

TOWNSHIP OF EAST HANOVER

**Financial Statements with
Supplementary Information
December 31, 2015**

(With Independent Auditor's Reports Thereon)

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TOWNSHIP OF EAST HANOVER
Table of Contents

Part I

<u>Exhibit</u>		<u>Page</u>
	Independent Auditors' Report	1
	<u>FINANCIAL STATEMENTS</u>	
	<u>Current Fund</u>	
A	Comparative Balance Sheet - Regulatory Basis	5
A-1	Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis	7
A-2	Statement of Revenues - Regulatory Basis	8
A-3	Statement of Expenditures - Regulatory Basis	10
	<u>Trust Funds</u>	
B	Comparative Balance Sheet - Regulatory Basis	18
	<u>General Capital Fund</u>	
C	Comparative Balance Sheet - Regulatory Basis	20
C-1	Statement of Changes in Fund Balance - Regulatory Basis	21
	<u>Water and Sewer Utility Operating Fund</u>	
D	Comparative Balance Sheet - Regulatory Basis	22
D-1	Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis	24
D-2	Statement of Fund Balance- Regulatory Basis	25
D-3	Statement of Revenues - Regulatory Basis	26
D-4	Statement of Expenditures - Regulatory Basis	27
	<u>General Fixed Asset Account Group</u>	
E	Comparative Statement of General Fixed Assets - Regulatory Basis	28
	Notes to Financial Statements	29
	Supplementary Data and Schedules	66

TOWNSHIP OF EAST HANOVER
Table of Contents, Continued

Part I, (continued)

<u>Exhibit</u>		<u>Page</u>
	<u>SUPPLEMENTARY INFORMATION</u>	
	<u>Current Fund</u>	
A-4	Schedule of Cash - Collector-Treasurer	71
A-5	Schedule of Cash - Change Fund	72
A-6	Schedule of Cash - Petty Cash	72
A-7	Schedule of Amount Due (to)/from State of New Jersey for Senior Citizens' and Veterans' Deductions - CH. 129 P.L. 1976	73
A-8	Schedule of Amount Due (to)/from Current Fund - Federal and State Grant Fund	74
A-9	Schedule of Municipal Liens	74
A-10	Schedule of Taxes Receivable and Analysis of Property Tax Levy	75
A-11	Schedule of Property Acquired for Taxes - Assessed Valuation	76
A-12	Schedule of Revenue Accounts Receivable	77
A-13	Schedule of Interfunds	78
A-14	Schedule of Deferred Charges N.J.S.A. 40A:4-53 Special Emergency	79
A-15	Schedule of Appropriation Reserves	80
A-16	Schedule of Encumbrances Payable	83
A-17	Schedule of Reserve for Other Expenditures	84
A-18	Schedule of Amount Due to the State of New Jersey	85
A-19	Schedule of Tax Over Payments	86
A-20	Schedule of Local School District Tax Payable	87
A-21	Schedule of Regional School District Tax Payable	87
A-22	Schedule of County Taxes Payable	88
A-23	Schedule of Prepaid Taxes	89
A-24	Schedule of Grants Receivable	90
A-25	Schedule of Appropriated Reserves for Grants - Federal and State Grant Fund	91
A-26	Schedule of Unappropriated Reserves for Grants - Federal and State Grant Fund	92
	<u>Trust Funds</u>	
B-1	Schedule of Cash	93
B-2	Schedule of Due to State of New Jersey	94
B-3	Schedule of Interfunds Receivable/(Payable)	95
B-4	Schedule of Various Reserves and Deposits	96
B-5	Schedule of Reserve for Payroll Deductions Payable	97
B-6	Schedule of Reserve for Animal Trust Fund Expenditures	98
B-7	Schedule of Accounts Receivable	99
B-8	Schedule of Reserve for Unemployment Compensation Insurance Fund	100
B-9	Schedule of Service Award Contributions Receivable	101
B-10	Schedule of Net Assets Available for Benefits	102

TOWNSHIP OF EAST HANOVER
Table of Contents, continued

Part I, (continued)

<u>Exhibit</u>		<u>Page</u>
	<u>General Capital Fund</u>	
C-2	Schedule of Cash	103
C-3	Analysis of Cash	104
C-4	Schedule of Interfunds	105
C-5	Schedule of Grants Receivable	106
C-6	Schedule of Deferred Charges to Future Taxation - Funded	107
C-7	Schedule of Deferred Charges to Future Taxation - Unfunded	108
C-8	Schedule of General Serial Bonds Payable	109
C-9	Schedule of Bond Anticipation Notes Payable	111
C-10	Schedule of Lease Purchase Agreement Payable	112
C-11	Schedule of Improvement Authorizations	113
C-12	Schedule of Capital Improvement Fund	114
C-13	Schedule of Bonds and Notes Authorized But Not Issued	115
	<u>Water and Sewer Utility Fund</u>	
D-5	Schedule of Cash	116
D-6	Analysis of Cash - Utility Capital Fund	117
D-7	Schedule of Interfunds - Operating Fund	118
D-8	Schedule of Consumers' Accounts Receivable - Operating Fund	119
D-9	Inventory - Material and Supplies - Operating Fund	119
D-10	Schedule of Deferred Charges - Operating Fund	120
D-11	Schedule of Fixed Capital - Utility Capital Fund	121
D-12	Schedule of Fixed Capital Authorized and Uncompleted - Utility Capital Fund	122
D-13	Schedule of 2014 Appropriation Reserves - Operating Fund	123
D-14	Schedule of Overpayments - Operating Fund	124
D-15	Schedule of Accrued Interest on Bonds - Operating Fund	125
D-16	Schedule of Accrued Interest on Notes - Operating Fund	126
D-17	Schedule of Reserve for Amortization Water and Sewer- Utility Capital Fund	127
D-18	Schedule of Capital Improvement Fund Water and Sewer - Utility Capital Fund	127
D-19	Schedule of Improvement Authorizations - Utility Capital Fund	128
D-20	Schedule of Deferred Reserve for Amortization - Utility Capital Fund	129
D-21	Schedule of Water Utility Serial Bonds - Utility Capital Fund	130
D-22	Schedule of Bond Anticipation Notes Payable - Utility Capital Fund	131
D-23	Schedule of Bonds and Notes Authorized But Not Issued - Utility Capital Fund	132

TOWNSHIP OF EAST HANOVER
Table of Contents, continued

Part II

<u>Exhibit</u>	<u>Page</u>
Independent 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	133
General Comments	135
Comments and Recommendations	138
Status of Prior Year Audit Findings/Recommendations	140
Acknowledgment	140

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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, 2015 and 2014, 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, 2015, 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, 2015 and 2014, 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 \$560,781 and \$567,867 for 2015 and 2014, respectively, were not audited and, therefore, we express no opinion on the LOSAP program.

Honorable Mayor and
Members of the Township Council
Page 3.

The Township did not implement the requirements of Governmental Accounting Standards Board (GASB), Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". State of New Jersey Local Finance Notice 2007-15 also dictates that municipalities implement the GASB.

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, 2015 and 2014, 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, 2015 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 the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents is the responsibility of management and 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, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2016 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

Honorable Mayor and
Members of the Township Council
Page 4.

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.



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



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Certified Public Accountants
Pompton Lakes, New Jersey

February 18, 2016

TOWNSHIP OF EAST HANOVER, N.J.
Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2015 and 2014

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
<u>Assets</u>			
Current Fund:			
Cash	A-4	\$ 4,913,817	5,060,773
Change Fund	A-5	150	150
		4,913,967	5,060,923
Receivables and Other Assets with Full Reserves:			
Municipal Liens Receivable	A-9	5,030	749,829
Delinquent Taxes Receivable	A-10	617,341	378,259
Property Acquired for Taxes - Assessed Valuation	A-11	1,518,500	1,518,500
Revenue Accounts Receivable	A-12	16,078	19,746
Interfund Accounts Receivable	A-13	10,561	
		2,167,510	2,666,334
Deferred Charges:			
Special Emergency Authorizations	A-14	137,857	206,786
		137,857	206,786
		7,219,334	7,934,043
Federal and State Grant Fund:			
Due from Current Fund	A-8		208,080
Grants Receivable	A-24	343,738	106,908
		343,738	314,988
		\$ 7,563,072	8,249,031

TOWNSHIP OF EAST HANOVER, N.J.
 Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2015 and 2014

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Current Fund:			
Appropriation Reserves	A-3/A-15	\$ 860,941	1,503,888
Encumbrances Payable	A-3/A-16	217,598	146,384
Interfund Accounts Payable	A-13		208,080
Reserve for Other Expenditures	A-17	728,758	361,313
Due to State of New Jersey:			
Senior Citizens and Veterans Deductions	A-7	7,386	8,918
Construction Training Fees	A-18	5,853	20,754
Marriage License Fees	A-18	200	275
Burial Permit Fees	A-18	40	50
Tax Overpayments	A-19	8,792	16,114
County Taxes Payable	A-22	11,433	8,194
Prepaid Taxes	A-23	252,026	170,011
		<u>2,093,027</u>	<u>2,443,981</u>
Reserve for Receivables	Contra	2,167,510	2,666,334
Fund Balance	A-1	2,958,797	2,823,728
		<u>7,219,334</u>	<u>7,934,043</u>
Federal and State Grant Fund:			
Appropriated Reserve for Grants	A-25	333,177	272,755
Unappropriated Reserve for Grants	A-26		42,233
Due to Current Fund	A-8	10,561	
		<u>343,738</u>	<u>314,988</u>
		<u>\$ 7,563,072</u>	<u>8,249,031</u>

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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenues and Other Income:		
Fund Balance Utilized	1,702,067	1,750,000
Miscellaneous Revenue Anticipated	5,152,115	4,865,094
Receipts from Delinquent Taxes	534,634	233,012
Receipts from Current Taxes	54,287,808	52,653,005
Non-Budget Revenue	215,992	587,463
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	575,516	293,965
Interfunds Returned		500
	<hr/>	<hr/>
Total Revenues and Other Income	62,468,132	60,383,039
Expenditures:		
Budget and Emergency Appropriations:		
Operations:		
Salaries and Wages	8,827,077	8,692,509
Other Expenses	8,044,795	8,023,165
Capital Improvement Fund	150,000	150,000
Municipal Debt Service	2,373,839	2,456,215
Deferred Charges and Statutory Expenditures -		
Municipal	1,903,096	1,928,021
Local District School Tax	17,822,681	17,442,473
Regional High School Taxes	11,951,997	11,360,924
County Taxes including Added Taxes	9,002,060	8,785,329
Local Open Space Taxes	253,209	253,601
Special District Taxes	291,681	290,601
State Disallowed Senior & Vet Deductions		4,500
Interfunds Advanced	10,561	
	<hr/>	<hr/>
Total Expenditures	60,630,996	59,387,338
Excess (Deficit) Revenue Over Expenditures	<hr/>	<hr/>
	1,837,136	995,701
Fund Balance, January 1,	<hr/>	<hr/>
	2,823,728	3,578,027
	<hr/>	<hr/>
	4,660,864	4,573,728
Decreased by:		
Fund Balance Utilized as Budget Revenue	<hr/>	<hr/>
	1,702,067	1,750,000
Fund Balance, December 31,	<hr/>	<hr/>
	2,958,797	2,823,728

See accompanying notes to the financial statements.

TOWNSHIP OF EAST HANOVER, N.J.

Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2015

	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	\$ 1,702,067	1,702,067	
Miscellaneous Revenues:			
Licenses:			
Alcoholic Beverages	27,650	27,688	38
Fees and Permits	109,000	109,395	395
Fines and Costs:			
Municipal Court	180,000	216,210	36,210
Interest and Costs on Taxes	74,000	214,004	140,004
Interest on Investments and Deposits	15,000	16,759	1,759
Recreation Program Fees	96,000	95,161	(839)
Energy Receipts Tax	2,819,976	2,819,976	
Uniform Construction Code Fees	525,000	471,358	(53,642)
Interlocal Service Agreements:			
Borough of Roseland (Board of Health)	74,560	74,560	
East Hanover School District (Board of Health)	10,244	10,244	
Borough of Parsippany (Board of Health)	67,652	67,652	
Uniform Fire Safety Act	65,000	72,845	7,845
Open Space Trust Fund - Share of Debt Service	395,425	395,425	
Capital Surplus	54,101	54,101	
Clean Communities Program	24,431	24,431	
Recycling Tonnage Grant	42,233	42,233	
Body Armor Replacement Grant	3,363	3,363	
Bullet Proof Vest Program	1,210	1,210	
Emergency Management	5,000	5,000	
Municipal Alliance Program	11,197	11,197	
NJHOA Ebola Monitoring	2,100	2,100	
NJDOT	244,145	244,145	
Total Miscellaneous Revenues	5,008,584	5,152,115	143,531
Receipts from Delinquent Taxes	502,000	534,634	32,634
Subtotal General Revenues	7,212,651	7,388,816	176,165

TOWNSHIP OF EAST HANOVER, N.J.

Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2015

Amount to be Raised by Taxes for Support of Municipal Budget - Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	15,201,395	15,876,180	674,785
Budget Totals	22,414,046	23,264,996	850,950
Non-Budget Revenue		215,992	215,992
	<u>\$ 22,414,046</u>	<u>23,480,988</u>	<u>1,066,942</u>

Analysis of Realized Revenues

Revenue from Current Tax Collections	\$ 54,287,808
Allocated to Municipal Open Space	253,209
Allocated to County and Local and Regional School Taxes	<u>39,068,419</u>
Balance for Support of Municipal Budget Appropriations	14,966,180
Add : Appropriation - Reserve for Uncollected Taxes	<u>910,000</u>
Amount for Support of Municipal Budget Appropriations	<u>\$ 15,876,180</u>
Receipts from Delinquent Taxes: Delinquent Taxes	<u>\$ 530,054</u>

Analysis of Non-budget Revenues

Cingular Cell Tower Revenue	\$ 36,235
T-Mobile Cell Tower Revenue	35,535
Donation Bins	1,542
Check Return Fees	260
Recycling	524
Sale of Property	6,681
Hotel Fees	65,053
LEA Rebates	41,196
DMV Fines	813
Miscellaneous	<u>28,153</u>
	<u>\$ 215,992</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, 2015

	<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	\$ 140,285	140,385	140,292	93	
Other Expenses	16,075	14,075	13,752	323	
Mayor and Council:					
Salaries and Wages	39,000	39,000	39,000		
Other Expenses	10,375	11,375	10,995	380	
Municipal Clerk:					
Salaries and Wages	210,800	210,800	210,349	451	
Other Expenses	30,600	27,600	22,023	5,577	
Financial Administration:					
Salaries and Wages	236,771	237,771	237,730	41	
Other Expenses	12,400	10,900	10,011	889	
Audit Services	70,000	70,000	14,800	55,200	
Computer Data Processing:					
Salaries and Wages	19,950	61,950	59,028	2,922	
Other Expenses	51,900	42,900	41,329	1,571	
Collection of Taxes:					
Salaries and Wages	30,000	31,500	30,770	730	
Other Expenses	11,595	10,095	9,005	1,090	
Assessment of Taxes:					
Salaries and Wages	30,000	30,000	30,000		
Other Expenses	16,450	10,450	9,279	1,171	
Legal Services and Cost:					
Other Expenses	715,000	770,400	769,744	656	
Engineering Services and Costs:					
Other Expenses	100,000	123,000	100,345	22,655	

TOWNSHIP OF EAST HANOVER, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2015

	<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	51,120	51,120	49,998	1,122	
Other Expenses	8,295	7,295	6,334	961	
Insurance:					
General Liability	240,947	240,947	229,591	11,356	
Workers Compensation	202,366	202,366	202,366		
Employee Group Health	2,642,000	2,602,000	2,562,680	39,320	
Public Safety:					
Police:					
Salaries and Wages	4,915,728	4,850,728	4,733,420	117,308	
Other Expenses	149,206	129,206	96,906	32,300	
Emergency Management:					
Salaries and Wages	40,000	40,000	40,000		
Other Expenses	19,250	19,250	12,105	7,145	
First Aid Organization - Contribution:					
Other Expenses	25,000	25,000	25,000		
Fire Suppression:					
Salaries and Wages	95,928	90,928	90,039	889	
Other Expenses	70,000	55,000	40,924	14,076	
Fire Prevention:					
Salaries and Wages	85,237	85,237	81,247	3,990	
Other Expenses	4,000	4,000	3,934	66	
Municipal Prosecutor:					
Salaries and Wages	20,000	20,000	20,000		
Other Expenses	2,500	2,500	600	1,900	
Municipal Court:					
Salaries and Wages	40,000	40,000	40,000		
Other Expenses	132,000	135,000	135,000		

TOWNSHIP OF EAST HANOVER, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2015

	<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	6,500	10,500	10,037	463	
Public Works:					
Road Repairs and Maintenance:					
Salaries and Wages	711,715	711,715	698,794	12,921	
Other Expenses	239,100	264,100	249,251	14,849	
Other Public Works Functions					
Salaries and Wages	210,000	211,000	210,207	793	
Other Expenses	15,250	16,250	14,198	2,052	
Solid Waste Collection					
Salaries and Wages	45,000	42,000	37,437	4,563	
Other Expenses	292,100	312,100	293,224	18,876	
Buildings and Grounds:					
Salaries and Wages	248,000	254,000	252,384	1,616	
Other Expenses	71,700	71,700	71,428	272	
Vehicle Maintenance:					
Salaries and Wages	273,250	276,250	274,836	1,414	
Other Expenses	121,600	113,600	91,831	21,769	
Community Services Act:					
Other Expenses	75,000	40,000		40,000	
Health and Welfare:					
Public Health Services:					
Salaries and Wages	233,569	233,569	232,294	1,275	
Other Expenses	31,875	31,875	26,657	5,218	
Animal Control					
Other Expenses	25,000	25,000	19,698	5,302	
Parks and Recreation:					
Recreation Services and Programs:					
Salaries and Wages	322,085	319,585	317,037	2,548	
Other Expenses	25,075	22,575	19,665	2,910	

TOWNSHIP OF EAST HANOVER, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2015

	<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:					
Salaries and Wages	452,750	452,750	448,594	4,156	
Other Expenses	69,850	66,850	55,140	11,710	
Celebration of Public Events:					
Other Expenses	10,000	13,500	12,678	822	
Senior Citizens:					
Salaries and Wages	109,178	111,678	110,199	1,479	
Other Expenses	15,000	15,000	8,848	6,152	
Utility Expenses and Bulk Purchases					
Gasoline	215,000	178,000	110,161	67,839	
Electric and Gas	150,000	135,000	110,492	24,508	
Telephone	90,000	90,000	74,445	15,555	
Natural Gas	52,000	52,000	42,747	9,253	
Street Lighting	175,000	175,000	129,207	45,793	
Accumulated Leave Compensation:					
Other Expenses	100,000	165,000	99,756	65,244	
Uniform Construction Code:					
Construction Code Official:	295,111	285,111	284,002	1,109	
Salaries and Wages	12,200	12,200	11,202	998	
Other Expenses					
Total Operations within "CAPS"	15,177,686	15,150,686	14,435,045	715,641	
B. Contingent	1,000	1,000		1,000	
Total Operations Including Contingent-within "CAPS"	15,178,686	15,151,686	14,435,045	716,641	
Detail:					
Salaries & Wages	8,855,477	8,827,077	8,667,657	159,420	
Other Expenses (Including Contingent)	6,323,209	6,324,609	5,767,388	557,221	

TOWNSHIP OF EAST HANOVER, N.J.
Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2015

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
(2) STATUTORY EXPENDITURES:					
Contribution to:					
Public Employees' Retirement System	444,870	444,870	444,870		
Social Security System (O.A.S.I.)	383,000	408,000	405,094	2,906	
Police and Firemen's Retirement System of NJ	969,297	969,297	969,297		
Defined Contribution Pension Plan	10,000	12,000	11,503	497	
Total Deferred Charged and Statutory Expenditures-Municipal within "CAPS"	1,807,167	1,834,167	1,830,764	3,403	
Total General Appropriations for Municipal Purposes within "CAPS"	16,985,853	16,985,853	16,265,809	720,044	
Operations - Excluded from "CAPS":					
Maintenance of Free Public Library	1,194,955	1,194,955	1,089,058	105,897	
LOSAP Program: Contribution	35,000	35,000		35,000	
Total Other Operations - Excluded from "CAPS"	1,229,955	1,229,955	1,089,058	140,897	
Interlocal Municipal Service Agreements:					
Borough of Roseland (Board of Health)	74,560	74,560	74,560		
East Hanover Board of Education	10,244	10,244	10,244		
Township of Parsippany (Board of Health)	67,652	67,652	67,652		
Total Interlocal Municipal Service Agreements	152,456	152,456	152,456		

TOWNSHIP OF EAST HANOVER, N.J.
Statement of Expenditures - Regulatory Basis

Current Fund						
		<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
		Year Ended December 31, 2015				
Public and Private Programs Offset by Revenues						
Municipal Alliance Against Alcohol and Drug Abuse						
Other Expenses		11,197	11,197	11,197		
Local Match		2,800	2,800	2,800		
Clean Communities Grant (N.J.S.A. 13:1e-99.2)		24,431	24,431	24,431		
Alcohol Education and Rehabilitation Grant		1,296	1,296	1,296		
Recycling Tonnage Grant		42,233	42,233	42,233		
Body Armor Replacement Fund		3,363	3,363	3,363		
Emergency Mgmt. Agency Assistance Funding		5,000	5,000	5,000		
NJDOT Melanie Lane Improvements		244,145	244,145	244,145		
Bullet Proof Vest Grant		1,210	1,210	1,210		
NJHOA Ebola Monitoring Grant		2,100	2,100	2,100		
Total Public and Private Programs Offset by Revenues		<u>337,775</u>	<u>337,775</u>	<u>337,775</u>		
Total Operations-Excluded from "CAPS"		<u>1,720,186</u>	<u>1,720,186</u>	<u>1,579,289</u>	<u>140,897</u>	
Detail:						
Salaries and Wages						
Other Expenses		1,720,186	1,720,186	1,579,289	140,897	
Capital Improvements - Excluded from "CAPS"						
Capital Improvement Fund		150,000	150,000	150,000		
Total Capital Improvements Excluded from "CAPS"		<u>150,000</u>	<u>150,000</u>	<u>150,000</u>		

TOWNSHIP OF EAST HANOVER, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2015

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
Municipal Debt Service - Excluded from "CAPS"					
Payment of Bond Principal	1,270,000	1,270,000	1,270,000		
Payment of BANs and Capital Notes	434,790	434,790	434,790		
Interest on Bonds	642,261	642,261	447,995		194,266
Interest on Notes	83,235	83,235	83,235		
MCIA Loan Program - Post 7/1/07	56,791	56,791	56,790		1
MCIA Loan Program - 2009	52,000	52,000	51,923		77
MCIA Loan Program - 2013	40,000	40,000	29,106		10,894
Total Municipal Debt Service-Excluded from "CAPS"	<u>2,579,077</u>	<u>2,579,077</u>	<u>2,373,839</u>		<u>205,238</u>
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"	<u>68,929</u>	<u>68,929</u>	<u>68,929</u>		
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>4,518,192</u>	<u>4,518,192</u>	<u>4,172,057</u>	<u>140,897</u>	<u>205,238</u>
Subtotal General Appropriations	21,504,045	21,504,045	20,437,866	860,941	205,238
Reserve for Uncollected Taxes	910,000	910,000	910,000		
Total General Appropriations	<u>\$ 22,414,045</u>	<u>22,414,045</u>	<u>21,347,866</u>	<u>860,941</u>	<u>205,238</u>

TOWNSHIP OF EAST HANOVER, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2015

