the status of prior-year findings related to the general purpose financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (section .315(a)(b)) and New Jersey OMB's Circular 04-04, as amended.

STATUS OF PRIOR YEAR FINDINGS:

NONE

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TOWNSHIP OF EAST HANOVER

GENERAL COMMENTS

Contracts and Agreements

N.J.S.A. 40A:11-3 states:

- a. When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to 25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.
- b. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to subparagraph (I) of paragraph (a) of subsection (1) of section 5 of P.L. 1971, c.198 (C.40A:11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.
- c. The Governor, in consultation with the Department of the Treasury, shall no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L. 1999, c.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L. 1971, c.198(C.40A:11-2), and shall round the adjustment to the nearest \$1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. The adjustment shall become effective on July 1 of the year in which it is made.

N.J.S.A. 40A:11-4 states:

- a. Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this act of specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it

TOWNSHIP OF EAST HANOVER

GENERAL COMMENTS, CONTINUED

Effective July 1, 2010, the bid threshold, in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$26,000 and with a qualified purchasing agent the threshold may be up to \$36,000.

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 question arises as to whether any contract or agreement might result in violation of the statute, the Township Counsel's opinion should be sought before a commitment is made.

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

- Replacement of Melanie Bridge
- Furnishing and Installation of Emergency Generator at the Fire and Police Headquarters
- 5-7 Yard Dump Truck
- Furnishing and Installation of Community Emergency Notification System

Resolutions were adopted authorizing the awarding of contracts and agreements for "Professional Services" N.J.S. 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 material or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violation existed. No violations were disclosed.

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of the statutory 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 N.J.S.A. 40A:11-6.

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 6, 2014, adopted the following amended resolution authorizing interest to be charged on delinquent taxes:

“NOW THEREFORE BE IT RESOLVED by the Mayor and Council of the Township of East Hanover, that taxes due to the Township shall be payable February 1st, May 1st, August 1st, and November 1st each year, after which dates, if unpaid, shall become delinquent and from and after the respective dates herein before provided for taxes to become delinquent, the tax payer or property assessed shall be subject to interest at 8% per annum on the first \$1,500 and 18% thereafter and a 6% additional penalty for a delinquency over \$10,000 if not paid by the end of the calendar year. Delinquent water bills over \$100 shall be subject to interest at 1% per month thirty days after the due date.

TOWNSHIP OF EAST HANOVER

GENERAL COMMENTS, CONTINUED

ALSO, BE IT RESOLVED, that in the event said taxes shall be paid within ten days from the due date the interest shall be waived except in the office of the Tax Collector is closed on the tenth day of February, May, August or November then the grace period shall be extended to include the first business day thereafter; and,

BE IT FURTHER RESOLVED that the interest rates so stated will revert back to the due date of any installment of taxes or assessments received after the expiration of the ten-day grace period or as otherwise provided in the Resolution.”

It appears from an examination of the Collector's records that interest was collected in accordance with the foregoing resolution.

Delinquent Taxes and Tax Title Liens

A tax sale was held on December 4, 2014, and was complete.

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

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

<u>Year</u>	<u>Number of liens</u>
2014	3
2013	2
2012	2

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.

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**TOWNSHIP OF EAST HANOVER
COMMENTS AND RECOMMENDATIONS
DECEMBER 31, 2014**

Comments:

Administration:

1. *The Township does not have a system of tagging fixed assets.
2. *The Department of Public Works purchased Bioxide in an amount in excess of the bid threshold without following the requirements of Local Public Contracts Law.
3. *Awarding resolutions for Request for Qualifications does not include the anticipated value of the contract or "not to exceed" cost language and certification of available funds as required by the New Jersey Local Unit Pay-to-Play Law (N.J.S.A. 19:44A-20.4).
4. *Formal evaluations for Request for Qualification submissions are not being prepared by the evaluation committee.

Finance:

1. *Interest earned on Developer' Escrow deposits is not allocated among the individual developers in accordance with N.J.S.A. 40:55D-53.1.
2. The following accounts are carrying outstanding checks over one year old as reconciling items (N.J.S.A. 40A:5-5):
 - a. Clearing Account
 - b. Net Payroll Account
 - c. Recreation Trust Account
3. There are unfunded improvement authorizations in the General Capital fund greater than 5 years old.

Municipal Court

1. There are 20 tickets issued but not assigned on the December Monthly Management Report.
2. *The Reconciled cash bail per the bank account does not agree to the Bail on Account per ATS/ACS.
3. The bank reconciliation for the General Account does not balance for the month of December

Payroll

1. *Employee health benefit contributions deducted from selected employees were calculated using the incorrect rates.

**TOWNSHIP OF EAST HANOVER
COMMENTS AND RECOMMENDATIONS
(CONTINUED)**

Recommendations:

Administration:

1. *That the Township develop and implement a system of tagging fixed assets as required by Technical Accounting Directive #2, codified as N.J.A.C. 5:30-5.6.
2. *That all purchases above the bid threshold be advertised for public bid as required by Local Public Contracts Law N.J.S.A. 40A:11-1 et seq.
3. *That awarding resolutions for Request for Qualifications include the required language.
4. *That evaluation summaries be prepared by the committee when reviewing Request for Qualifications.

Finance:

1. *That an account be established to maintain accurate individual developer escrow balances with allocated interest earnings.
2. All stale dated checks be reviewed and cancelled by resolution if necessary.
3. That all ordinances with cash deficits over five years old should be funded through a valid financing source.

Municipal Court

1. That all tickets be assigned prior to issuance.
2. *That the Bail on Account be reconciled to the Bail Account cash on a monthly basis.
3. That more care be taken to ensure the reconciled bank balance agrees to the book balance on a monthly basis.

Payroll

1. *That more care be taken to ensure proper health benefit contribution deductions are calculated.

TOWNSHIP OF EAST HANOVER

STATUS OF PRIOR YEAR AUDIT FINDINGS/RECOMMENDATIONS

A review was performed on all prior year recommendations and corrective action was taken on all except for the Findings/Recommendations marked with an “*”.

ACKNOWLEDGMENT

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

Respectfully submitted,



Steven D. Wielkocz
Registered Municipal Accountant
No. CR00413



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey

July 16, 2015