	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Canceled
Appropriation by 40:A4-87 \$	292,742			
Adopted Budget	<u>22,121,303</u>			
	\$ <u>22,414,045</u>			
Reserve for Uncollected Taxes \$		910,000		
Capital Improvement Fund		150,000		
Federal and State Grants		337,775		
Deferred Charges		68,929		
Encumbrances		217,598		
Cash		<u>19,663,564</u>		
		\$ <u>21,347,866</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, 2015 and 2014

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
<u>Assets</u>			
Animal Trust Fund:			
Cash	B-1	\$ 12,621	8,649
		<u>12,621</u>	<u>8,649</u>
Other Trust Funds:			
Cash	B-1	2,563,497	2,443,694
		<u>2,563,497</u>	<u>2,443,694</u>
Unemployment Compensation Trust:			
Cash	B-1	177,479	168,467
		<u>177,479</u>	<u>168,467</u>
Emergency Services Volunteer Length of Services Award Program (Unaudited):			
Cash in Plan	B-1	514,043	527,592
Service Award Contributions Receivable	B-9	46,738	40,275
		<u>560,781</u>	<u>567,867</u>
		<u>\$ 3,314,378</u>	<u>3,188,677</u>

TOWNSHIP OF EAST HANOVER

Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31, 2015 and 2014

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
<u>Liabilities, Reserves & Fund Balance</u>			
Animal Trust Fund:			
Due to State of New Jersey	B-2	\$ 119	1
Reserve for Animal Trust Fund Expenditures	B-6	<u>12,502</u>	<u>8,648</u>
		<u>12,621</u>	<u>8,649</u>
Other Trust Fund:			
Reserve for Various Deposits	B-4	2,558,573	2,438,662
Reserve for Payroll Deductions Payable	B-5	<u>4,924</u>	<u>5,032</u>
		<u>2,563,497</u>	<u>2,443,694</u>
Unemployment Compensation Trust:			
Accounts Payable	B-2	285	1,628
Reserve for Expenditures	B-8	<u>177,194</u>	<u>166,839</u>
		<u>177,479</u>	<u>168,467</u>
Emergency Services Volunteer Length of Services Award Program (Unaudited):			
Net Assets Available for Benefits	B-10	<u>560,781</u>	<u>567,867</u>
		<u>\$ 3,314,378</u>	<u>3,188,677</u>

See accompanying notes to financial statements.

TOWNSHIP OF EAST HANOVER, N.J.

Comparative Balance Sheet - Regulatory Basis

General Capital Fund

December 31, 2015 and 2014

<u>Assets</u>	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
Cash	C-2/C-3	\$ 1,014,707	1,661,643
Grants Receivable:			
State and County Grants	C-5		963,654
Deferred Charges to Future Taxation:			
Funded	C-6	13,036,777	14,445,780
Unfunded	C-7	<u>11,966,486</u>	<u>10,127,926</u>
		<u>\$ 26,017,970</u>	<u>27,199,003</u>
<u>Liabilities, Reserves and Fund Balance</u>			
General Serial Bonds	C-8	\$ 12,891,000	14,161,000
Bond Anticipation Notes Payable	C-9	8,933,700	8,323,490
Lease Purchase Agreement Payable	C-10	145,777	284,780
Improvement Authorizations:			
Funded	C-11		60,368
Unfunded	C-11	3,815,274	4,238,334
Capital Improvement Fund	C-12	107,280	76,930
Fund Balance	C-1	<u>124,939</u>	<u>54,101</u>
		<u>\$ 26,017,970</u>	<u>27,199,003</u>

There were \$3,032,786 and \$1,804,436 of Bonds and Notes Authorized But Not Issued on December 31, 2015 and 2014 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

	<u>2015</u>	<u>2014</u>
Balance - December 31,	\$ 54,101	30,867
Increased By:		
Premium on Bond Anticipation Note Sale	<u>124,939</u>	<u>54,101</u>
	124,939	54,101
Decreased By:		
Anticipated as Current Fund Revenue	<u>54,101</u>	<u>30,867</u>
Balance - December 31,	<u>\$ 124,939</u>	<u>54,101</u>

See accompanying notes to the financial statements.

TOWNSHIP OF EAST HANOVER

Comparative Balance Sheet - Regulatory Basis

Water and Sewer Utility Fund

December 31, 2015 and 2014

<u>Assets</u>	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
Water Utility Operating Fund:			
Cash - Treasurer	D-5	\$ 1,654,099	1,877,387
		<u>1,654,099</u>	<u>1,877,387</u>
Receivables with Full Reserves:			
Consumers' Accounts Receivable	D-8	182,434	147,679
Inventory - Materials and Supplies	D-9	<u>69,521</u>	<u>49,938</u>
		<u>251,955</u>	<u>197,617</u>
Deferred Charges:			
Emergency Authorization	D-10	<u>200,000</u>	
		<u>200,000</u>	
Total Water Utility Operating Fund		<u>2,106,054</u>	<u>2,075,004</u>
Capital Fund:			
Cash - Treasurer	D-5,D-6	328,875	83,935
Fixed Capital	D-11	11,829,030	8,319,771
Fixed Capital Authorized and Uncompleted	D-12	<u>873,500</u>	<u>4,235,759</u>
Total Capital Fund		<u>13,031,405</u>	<u>12,639,465</u>
		<u>\$ 15,137,459</u>	<u>14,714,469</u>

TOWNSHIP OF EAST HANOVER

Comparative Balance Sheet - Regulatory Basis

Water and Sewer Utility Fund

December 31, 2015 and 2014

<u>Liabilities, Reserves and Fund Balance</u>	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
Water Utility Operating Fund:			
Appropriation Reserves	D-4,D-13	\$ 156,331	732,720
Reserve for Encumbrances	D-4	98,109	30,325
Overpayments	D-14	9,884	10,669
Accrued Interest on Bonds	D-15	32,622	32,597
Accrued Interest on Notes	D-16	1,618	1,575
		<u>298,564</u>	<u>807,886</u>
Reserve for Receivables	Contra	251,955	197,617
Fund Balance	D-1	1,555,535	1,069,501
		<u>2,106,054</u>	<u>2,075,004</u>
Capital Fund:			
Serial Bonds Payable	D-21	1,820,000	1,955,000
Bond Anticipation Notes Payable	D-22	2,071,750	1,820,750
Improvement authorization:			
Unfunded	D-19	420,430	315,595
Capital Improvement Fund	D-18	15,347	15,347
Reserve for:			
Amortization	D-17	8,663,780	8,151,770
Deferred Reserve for Amortization	D-20	363,010	363,010
Fund Balance	D-2	40,098	17,993
		<u>13,031,405</u>	<u>12,639,465</u>
		<u>\$ 15,137,459</u>	<u>14,714,469</u>

There were \$147,000 and \$265,000 of Bonds and Notes Authorized But Not Issued on December 31, 2015 and 2014 respectively (Exhibit D-23).

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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenue and other income:		
Fund Balance Utilized	\$ 759,957	809,911
Water/Sewer rents	4,238,996	4,170,127
Miscellaneous Revenue	71,066	24,113
NYNEX Lease on Tower	42,549	43,050
Unexpended balance appropriation reserve	<u>559,380</u>	<u>341,747</u>
Total revenue and other income	<u>5,671,948</u>	<u>5,388,948</u>
Expenditures:		
Operating	4,197,650	4,036,591
Debt service	255,500	356,562
Deferred charges and statutory expenditures	<u>172,807</u>	<u>172,758</u>
Total expenditures	<u>4,625,957</u>	<u>4,565,911</u>
Excess(Deficit) in revenues	1,045,991	823,037
Adjustments to Income before Surplus:		
Expenditures included above which are Statute Deferred Charges to Budget of Succeeding Year Emergency Authorizations	<u>200,000</u>	<u> </u>
Operating Deficit to be Raised in Budget of Succeeding Year	<u>1,245,991</u>	<u>823,037</u>
Statutory excess to Surplus	1,245,991	823,037
Fund balance, January 1	<u>1,069,501</u>	<u>1,056,375</u>
	2,315,492	1,879,412
Decreased by:		
Utilization by water operating budget	<u>759,957</u>	<u>809,911</u>
Balance, December 31	<u>\$ 1,555,535</u>	<u>1,069,501</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Balance - December 31, 2014	\$ <u>17,993</u>	\$ <u>6,872</u>
Increased by:		
Premium on Note Sale	<u>22,105</u>	<u>11,121</u>
Balance - December 31, 2015	\$ <u><u>40,098</u></u>	\$ <u><u>17,993</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, 2015

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess (deficit)</u>
Operating surplus anticipated	\$ 759,957	759,957	
Water/Sewer Rents	3,600,000	4,238,996	638,996
Miscellaneous	23,000	71,066	48,066
NYNEX Lease on Tower	43,000	42,549	(451)
	<u>\$ 4,425,957</u>	<u>5,112,568</u>	<u>686,611</u>

Analysis of Realized Revenue

	Rents \$	4,232,572
	Overpayments applied	6,424
	NYNEX Lease on Tower	42,549
		<u>4,281,545</u>
	Interest on Investments	3,983
Due from Water Capital Fund -	Interest on Investments	451
	Interest on Water Bills	14,622
	Water Connection Charges	6,630
	Other Miscellaneous	45,380
		<u>71,066</u>
	\$	<u>71,066</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, 2015

	Appropriations			
	Budget	Budget after modifi- cation	Paid or charged	Reserved
Operating:				
Salaries and Wages	\$ 887,801	887,801	884,442	3,359
Other Expenses	907,454	889,454	852,662	36,792
Purchase of Water	500,000	700,000	689,739	10,261
Par-Troy Treatment Plant	1,707,395	1,707,395	1,601,500	105,895
Florham Park Treatment Plant	12,500	13,000	12,976	24
Total Operating	4,015,150	4,197,650	4,041,319	156,331
Debt Service:				
Payment of Bond Principal	135,000	135,000	135,000	
Payment of Bond Anticipation and Capital Notes	14,000	14,000	14,000	
Interest on Bonds	72,000	88,250	88,250	
Interest on Bond Anticipation Notes	17,000	18,250	18,250	
Total Debt Service	238,000	255,500	255,500	
Deferred Charges and Statutory Expenditures:				
Statutory Expenditures - Contribution to:				
Public Employees' Retirement System	107,807	107,807	107,807	
Social Security System (O.A.S.I.)	54,000	54,000	54,000	
Medicare Tax	11,000	11,000	11,000	
Total Deferred Charges and Statutory Expenditures	172,807	172,807	172,807	
	\$ 4,425,957	4,625,957	4,469,626	156,331
Adopted Budget		4,425,957		
Emergency		200,000		
		4,625,957		
Cash Disbursed			\$ 3,826,469	
Reserve for Encumbrances			98,109	
Accrued Interest on Bonds			88,250	
Accrued Interest on Notes			18,250	
Interfunds			438,548	
			\$ 4,469,626	

See accompanying notes to financial statements.

TOWNSHIP OF EAST HANOVER, N.J.

Comparative Statement of General Fixed Assets - Regulatory Basis

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>General Fixed Assets:</u>		
Land	\$ 31,673,100	31,373,600
Buildings	33,493,121	33,493,121
Machinery and Equipment	<u>8,550,287</u>	<u>8,478,461</u>
	<u>\$ 73,716,508</u>	<u>73,345,182</u>
Investment in Fixed Assets	<u>\$ 73,716,508</u>	<u>73,345,182</u>

See accompanying notes to financial statements.

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TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

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, 2015 AND 2014
(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, 2015 AND 2014
(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, 2015 AND 2014
(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, 2015 AND 2014
(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, 2015 and 2014, the Governing Body approved additional revenues and appropriations of \$292,742 and \$45,404, respectively, in accordance with N.J.S.A. 40A:4-87. In addition, several budget transfers were approved by the governing body in 2015 and 2014.

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.

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(continued)

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

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

Basis of Accounting, (continued)

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.

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, 2015 AND 2014
(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, 2015 AND 2014
(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 required 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 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.

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 required 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.

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(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 February 2015, the Government Accounting Standards Board issued GASB Statement No. 72, Fair Value Measurement and Application. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement also provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement is effective for periods beginning after June 15, 2015. The Township is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68. This Statement is effective for periods beginning after June 15, 2015 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for periods beginning after June 15, 2016. The Township is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. This Statement applies to OPEB plans and basically parallels GASB Statement 67 and replaces GASB Statement 43 and is effective for periods beginning after June 15, 2016. The Township is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement applies to government employers who provided OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The Statement is effective for periods beginning after June 15, 2017. The Township is currently reviewing what effect, if any, this Statement might have on future financial statements.

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(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 June 2015, the Government Accounting Standards Board issued GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. This Statement is effective for periods beginning after June 15, 2015. The Township is currently reviewing what effect, if any, this Statement might have on future financial statements.

In August 2015, the Government Accounting Standards Board issued GASB Statement No. 77, *Tax Abatement Disclosures*, which improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The Township is currently reviewing what effect, if any, this Statement might have on future financial statements.

In December 2015, the Government Accounting Standards Board issued GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement is effective for reporting periods beginning after December 15, 2015. The Township is currently reviewing what effects, if any, this Statement might have on future financial statements.

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(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 December 2015, the Government Accounting Standards Board issued GASB Statement No. 79, Certain External Investment Pools and Pool Participants. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it established criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for periods beginning after June 15, 2015, and for certain provisions, periods beginning after December 15, 2015. The Township is currently reviewing what effects, if any, this Statement might have on future financial statements.

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, 2015 and 2014, \$-0- of the Township's bank balance of \$11,103,445 and \$9,046,133, respectfully, were exposed to custodial credit risk.

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(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, 2015 and 2014 amounted to \$514,043 and \$527,593, respectively.

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
LVIP S&P Index	\$111,070	\$123,391
Fixed	156,371	157,092
LVIP Delaware Bond	39,969	38,904
All Others	<u>206,623</u>	<u>208,206</u>
Total	<u>\$514,033</u>	<u>\$527,593</u>

NOTE 3. MUNICIPAL DEBT

Long-term debt as of December 31, 2015 consisted of the following:

	<u>Balance</u> <u>Dec. 31, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Bonds Payable:					
General Obligation Debt	\$14,161,000	\$	\$1,270,000	\$12,891,000	\$1,230,000
Water and Sewer Utility Obligation Debt	<u>1,955,000</u>	_____	<u>135,000</u>	<u>1,820,000</u>	<u>135,000</u>
Total Bonds Payable	<u>16,116,000</u>	_____	<u>1,405,000</u>	<u>14,711,000</u>	<u>1,365,000</u>
Other Liabilities:					
Pension Deferral	487,917		34,623	453,294	37,507
General Capital:					
MCIA Leases Payable	284,780		139,003	145,777	91,365
Compensated Absences Payable	<u>3,440,865</u>	<u>83,814</u>	<u>106,768</u>	<u>3,417,911</u>	_____
Total Other Liabilities	<u>4,213,562</u>	<u>83,814</u>	<u>280,394</u>	<u>4,016,982</u>	<u>128,872</u>
	<u>\$20,329,562</u>	<u>\$83,814</u>	<u>\$1,685,394</u>	<u>\$18,727,982</u>	<u>\$1,493,872</u>

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

	Balance Dec. 31, 2013	Additions	Reductions	Balance Dec. 31, 2014	Amounts Due Within One Year
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>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>	_____
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.

The Township's debt is summarized as follows:

Summary of Municipal Debt (Excluding Current Operating Debt)

	<u>Year 2015</u>	<u>Year 2014</u>	<u>Year 2013</u>
<u>Issued:</u>			
General - Bonds, Notes and Loans	\$21,824,700	\$22,484,490	\$21,155,405
Water and Sewer Utility - Bonds, Notes and Loans	<u>3,891,750</u>	<u>3,775,750</u>	<u>4,011,750</u>
	<u>25,716,450</u>	<u>26,260,240</u>	<u>25,167,155</u>
<u>Authorized But Not Issued</u>			
General - Bonds and Notes	3,032,789	1,804,436	1,079,436
Water and Sewer Utility - Bonds and Notes	<u>147,000</u>	<u>265,000</u>	<u>1,000</u>
	<u>3,179,789</u>	<u>2,069,436</u>	<u>1,080,436</u>
Total Bonds, Notes and Loans Issued and Authorized But Not Issued	28,896,236	28,329,676	26,247,591
Less: Deductions	<u>4,038,750</u>	<u>4,012,750</u>	<u>4,332,160</u>
Net Debt	<u>\$24,857,486</u>	<u>\$24,316,926</u>	<u>\$21,915,431</u>

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

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 .717% for 2015.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School District Debt	\$13,692,466	\$13,692,466	\$
Water and Sewer Utility	4,038,750	4,038,750	
General Debt	<u>24,857,486</u>		<u>24,857,486</u>
	<u>\$42,588,702</u>	<u>\$17,731,216</u>	<u>\$24,857,486</u>

Net debt of \$24,857,486 divided by equalized valuation basis per N.J.S.A. 40A:2-2 as amended of \$3,466,359,957 equals .717%.

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% for 2014.

	<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

	<u>2015</u>	<u>2014</u>
3 ½% of Equalized Valuation Basis (Municipal)	\$121,319,098	\$121,738,731
Net Debt	<u>24,857,486</u>	<u>24,216,926</u>
Remaining Borrowing Power	<u>\$96,461,612</u>	<u>\$97,521,805</u>

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

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

	<u>2015</u>	<u>2014</u>
Cash receipts from fees, rents or other charges for year	\$5,112,568	\$5,047,201
Deductions:		
Operating and Maintenance Cost	4,370,457	4,209,349
Debt Service per Water and Sewer Account	<u>255,500</u>	<u>356,562</u>
Total Deductions	<u>4,625,957</u>	<u>4,565,911</u>
Excess in Revenue - Self-Liquidating	<u>\$486,611</u>	<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, 2015:

Paid by Current Fund:

<u>General Serial Bonds:</u>	<u>2015</u>	<u>2014</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	\$350,000	\$650,000
\$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	3,526,000	3,576,000
\$3,120,000 Refunding Bonds - with an interest rate of 3.00% to 4.00% issued November 4, 2010, due through February 1, 2016	520,000	1,050,000
\$4,310,000 Refunding Bonds - with an interest rate of 1.50% to 3.00% issued March 28, 2012, due through November 1, 2024	3,530,000	3,855,000
\$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>4,965,000</u>	<u>5,030,000</u>
Total General Serial Bonds	<u>\$12,891,000</u>	<u>\$14,161,000</u>

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

Paid by Water Utility Fund:	<u>2015</u>	<u>2014</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	\$350,000	\$400,000
\$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	1,085,000	1,110,000
\$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>385,000</u>	<u>445,000</u>
Total Water and Sewer Utility Bonds	<u>1,820,000</u>	<u>1,955,000</u>
Total Serial Bonds	<u>\$14,711,000</u>	<u>\$16,116,000</u>

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

Year	General Capital			Water and Sewer Utility		
	Principal	Interest	Total	Principal	Interest	Total
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	1,465,000	251,721	1,716,721	130,000	60,525	190,525
2021-2025	5,186,000	511,368	5,697,368	685,000	220,347	905,347
2026-2027	<u>875,000</u>	<u>26,325</u>	<u>901,325</u>	<u>465,000</u>	<u>48,775</u>	<u>513,775</u>
	<u>\$12,891,000</u>	<u>\$2,324,348</u>	<u>\$15,215,348</u>	<u>\$1,820,000</u>	<u>\$625,872</u>	<u>\$2,445,872</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, 2015 AND 2014
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

At December 31, 2015 and 2014, the Township had authorized but not issued debt as follows:

	<u>2015</u>	<u>2014</u>
General Capital Fund	\$3,032,786	\$1,804,436
Water and Sewer Utility Capital Fund	147,000	265,000

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, 2015:

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2016	\$96,747	\$91,365	\$5,382
2017	<u>56,790</u>	<u>54,412</u>	<u>2,378</u>
	<u>\$153,537</u>	<u>\$145,777</u>	<u>\$7,760</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, 2015 and 2014, the Township had \$8,933,700 and \$8,323,490, respectively, in outstanding General Capital Bond Anticipation Notes. The Township also had \$2,071,750 and \$1,820,750, respectively, in outstanding Water and Sewer Utility Capital Bond Anticipation Notes for the years ended December 31, 2015 and 2014.

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(continued)

NOTE 5. BOND ANTICIPATION NOTES, (continued)

The following activity related to bond anticipation notes occurred during the calendar year ended December 31, 2015.

<u>2015</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<u>General Capital Notes Payable</u>				
TD Securities LLC	\$1,265,000	\$950,000	\$1,265,000	\$950,000
Janney Montgomery Scott LLC	<u>7,058,490</u>	<u>7,983,700</u>	<u>7,058,490</u>	<u>7,983,700</u>
	<u>8,323,490</u>	<u>8,933,700</u>	<u>8,323,490</u>	<u>8,933,700</u>
<u>Water and Sewer Utility Capital Notes Payable</u>				
TD Securities LLC	1,186,500	1,451,500	1,186,500	1,451,500
Janney Montgomery Scott LLC	<u>634,250</u>	<u>620,250</u>	<u>634,250</u>	<u>1,185,500</u>
	<u>1,820,750</u>	<u>2,071,750</u>	<u>1,820,750</u>	<u>2,071,750</u>
	<u>\$10,144,240</u>	<u>\$11,005,450</u>	<u>\$10,144,240</u>	<u>\$11,005,450</u>
<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>
<u>Water and Sewer Utility 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>

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, 2015 AND 2014
(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, 2015 AND 2014
(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, 2015 AND 2014
(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.

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.

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(continued)

NOTE 7. PENSION PLANS, (continued)

Defined Contribution Retirement Program, (continued)

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.

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.

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(continued)

NOTE 7. PENSION PLANS, (continued)

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 \$453,294.

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>	<u>DCRP</u>
2015	\$636,369	\$969,297	\$11,503
2014	581,829	960,738	10,007
2013	679,750	1,052,892	8,224

**TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(continued)**

NOTE 7. PENSION PLANS, (continued)

Contribution Requirements, (continued)

Statement No's 68 and 71 require a state or local government employer to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. However, since the financial statements are prepared on another comprehensive basis of accounting, the net pension liability of the various pension systems is not recorded in the financial statements and is only required to be disclosed in the notes to the financial statements. The following pension information is as of June 30, 2014 which is the latest information available. This information is eighteen months prior to December 31, 2015. GASB Statement No. 68 requires that the information be no more than twelve months prior to the employer's fiscal year end.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Public Employees Retirement System (PERS)

At December 31, 2015, the Township had a liability of \$13,148,636 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2014, the Township's proportion was .0702281816 percent, which was an increase/(decrease) of .00081767 percent from its proportion measured as of June 30, 2013.

For the year ended December 31, 2015, the Township recognized pension expense of \$636,369. At December 31, 2015, deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$413,464	\$
Net difference between projected and actual earnings on pension plan investments		783,587
Changes in proportion and differences between Township contributions and proportionate share of contributions	132,008	
Township contributions subsequent to the measurement date	<u>600,749</u>	
Total	<u>\$1,146,221</u>	<u>\$783,587</u>

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(continued)

NOTE 7. PENSION PLANS, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Public Employees Retirement System (PERS), (continued)

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2014) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$(119,892)
2017	(119,892)
2018	(119,892)
2019	76,004
Thereafter	33,442

Additional Information

Local Group Collective balances at June 30, 2014 and June 30, 2013 are as follows:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Collective deferred outflows of resources	\$952,194,675	Not Available
Collective deferred inflows of resources	1,479,224,662	Not Available
Collective net pension liability	18,722,735,003	\$19,111,986,111
Township s Proportion	.07022818%	.06941051%

**TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(continued)**

NOTE 7. PENSION PLANS, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Public Employees Retirement System (PERS), (continued)

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which rolled forward to June 30, 2014. The total pension liability for the July 1, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	3.01 Percent
Salary Increases:	
2012-2021	2.15-4.40 Percent (based on age)
Thereafter	3.15-5.40 Percent (based on age)
Investment Rate of Return	7.90 Percent

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

Mortality Rates

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback one year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2014 are summarized in the following table:

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(continued)

NOTE 7. PENSION PLANS, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Public Employees Retirement System (PERS), (continued)

Actuarial Assumptions

Asset Class	Target <u>Allocation</u>	Long-Term Expected Real <u>Rate of Return</u>
Cash	6.00%	0.80%
Core Bond	1.00%	2.49%
Intermediate Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation Indexed Bonds	2.50%	3.51%
Broad U.S. Equities	25.90%	8.22%
Developed Foreign Markets	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds/Absolute Returns	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 5.39% and 5.55% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(continued)

NOTE 7. PENSION PLANS, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Public Employees Retirement System (PERS), (continued)

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2014 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1- percentage-point higher than the current rate:

	June 30, 2014		
	1%	At Current	1%
	Decrease	Discount Rate	Increase
	<u>4.39%</u>	<u>5.39%</u>	<u>6.39%</u>
Township's proportionate share of the pension liability	\$16,541,432	\$13,148,636	\$10,299,551

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The financial report may be accessed at www.state.nj.us/treasury/pensions.

Police and Firemen's Retirement System (PFRS)

At December 31, 2015, the Township had a liability of \$14,895,869 for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2014, the Township's proportion was .11841787 percent, which was an increase/(decrease) of (.00523448) percent from its proportion measured as of June 30, 2013.

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(continued)

NOTE 7. PENSION PLANS, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Police and Firemen's Retirement System (PFRS), (continued)

For the year ended December 31, 2015, the Township recognized pension expense of \$969,297. At December 31, 2015, deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$559,242	\$
Net difference between projected and actual earnings on pension plan investments		1,520,073
Changes in proportion and differences between Township contributions and proportionate share of contributions		583,093
Township contributions subsequent to the measurement date	<u>1,023,010</u>	<u> </u>
Total	<u>\$1,582,252</u>	<u>\$2,103,166</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2014) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$(271,848)
2017	(271,848)
2018	(271,848)
2019	108,171
Thereafter	18,389

**TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(continued)**

NOTE 7. PENSION PLANS, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Police and Firemen's Retirement System (PFRS), (continued)

Additional Information

Local Group Collective balances at June 30, 2014 and June 30, 2013 are as follows:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Collective deferred outflows of resources	\$750,532,959	Not Available
Collective deferred inflows of resources	1,561,923,934	Not Available
Collective net pension liability	13,933,627,178	\$14,533,269,004
Township's Proportion	.11841787%	.12365235%

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which rolled forward to June 30, 2014. The total pension liability for the July 1, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	3.01 Percent
Salary Increases:	
2012-2021	3.95-8.62 Percent (based on age)
Thereafter	4.95-9.62 Percent (based on age)
Investment Rate of Return	7.90 Percent

Mortality Rates

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback one year for females) with adjustments for mortality improvements from the base year of 2011 based on Projection Scale AA.

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(continued)

NOTE 7. PENSION PLANS, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Police and Firemen's Retirement System (PFRS), (continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.80%
Core Bond	1.00%	2.49%
Intermediate Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation Indexed Bonds	2.50%	3.51%
Broad U.S. Equities	25.90%	8.22%
Developed Foreign Markets	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds/Absolute Returns	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 6.32% and 6.45% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation

**TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(continued)**

NOTE 7. PENSION PLANS, (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, (continued)

Police and Firemen's Retirement System (PFRS), (continued)

municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2045. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2045, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2014 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1- percentage-point higher than the current rate:

	June 30, 2014		
	1% Decrease <u>5.32%</u>	At Current Discount Rate <u>6.32%</u>	1% Increase <u>7.32%</u>
Township's proportionate share of the pension liability	\$20,631,707	\$14,895,869	\$10,155,339

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Police and Firemen's Retirement System (PFRS). The financial report may be accessed at www.state.nj.us/treasury/pensions.

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(continued)

NOTE 8. FUND BALANCE APPROPRIATED

The fund balance at December 31, 2015 which has been appropriated as revenue in the 2016 budget is as follows:

Current Fund	\$1,700,000
Water and Sewer Utility Operating Fund	897,791

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 \$3,417,911 as of December 31, 2015 and \$3,440,865 as of December 31, 2014. The amount is not reported either as an expenditure or liability.

NOTE 10. INTERFUND BALANCES AND ACTIVITY

Balances due to/from other funds at December 31, 2015 consist of the following:

<u>\$10,561</u>	Due to the Current Fund from the Federal and State Grant Fund for reimbursement of expenditures paid.
-----------------	---

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.

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(continued)

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

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, 2015 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 2015 calendar year, the Township did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

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.

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(continued)

NOTE 12. RISK MANAGEMENT, (continued)

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:

	<u>Balance</u> <u>Dec 31, 2015</u>	<u>Balance</u> <u>Dec 31, 2014</u>
Prepaid Taxes	<u>\$252,026</u>	<u>\$170,011</u>
Cash Liability for Taxes Collected in Advance	<u>\$252,026</u>	<u>\$170,011</u>

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, 2015. 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, 2015 in the amount of \$347,062.

TOWNSHIP OF EAST HANOVER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(continued)

NOTE 15. OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, the Township provides post employment health care benefits in accordance with the provisions of Ch. 88, P.L. 1974 as amended by Chapter 436, P.L. 1981, at its cost.

The Township did not undertake an actuarial analysis of these benefits as required by GASB 45.

NOTE 16. FIXED ASSETS

The following is a summary of General Fixed Assets Account Group as of December 31, 2015:

	<u>Balance</u> <u>Dec. 31, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2015</u>
Land	\$31,373,600	\$	\$	\$31,373,600
Buildings	33,493,121			33,493,121
Machinery and Equipment	<u>8,478,461</u>	<u> </u>	<u> </u>	<u>8,478,461</u>
	<u>\$73,345,182</u>	<u>\$0</u>	<u>\$0</u>	<u>\$73,345,182</u>
	<u>Restated</u> <u>Balance</u> <u>Dec. 31, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <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 February 18, 2016, 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

Comparative Schedule of Tax Rate Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Tax rate	2.140	2.094	2.086
Apportionment of tax rate:			
Municipal	0.608	0.609	0.595
School	1.176	1.137	1.139
County	0.356	0.348	0.352

Assessed Value

2015	\$ 2,534,066,444
2014	2,533,668,034
2013	2,465,071,934

Comparison of Tax Levies and Collections Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Collections</u>	<u>Percentage of Collection</u>
2015	\$ 54,598,246	54,287,808	99.43%
2014	53,394,870	52,653,005	98.61%
2013	53,165,124	52,307,006	98.39%

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>Dec. 31</u>	<u>Amount of delinquent taxes</u>	<u>Tax title liens</u>	<u>Total delinquent</u>	<u>Percentage of tax levy</u>
2015	\$ 617,341	5,030	622,371	1.14%
2014	378,259	749,829	1,128,088	2.11%
2013	527,702	800	528,502	0.99%

TOWNSHIP OF EAST HANOVER

Supplementary data

Property Acquired by Tax Title Lien Liquidation

No properties have been acquired in 2015 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>
2015	\$ 1,518,500
2014	1,518,500
2013	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	2015	\$ 2,958,796	1,700,000
	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
Water Utility Operating Fund	2015	1,555,535	897,791
	2014	1,069,501	759,957
	2013	1,056,375	809,911
	2012	634,361	494,469
	2011	785,803	233,500

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Expenditures of Federal Awards

Year ended December 31, 2015

Program	CFDA number	Grant period	Award Amount	Cash Received	Expenditures	Cancellations	MEMO	
							Total Expenditures	Cumulative Total Expenditures
<u>Federal and State Grant Funds:</u>								
Department of Transportation								
Transportation Trust Fund - Melanie Lane	20.205	2012	205,000		205,000		*	205,000
Transportation Trust Fund - Melanie Lane Bridge	20.205	2012	300,000	10,704			*	300,000
Transportation Trust Fund - Troy Road - Section I	20.205	2015	244,145				*	
				10,704	205,000		*	505,000
							*	
<u>Department of Law and Public Safety</u>								
Emergency Management Agency Assistance (EMAA)	97.042	2014	5,000	5,000			*	5,000
Emergency Management Agency Assistance (EMAA)	97.042	2015	5,000		5,000		*	5,000
				5,000	5,000		*	10,000
							*	
<u>Department of Law and Public Safety</u>								
FEMA Reimbursement - Hurricane Sandy	97.036	2013	503,683	1,018		567	*	503,683
				1,018		567	*	503,683
							*	
<u>National Highway Traffic Safety Administration</u>								
Drive Sober or Get Pulled Over Year End Holiday Crackdown	20.616	2013	4,400				*	
							*	
<u>Department of Justice</u>								
Bullet Proof Vest Program	16.710	2012	2,846	2,677			*	2,846
Bullet Proof Vest Program	16.710	2015	1,210				*	
				2,677			*	2,846
				19,399	210,000	567	*	1,021,529
<u>Subtotal Federal and State Grant Fund</u>								
				19,399	210,000	567	*	1,734,029
<u>Total Federal Awards</u>								

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

TOWNSHIP OF EAST HANOVER, N.J.
Schedule of Expenditures of State Financial Assistance
Year ended December 31, 2015

	Grant number	Grant period	Award Amount	Cash Received	Budgetary Expenditures	Adjustment	MEMO Cumulative Total Expenditures
Federal and State Grant Fund:							
<u>Department of Law and Public Safety</u>							
Body Armor Replacement Fund	98-718-066-1020-001	2008	3,397		1,624		*
Body Armor Replacement Fund	98-718-066-1020-001	2011	3,397		129		*
Body Armor Replacement Fund	98-718-066-1020-001	2012	3,302		3,302		*
Body Armor Replacement Fund	98-718-066-1020-001	2013	4,268		4,268	1	*
Body Armor Replacement Fund	98-718-066-1020-001	2014	3,368		2,250		*
Body Armor Replacement Fund	98-718-066-1020-001	2015	3,363	3,363			*
			3,363	3,363	11,573	1	16,585
<u>Department of Treasury</u>							
Municipal Alliance	100-082-2000-044-995120	2011	10,878				*
Municipal Alliance	100-082-2000-044-995120	2012	10,878				*
Municipal Alliance	100-082-2000-044-995120	2013	16,317				*
Municipal Alliance	100-082-2000-044-995120	2015	11,197	6,341	3,574		*
Municipal Alliance	100-082-2000-044-995120	2016	11,197				*
			11,197	6,341	3,574		24,662
<u>Department of Environmental Protection</u>							
Clean Communities Act	765-042-4900-004-6020	2014	20,105		16,114		*
Clean Communities Act	765-042-4900-004-6020	2015	24,431	24,431	4,972		*
			24,431	24,431	57		36,154
Recycling Grant	765-042-4900-001-6020	2012	36,154				*
Recycling Grant	765-042-4900-001-6020	2013	36,802				*
Recycling Grant	765-042-4900-001-6020	2014	42,233		26,574		*
			42,233	24,431	47,717		124,241
<u>Department of Health and Senior Services</u>							
Alcohol Education and Rehabilitation	9735-760-0600000-60	2011	1,079		179		*
Alcohol Education and Rehabilitation	9735-760-0600000-60	2012	1,403		791		*
Alcohol Education and Rehabilitation	9735-760-0600000-60	2013	1,267				*
Alcohol Education and Rehabilitation	9735-760-0600000-60	2014	295				*
Alcohol Education and Rehabilitation	9735-760-0600000-60	2015	1,297	1,296			*

TOWNSHIP OF EAST HANOVER, N.J.
Schedule of Expenditures of State Financial Assistance
Year ended December 31, 2015

		<u>MEMO</u>				
<u>Grant number</u>	<u>Grant period</u>	<u>Award Amount</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Adjustment</u>	<u>Cumulative Total Expenditures</u>
<u>NJ Health Officers Association</u>						
Ebola Monitoring	2015	2,100	2,100			*
			3,396	970		*
			37,531	63,834	1	*
Total Federal and State Grant Fund						
General Capital Fund:						
<u>Department of Transportation</u>						
(Pass Through County of Morris)						
6320-480-078-6320-496	Ord. 1-2014	1,000,000	963,654	246,961		*
Total General Capital Fund						
			963,654	246,961		*
Total State Awards						
			1,001,185	310,795	1	*
Total						
			1,001,185	310,795	1	*
Total						
			1,001,185	310,795	1	*

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

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TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Cash - Collector-Treasurer

Current Fund

Year Ended December 31, 2015

	Current Fund
Balance - December 31, 2014	\$ 5,060,773
Increased by Receipts:	
Taxes Receivable	54,535,101
Miscellaneous Revenue Not Anticipated	215,992
Tax Overpayments	19,004
Prepaid Revenue	252,026
Petty Cash	1,200
Due from State - Senior Citizen and Veteran Deductions	111,218
Revenue Accounts Receivable	4,367,626
Due to State of New Jersey	25,747
Interfunds	853,970
Municipal Liens	2,705
Grants Receivable	55,912
	<u>60,440,501</u>
Decreased by Disbursements:	
Current Year Budget Appropriations	19,663,564
Petty Cash	1,200
Interfunds	1,112,082
Due to State of New Jersey	40,733
Appropriation Reserves	708,814
Tax Overpayment Refunds	10,212
Local District School Taxes	17,822,681
Regional School District Taxes	11,951,997
County Taxes Payable	8,998,821
Grants	277,353
	<u>60,587,457</u>
Balance - December 31, 2015	\$ <u><u>4,913,817</u></u>

Exhibit A-5

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Cash - Change Fund

Current Fund

Year Ended December 31, 2015

Balance - December 31, 2014	\$ <u>150</u>
Balance - December 31, 2015	\$ <u><u>150</u></u>

Exhibit A-6

Schedule of Cash - Petty Cash

Current Fund

Year Ended December 31, 2015

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, 2015

Balance - December 31, 2014		\$	(8,918)
Increased by:			
Senior Citizens' Deductions Per Tax Billing	\$	18,750	
Veterans' Deductions Per Tax Billing		91,500	
Senior Citizen's and Veteran's Allowed - 2015		<u>2,750</u>	
			<u>113,000</u>
			104,082
Decreased by:			
State Share of Senior Citizens and Veteran Deductions Received in Cash	\$	111,218	
Senior Citizen's and Veteran's Disallowed - 2015		<u>250</u>	
			<u>111,468</u>
Balance - December 31, 2015		\$	<u><u>(7,386)</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, 2015

Balance - December 31, 2014	\$	208,080
Increased by:		
Budget Appropriations - Local Match	\$	2,800
Grants Receivable		<u>55,912</u>
		<u>58,712</u>
		266,792
Decreased by:		
Reimbursement for expenditures paid		<u>277,353</u>
Balance - December 31, 2015	\$	<u><u>(10,561)</u></u>

Schedule of Municipal Liens
Current Fund

Balance - December 31, 2014	\$	749,829
Transferred from Delinquent Taxes	\$	2,713
Interest and costs - 2015 tax sale		693
Subsequent Taxes		3,097
Penalties and Fees		<u>135</u>
		<u>6,638</u>
Decreased by:		
Redeemed		2,705
Transferred to Outside Liens		<u>748,732</u>
		<u>751,437</u>
Balance - December 31, 2015	\$	<u><u>5,030</u></u>

TOWNSHIP OF EAST HANOVER, N.J.
Schedule of Taxes Receivable and Analysis of Property Tax Levy

		Current Fund							
		Year Ended December 31, 2015							
Year	Balance, Dec. 31, 2014	Levy	Collected 2014	Collected 2015	Senior Citizen and Veteran Deductions	Transferred from Municipal Liens	Transferred to Tax Title Liens	Canceled	Balance, Dec. 31, 2015
2014	378,259			530,054		748,732	2,713	279,427	314,797
	378,259			530,054			2,713	279,427	314,797
2015		54,598,246	170,011	54,005,047	112,750		3,097	4,797	302,544
	\$ 378,259	54,598,246	170,011	54,535,101	112,750		5,810	284,224	617,341

Analysis of Tax Levy

Tax yield:		
General Purpose Tax	\$ 54,239,781	
Special District Taxes	289,723	
Added Tax (R.S. 54:4-63.1 et seq.)	68,742	
	\$ 54,598,246	
Tax Levy:		
Local District School Tax	\$ 17,822,681	
Regional School Taxes	11,951,997	
Local Open Space Taxes	253,209	
Special District Tax	291,681	
County Tax	\$ 8,990,627	
County Added and Omitted Taxes	11,433	
	9,002,060	
Local Tax for Municipal Purposes	\$ 15,201,395	
Add: Additional Taxes Levied	75,223	
Local Tax for Municipal Purposes	15,276,618	
	\$ 54,598,246	

TOWNSHIP OF EAST HANOVER, N.J.

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

Current Fund

Year Ended December 31, 2015

Balance - December 31, 2014	\$ <u>1,518,500</u>
Balance - December 31, 2015	\$ <u><u>1,518,500</u></u>

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Revenue Accounts Receivable

Current Fund

Year Ended December 31, 2015

	<u>Balance</u> <u>Dec. 31, 2014</u>	<u>Accrued</u>	<u>Collected</u>	<u>Balance</u> <u>Dec. 31, 2015</u>
Clerk:				
Licenses:				
Alcoholic beverages	\$	27,688	27,688	
Fees and Permits		109,395	109,395	
Municipal Court :				
Fines and Costs	19,746	212,542	216,210	16,078
Treasurer:				
Cablevision Franchise Fees		171,761	171,761	
Interest and Costs on Taxes		214,004	214,004	
Interest on Investments and Deposits		16,759	16,759	
Recreation Program Fees		95,161	95,161	
Energy Receipts Tax		2,819,976	2,819,976	
Uniform Construction Code Fees		471,371	471,371	
Interlocal Service Agreements				
Borough of Roseland		74,559	74,559	
East Hanover School District		10,244	10,244	
Borough of Parsippany		67,653	67,653	
Uniform Fire Safety Act - Local		72,845	72,845	
Open Space Trust Fund - Share of Debt Service		395,425	395,425	
Capital Surplus		54,101	54,101	
	<u>\$ 19,746</u>	<u>4,813,484</u>	<u>4,817,152</u>	<u>16,078</u>
		Interfunds \$ 449,526		
		Cash <u>4,367,626</u>		
		<u>\$ 4,817,152</u>		

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Interfunds

Current Fund

Year Ended December 31, 2015

Fund	Due from/(to) Balance			Due from/(to) Balance Dec. 31, 2015
	Dec. 31, 2014	Increased	Decreased	
Federal and State Grant Fund	\$ (208,080)	277,353	58,712	10,561
Animal Control Trust Fund		6,250	6,250	
Other Trust Fund		65,431	65,431	
Open Space Trust Fund		648,931	648,931	
COAH Trust Fund		113,966	113,966	
Payroll Agency Trust Fund		260,955	260,955	
Water Operating Fund		438,548	438,548	
General Capital Fund		919,513	919,513	
	<u>\$ (208,080)</u>	<u>2,730,947</u>	<u>2,512,306</u>	<u>10,561</u>
Due to Current Fund		2,464,154	2,453,593	10,561
Due from Current Fund	<u>(208,080)</u>	<u>266,793</u>	<u>58,713</u>	
	<u>\$ (208,080)</u>	<u>2,730,947</u>	<u>2,512,306</u>	<u>10,561</u>
Cash Receipts	\$		853,970	
Cash Disbursements		1,112,082		
Reimbursement for expenditures paid		1,144,339	1,171,118	
Municipal Open Space Taxes			253,506	
Grants Receivable			55,912	
Local Match			2,800	
Budgeted Revenue		449,526		
Miscellaneous Revenue		25,000	25,000	
Capital Improvement Fund			150,000.00	
		<u>\$ 2,730,947</u>	<u>2,512,306</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, 2015

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>1/5 of Net Amount Authorized</u>	<u>Balance, Dec. 31, 2014</u>	<u>Reduced in 2015</u>	<u>Balance, Dec. 31, 2015</u>
12/17/2012	Accrued Vacation and Sick	\$ 344,644	68,929	206,786	68,929	137,857

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Appropriation Reserves

Current Fund

Year Ended December 31, 2015

	Balance, Dec. 31, <u>2014</u>	Balance after Transfers and <u>Encumbrances</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Salaries and Wages Within "CAPS":				
Administrative and Executive	\$ 61	61		61
Municipal Clerk	17,196	2,196	528	1,668
Financial Administration	6,586	6,586		6,586
Computer Data Processing	431	431		431
Collection of Taxes	8,198	8,198		8,198
Planning Board	741	741		741
Police	140,217	90,217	79,967	10,250
Fire Suppression	554	554		554
Fire Prevention	8,067	8,067		8,067
Municipal Court	100	100		100
Road Repairs and Maintenance	17,011	17,011		17,011
Administration of Public Works	797	797		797
Solid Waste Collection	9,676	9,676		9,676
Public Buildings and Grounds	1,163	1,163		1,163
Vehicle Maintenance	8,618	8,618		8,618
Recreation Services and Programs	20,378	5,378		5,378
Maintenance of Parks	44,873	29,873		29,873
Senior Citizen's	1,372	1,372		1,372
Construction Code Official	2,419	2,419		2,419
Total Salaries and Wages Within "CAPS"	<u>290,771</u>	<u>195,771</u>	<u>80,495</u>	<u>115,276</u>
Other Expenses Within "CAPS":				
Administrative and Executive	846	1,070	359	711
Mayor and Council	2,447	2,447		2,447
Municipal Clerk	5,389	6,147	647	5,500
Financial Administration:				
Other Expenses	1,167	4,167	4,039	128
Audit Services	49,000	74,000	73,775	225
Computer Data Processing	6,617	6,890	5,902	988
Collection of Taxes	1,931	2,011	459	1,552
Assessment of Taxes:				
Other Expenses	1,947	3,447	2,950	497
Legal Services and Costs	8,137	28,412	20,278	8,134
Engineering Services and Costs	19,813	31,291	22,979	8,312
Planning Board	1,230	1,494	313	1,181

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Appropriation Reserves

Current Fund

Year Ended December 31, 2015

	Balance, Dec. 31, 2014	Balance after Transfers and Encumbrances	Paid or Charged	Balance Lapsed
Insurance:				
General Liability	1,063	1,063		1,063
Employee Group Health	115,146	130,361	84,707	45,654
Police:				
Other Expenses	9,502	18,533	9,842	8,691
Emergency Management Services	7,373	11,873	3,113	8,760
Fire Suppression	17,606	22,709	13,878	8,831
Fire Prevention	3,776	3,776		3,776
Municipal Prosecutor	850	850		850
Municipal Court	6,373	6,373		6,373
Public Defender	1,580	2,580	1,200	1,380
Road Repairs and Maintenance	50,436	53,642	12,119	41,523
Administration of Public Works	8,474	9,097	527	8,570
Solid Waste Collection	19,877	60,504	58,613	1,891
Public Buildings and Grounds	6,484	8,254	7,711	543
Vehicle Maintenance	19,553	28,758	12,655	16,103
Community Services Act	75,000	125,000	58,406	66,594
Health Department	9,912	13,761	3,823	9,938
Animal Control	4,635	8,130	6,750	1,380
Recreation	5,255	5,978	723	5,255
Maintenance of Parks	11,107	11,669	8,131	3,538
Celebration of Public Events				
Other Expenses	7,371	7,784	2,808	4,976
Senior Citizen Expenses	6,220	6,220	2,329	3,891
Gasoline	65,444	70,060	19,779	50,281
Electric and Gas	66,438	47,938	26,158	21,780
Telephone	13,416	14,254	4,186	10,068
Natural Gas	9,128	9,128	6,678	2,450
Street Lighting	26,057	28,057	27,816	241
Solid Waste Disposal Costs	20,000			
Accumulated Leave Compensation		60,000	51,426	8,574
Construction Code Official	2,574	2,830	312	2,518
Contingent	1,000	1,000		1,000
Total Other expenses Within "CAPS"	<u>690,174</u>	<u>931,558</u>	<u>555,391</u>	<u>376,167</u>

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Appropriation Reserves

Current Fund

Year Ended December 31, 2015

	Balance, Dec. 31, <u>2014</u>	Balance after Transfers and <u>Encumbrances</u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Deferred Charges and Statutory Expenditures Within "CAPS":				
Public Employees' Retirement System	41,013	41,013	15,283	25,730
Social Security System (O.A.S.I.)	6,945	6,945		6,945
Police and Firemen's Retire	62,359	62,359	17,370	44,989
Defined Contribution Pension Plan	<u>2,993</u>	<u>2,993</u>		<u>2,993</u>
Total Deferred Charges and Statutory Expenditures Within "CAPS"	<u>113,310</u>	<u>113,310</u>	<u>32,653</u>	<u>80,657</u>
Other Expenses Excluded From "CAPS":				
Maintenance of Free Public Library	52,943	52,942	52,942	
LOSAP	43,690	43,691	40,275	3,416
Tax Appeals	<u>313,000</u>	<u>313,000</u>	<u>313,000</u>	
Total Other Expenses Excluded from "CAPS"	<u>409,633</u>	<u>409,633</u>	<u>406,217</u>	<u>3,416</u>
 Total Reserves	 <u>\$ 1,503,888</u>	 <u>1,650,272</u>	 <u>1,074,756</u>	 <u>575,516</u>
		Appropriation Reserves 1,503,888		
		Encumbrances <u>146,384</u>		
		<u>\$ 1,650,272</u>		
		Cash Disbursed \$ 708,814		
		Transfer to Due to Library 52,942		
		Transfer from Reserve <u>313,000</u>		
		<u>\$ 1,074,756</u>		

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Encumbrances Payable

Current Fund

Year Ended December 31, 2015

Balance - December 31, 2014	\$ 146,384
Increased by:	
Transferred from Current Year Budget	<u>217,598</u>
	363,982
Decreased by:	
Transferred to Appropriation Reserves	<u>146,384</u>
Balance - December 31, 2015	<u><u>\$ 217,598</u></u>

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Reserve for Other Expenditures

Current Fund

Year Ended December 31, 2015

	Pending Tax <u>Appeals</u>	<u>Library</u>	<u>Total</u>
Balance - December 31, 2014	\$ 34,062	327,251	\$ 361,313
Increased by:			
Transfer from			
Appropriation Reserves	313,000	52,942	365,942
Added/Omitted Taxes		<u>1,503</u>	<u>1,503</u>
	<u>313,000</u>	<u>54,445</u>	<u>367,445</u>
Balance - December 31, 2015	<u>\$ 347,062</u>	<u>\$ 381,696</u>	<u>\$ 728,758</u>

TOWNSHIP OF EAST HANOVER, N.J.

**Schedule of Amount Due to the
State of New Jersey**

Current Fund

Year Ended December 31, 2015

	<u>Marriage License Fee</u>	<u>Burial Permit Fee</u>	<u>Construction Training Fee</u>	<u>Total</u>
Balance - December 31, 2014	\$ 275	50	20,754	\$ 21,079
Increased by: Collections	<u>1,400</u>	<u>105</u>	<u>24,242</u>	<u>25,747</u>
	1,675	155	44,996	46,826
Decreased by: Payments	<u>1,475</u>	<u>115</u>	<u>39,143</u>	<u>40,733</u>
Balance - December 31, 2015	<u>\$ 200</u>	<u>40</u>	<u>5,853</u>	<u>\$ 6,093</u>

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Tax Overpayments

Current Fund

Year Ended December 31, 2015

Balance - December 31, 2014		\$	16,114
Increased by:			
Collections			<u>19,004</u>
			35,118
Decreased by:			
Refunds	\$	10,212	
Applied		<u>16,114</u>	
			<u>26,326</u>
Balance - December 31, 2015		\$	<u><u>8,792</u></u>

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

Current Fund

Year Ended December 31, 2015

Increased by:	
2015 Levy	\$ <u>17,822,681</u>
Decreased by:	
Payments	\$ <u><u>17,822,681</u></u>

Schedule of Regional School District Tax Payable

Current Fund

Year Ended December 31, 2015

Increased by:	
2015 Levy	\$ <u>11,951,997</u>
Decreased by:	
Payments	\$ <u><u>11,951,997</u></u>

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of County Taxes Payable

Current Fund

Year Ended December 31, 2015

Balance - December 31, 2014		\$	8,194
Increased by:			
2015 Levy	\$	8,632,782	
2015 Open Space		357,845	
2015 Added Assessments		<u>11,433</u>	
			<u>9,002,060</u>
			9,010,254
Decreased by:			
Payments			<u>8,998,821</u>
Balance - December 31, 2015		\$	<u><u>11,433</u></u>

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Prepaid Taxes

Current Fund

Year Ended December 31, 2015

Balance - December 31, 2014	\$	170,011
Increased by:		
Collections		<u>252,026</u>
		422,037
Decreased by:		
Applied to 2015 Taxes Receivable		<u>170,011</u>
Balance - December 31, 2015	\$	<u><u>252,026</u></u>

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Grants Receivable

Federal and State Grant Fund

Year Ended December 31, 2015

<u>Grant</u>	Balance, Dec. 31, <u>2014</u>	2015 Budget Revenue <u>Realized</u>	<u>Received</u>	Balance, Dec. 31, <u>2015</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	12,296			12,296
Municipal Alliance on Alcoholism and Drug Abuse - 2015	11,197		6,341	4,856
Municipal Alliance on Alcoholism and Drug Abuse - 2016		11,197		11,197
FY12 NJDOT Melanie Lane	51,250			51,250
FY12 NJDOT Melanie Lane Bridge	10,704		10,704	
FY15 NJDOT Troy Road - Section 1		244,145		244,145
Recycling Tonnage Grant		42,233	42,233	
Clean Communities Grant		24,431	24,431	
Alcohol Education/Rehab Program		1,296	1,296	
Body Armor Replacement Grant		3,363	3,363	
Drive Sober or Get Pulled Over Holiday Crackdown	4,400			4,400
Bullet Proof Vest 2012	2,846		2,677	169
Bullet Proof Vest 2015		1,210		1,210
Emergency Management Assistance - 2014	5,000		5,000	
Emergency Management Assistance - 2015		5,000		5,000
NJ Health Officers Association - Ebola Monitoring		2,100	2,100	
	<u>\$ 106,908</u>	<u>334,975</u>	<u>98,145</u>	<u>343,738</u>
		Cash \$ 55,912		
		Unappropriated Grants 42,233		
			<u>\$ 98,145</u>	

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Appropriated Reserves for Grants

Federal and State Grant Fund

Year Ended December 31, 2015

<u>Grant</u>	Balance, Dec. 31, 2014	Transfer From 2015 <u>Budget</u>	<u>Expended</u>	Balance, Dec. 31, 2015
Municipal Alliance on Alcohol and Drug Abuse - 2011	\$ 5,313			5,313
Municipal Alliance on Alcohol and Drug Abuse - 2012	5,895			5,895
Municipal Alliance on Alcohol and Drug Abuse - 2013	5,776			5,776
Municipal Alliance on Alcohol and Drug Abuse - 2015	11,197		3,574	7,623
Local Match	2,800		2,800	
Municipal Alliance on Alcohol and Drug Abuse - 2016		11,197		11,197
Local Match		2,800	719	2,081
Clean Communities Program Grant - 2014	16,114		16,114	
Clean Communities Program Grant - 2015		24,431	4,972	19,459
Alcohol Education and Rehabilitation - 2011	179		179	
Alcohol Education and Rehabilitation - 2012	1,403		791	612
Alcohol Education and Rehabilitation - 2013	1,267			1,267
Alcohol Education and Rehabilitation - 2014	295			295
Alcohol Education and Rehabilitation - 2015		1,296		1,296
FY12 NJDOT Melanie Lane	205,000		205,000	
FY15 NJDOT Troy Road - Section 1		244,145		244,145
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	129		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		2,250	1,118
Body Armor Replacement Program - 2015		3,363		3,363
Bullet Proof Vest Program - 2015		1,210		1,210
Recycling Tonnage Grant - 2012	58		57	1
Recycling Tonnage Grant - 2013	367			367
Recycling Tonnage Grant - 2014		42,233	26,574	15,659
Emergency Mgmt. Agency Assistance Funding		5,000	5,000	
NJ Health Officers Association - Ebola Monitoring		2,100		2,100
	<u>\$ 272,755</u>	<u>337,775</u>	<u>277,353</u>	<u>333,177</u>
		Budget \$ 42,233		
		Budget Match 2,800		
		Appropriated by 40a:4-87 <u>292,742</u>		
		<u>\$ 337,775</u>		

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Unappropriated Reserves for Grants

Federal and State Grant Fund

Year Ended December 31, 2015

<u>Grant</u>	Balance, Dec. 31, 2014	Transfer To 2015 Budget
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, 2015

	Animal Trust Fund	Other Trust Fund	Unemployment Compensation Trust Fund	Emergency Service LOSAP Fund
Balance - December 31, 2014	\$ 8,649	2,443,694	168,467	527,592
Increase by Receipts:				
Reserve for Animal Trust Expenditures	10,105			
Interfunds		253,506		
Due to the State of New Jersey	1,241			
Various Reserves and Deposits		1,051,871		
Payroll Deductions		11,569,886	21,009	
Contributions				40,275
Interest Earnings	43		450	
Net Gain on Benefit Contributions				
Total Receipts	<u>11,389</u>	<u>12,875,263</u>	<u>21,459</u>	<u>40,275</u>
	<u>20,038</u>	<u>15,318,957</u>	<u>189,926</u>	<u>567,867</u>
Decreased by Disbursements:				
Reserve for Animal Trust Expenditures	44			
Interfunds	6,250	835,777		
Due to the State of New Jersey	1,123		12,447	
Various Reserves and Deposits		610,644		
Payroll Deductions		11,309,039		
Account Charges/Tax				3,289
LOSAP Distributions				50,535
Total Disbursements	<u>7,417</u>	<u>12,755,460</u>	<u>12,447</u>	<u>53,824</u>
Balance - December 31, 2015	<u>\$ 12,621</u>	<u>2,563,497</u>	<u>177,479</u>	<u>514,043</u>

TOWNSHIP OF EAST HANOVER
Schedule of Due to State of New Jersey
Trust Funds
Year Ended December 31, 2015

	Dog License <u>Fees</u>	Quarterly Unemployment <u>Taxes Due</u>
Balance - December 31, 2014	\$ <u>1</u>	<u>1,628</u>
Increased by:		
Dog License Fees	1,241	
Unemployment Billings		<u>11,104</u>
	<u>1,241</u>	<u>11,104</u>
	1,242	12,732
Decreased by:		
Cash Disbursements	<u>1,123</u>	<u>12,447</u>
Balance - December 31, 2015	\$ <u><u>119</u></u>	<u><u>285</u></u>

TOWNSHIP OF EAST HANOVER
Schedule of Interfunds Receivable/(Payable)

Trust Funds

Year Ended December 31, 2015

	<u>Increased</u>	<u>Decreased</u>
Open Space Trust Fund		
Current Fund	\$ <u>648,931</u>	<u>648,931</u>
Total Open Space Trust	<u>648,931</u>	<u>648,931</u>
COAH Trust Fund		
Current Fund	\$ <u>113,966</u>	<u>113,966</u>
Total COAH Trust	<u>113,966</u>	<u>113,966</u>
Payroll Agency Trust Fund		
Current Fund	\$ <u>260,955</u>	<u>260,955</u>
Total Payroll Agency Trust	<u>260,955</u>	<u>260,955</u>
Other Trust Fund:		
Current Fund	\$ <u>65,431</u>	<u>65,431</u>
Total Other Trust	<u>65,431</u>	<u>65,431</u>
Animal Trust Fund		
Current Fund	\$ <u>6,250</u>	<u>6,250</u>
Total Animal Trust Fund	<u>6,250</u>	<u>6,250</u>
	\$ <u><u>1,095,533</u></u>	<u><u>1,095,533</u></u>
Receipts	\$ 253,506	
Disbursements		842,027
Budgeted Revenue	395,425	
Miscellaneous Revenue	25,000	
Reimbursement for expenditures paid	421,602	
Open Space Tax Levy		<u>253,506</u>
	\$ <u><u>1,095,533</u></u>	<u><u>1,095,533</u></u>

TOWNSHIP OF EAST HANOVER

Schedule of Various Reserves and Deposits

Trust Funds

Year Ended December 31, 2015

	<u>Balance</u> <u>Dec. 31, 2014</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2015</u>
Escrow Deposits	\$ 1,213,193	472,180	242,489	1,442,884
Developer's Interest	26,771	24,200	25,055	25,916
Parking Offense Adjudication Act	2,969	312	1,080	2,201
Police Contractual Payroll	27,919	246,483	248,090	26,312
Recreation	35,100	93,672	91,571	37,201
Accrued Compensated Absences	37,931		37,931	
Donations		1,405	550	855
Tax Title Lien Premiums	28,300	115,500	2,500	141,300
Law Enforcement	27,418	966		28,384
Affordable Housing	340,409	90,867	130,075	301,201
Municipal Open Space	698,652	259,792	406,125	552,319
	<u>\$ 2,438,662</u>	<u>1,305,377</u>	<u>1,185,466</u>	<u>2,558,573</u>
		Cash Receipts \$ 1,051,871		
		Cash Disbursements	610,644	
		Interfunds	<u>574,822</u>	
		<u>1,305,377</u>	<u>1,185,466</u>	

TOWNSHIP OF EAST HANOVER

Schedule of Reserve for Payroll Deductions Payable

Trust Fund

Year Ended December 31, 2015

Balance - December 31, 2014		\$	5,032
Increased by:			
Payroll Deductions			<u>11,569,886</u>
			11,574,918
Decreased by:			
Cash Disbursements	\$	11,309,039	
Interfunds		<u>260,955</u>	
			<u>11,569,994</u>
Balance - December 31, 2015		\$	<u><u>4,924</u></u>

TOWNSHIP OF EAST HANOVER

Schedule of Reserve for Animal Trust Fund Expenditures

Trust Funds

Year Ended December 31, 2015

Balance - December 31, 2014		\$	8,648
Increased by:			
Dog License Fees	\$	7,903	
Cat License Fees		1,238	
Miscellaneous Revenue:			
Late Fees - Dog		820	
Late Fees - Cat		50	
Other		94	
Interest Earnings		43	
			<u>10,148</u>
			18,796
Decreased by:			
Cash Disbursements		44	
Interfunds		6,250	
			<u>6,294</u>
Balance - December 31, 2015		\$	<u><u>12,502</u></u>

Animal License Fees Collected

	<u>Year</u>		
	2013	\$	10,314
	2014		<u>10,059</u>
Maximum Reserve \$			<u><u>20,373</u></u>

TOWNSHIP OF EAST HANOVER

Schedule of Accounts Receivable

Trust Funds

Year Ended December 31, 2015

Increased by:

Unemployment Insurance Payroll Deductions

\$ 21,009

Decreased by:

Cash Receipts

\$ 21,009

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

Trust Funds

Year Ended December 31, 2015

Balance - December 31, 2014	\$	166,839
Increased by:		
Interest Earnings	\$	450
Current Year Contributions		<u>21,009</u>
		<u>21,459</u>
		188,298
Decreased by:		
Accounts Payable		<u>11,104</u>
Balance - December 31, 2015	\$	<u><u>177,194</u></u>

TOWNSHIP OF EAST HANOVER

Schedule of Service Award Contributions Receivable

Trust Funds

Year Ended December 31, 2015

Balance - December 31, 2014	\$ 40,275
Increased by:	
2015 Service Award Contributions	<u>46,738</u>
	87,013
Decreased by:	
Cash Received	<u>40,275</u>
Balance - December 31, 2015	<u><u>\$ 46,738</u></u>

TOWNSHIP OF EAST HANOVER

Schedule of Net Assets Available for Benefits

Trust Funds

Year Ended December 31, 2015

Balance - December 31, 2014		\$	567,867
Increased by:			
Contributions	\$	<u>46,738</u>	
Contributions			<u>46,738</u>
			614,605
Decreased by:			
Account Charges/Tax	\$	1,575	
Depreciation in Fair Value of Investments		1,714	
Distributions		<u>50,535</u>	
			<u>53,824</u>
Balance - December 31, 2015		\$	<u><u>560,781</u></u>

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Cash

General Capital Fund

Year Ended December 31, 2015

Balance - December 31, 2014		\$	1,661,643
Increased by Receipts:			
Bond Anticipation Notes	\$	1,045,000	
Interfunds		865,412	
Grants Receivable		194,141	
Premium on Sale of Notes		<u>124,939</u>	
			<u>2,229,492</u>
			3,891,135
Decreased by Disbursements:			
Improvement Authorizations			<u>2,876,428</u>
Balance - December 31, 2015		\$	<u><u>1,014,707</u></u>

TOWNSHIP OF EAST HANOVER, N.J.

Analysis of Cash

General Capital Fund

Year Ended December 31, 2015

Fund Balance		\$	124,939
Capital Improvement Fund			107,280
Improvement Authorizations:			
Ordinance			
<u>Number</u>	<u>Improvement Description</u>		
4-00b	Improvements to McKinley Avenue		(39,436)
10-12	Various Capital Improvements		94,094
14-12	Purchase of an Aerial Ladder Truck		7,402
3-13	Various Capital Improvements		60,838
1-14	Replacement of Melanie Lane Bridge		203,398
10-14	Various Capital Improvements		478,212
1-15	Various Road Improvements		265,138
6-15	Various Capital Improvements		(287,158)
			<hr/>
		\$	<u>1,014,707</u>

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Interfunds

General Capital Fund

Year ended December 31, 2015

	<u>Increased</u>	<u>Decreased</u>
Current Fund	\$ <u>919,513</u>	<u>919,513</u>
	\$ <u><u>919,513</u></u>	<u><u>919,513</u></u>
Cash Receipts	\$	865,412
Capital Improvement Fund	150,000	
Grants Receivable	769,513	
Budget Revenue	<u> </u>	<u>54,101</u>
	\$ <u><u>919,513</u></u>	<u><u>919,513</u></u>

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Grants Receivable

General Capital Fund

Year Ended December 31, 2015

Balance - December 31, 2014		\$ <u>963,654</u>
Decreased by:		
Cash Receipts	\$ 194,141	
Interfunds	<u>769,513</u>	
		\$ <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, 2015

Balance - December 31, 2014		\$ <u>14,445,780</u>
Decreased by:		
Current year Budget Appropriations:		
Capital Lease Payments	\$ 139,003	
Serial Bond Principal	<u>1,270,000</u>	
		<u>1,409,003</u>
Balance - December 31, 2015		\$ <u><u>13,036,777</u></u>

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Deferred Charges to Future Taxation - Unfunded

General Capital Fund

Year Ended December 31, 2015

Ordinance Number	Improvement Description	Balance Dec. 31, 2014	2015 Authorizations	Budget Appropriations	Balance Dec. 31, 2015	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	1,114,830		25,170	1,089,660	1,089,660		505,000
04-10	Refunding Bond Ordinance	505,000			440,000			440,000
1-12	Refunding Bond Ordinance	440,000			1,470,315	1,470,315		
10-12	Various Capital Improvements	1,564,935		94,620	95,000	95,000		
14-12	Purchase of an Aerial Ladder Truck	95,000			1,446,470	1,446,470		
3-13	Various Capital Improvements	1,446,470			950,000	950,000		
5-13	Tax Appeal Refunds	1,265,000		315,000	1,750,000	1,400,000		350,000
1-14	Replacement of Melanie Lane Bridge	1,750,000			1,437,255	1,437,255		
10-14	Various Capital Improvements	1,437,255			470,000			470,000
13-14	Refunding Bond Ordinance	470,000			1,045,000	1,045,000		
1-15	Various Road Improvements		1,045,000		1,228,350		287,158	941,192
6-15	Various Capital Improvements		1,228,350					
		\$ 10,127,926	2,273,350	434,790	11,966,486	8,933,700	326,594	2,706,192

Improvement Authorizations - Unfunded \$	3,815,274
Less: Unexpended proceeds of Bond Anticipation Notes	
Ordinance:	
10-12	94,094
14-12	7,402
3-13	60,838
1-14	203,398
10-14	478,212
1-15	265,138
	\$ 2,706,192

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of General Serial Bonds Payable

General Capital Fund

Year Ended December 31, 2015

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding, December 31, 2015		Interest Rate	Balance Dec. 31, 2014	Decreased	Balance Dec. 31, 2015
			Date	Amount				
General Improvement	March 15, 2007	7,168,000	03/15/16	350,000	3.900%	\$ 650,000	300,000	350,000
General Improvement	December 4, 2008	3,876,000	10/15/16	25,000	4.500%	3,576,000	50,000	3,526,000
			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	02/01/16	520,000	4.000%	1,050,000	530,000	520,000
Refunding Bonds	March 28, 2012	4,310,000	11/01/16	320,000	3.000%	3,855,000	325,000	3,530,000
			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 Bond Anticipation Notes Payable

General Capital Fund

Year ended December 31, 2015

Ord. No.	<u>Improvement Description</u>	<u>Date of issue of original notes</u>	<u>Date of issue</u>	<u>Date of Maturity</u>	<u>Interest rate</u>	<u>Balance Dec.31 2014</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance, Dec.31, 2015</u>
13-09	Various Capital Improvements	Aug. 24, 2011	Aug. 19, 2015	Aug. 19, 2016	2.00%	1,114,830	1,089,660	1,114,830	1,089,660
10-12	Various Capital Improvements	Aug. 23, 2012	Aug. 19, 2015	Aug. 19, 2016	2.00%	1,564,935	1,470,315	1,564,935	1,470,315
3-13	Various Capital Improvements	Aug. 22, 2013	Aug. 19, 2015	Aug. 19, 2016	2.00%	1,446,470	95,000	1,446,470	95,000
5-13	Tax Appeal Refunds	Nov. 26, 2013	Nov. 13, 2015	Aug. 19, 2016	2.00%	1,265,000	1,446,470	1,265,000	1,446,470
14-12	Purchase of Aerial Ladder Truck	Aug. 20, 2014	Aug. 19, 2015	Aug. 19, 2016	2.00%	95,000	950,000	95,000	950,000
1-14	Replacement of Melanie Lane Bridge	Aug. 20, 2014	Aug. 19, 2015	Aug. 19, 2016	2.00%	1,400,000	1,400,000	1,400,000	1,400,000
10-14	Various Capital Improvements	Aug. 20, 2014	Aug. 19, 2015	Aug. 19, 2016	2.00%	1,437,255	1,437,255	1,437,255	1,437,255
1-15	Various Road Improvements	Aug. 19, 2015	Aug. 19, 2015	Aug. 19, 2016	2.00%	-	1,045,000	-	1,045,000
						<u>\$ 8,323,490</u>	<u>8,933,700</u>	<u>8,323,490</u>	<u>8,933,700</u>

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

General Capital Fund

Year Ended December 31, 2015

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Loans Outstanding, December 31, 2015</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2014</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2015</u>
			<u>Date</u>	<u>Amount</u>				
1500 GPM Pumper Apparatus with Equipment	July 1, 2007	452,250	7/1/16	52,134	4.370% \$	156,497	49,951	106,546
			7/1/17	54,412	4.370%			
(4) 2012 Ford Utility Police Interceptors	November 20, 2012	150,752				50,534	50,534	
(3) 2014 Ford Police Interceptor Utility	December 15, 2013	116,153	9/1/16	39,231	1.850%	77,749	38,518	39,231
						\$ 284,780	139,003	145,777

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Improvement Authorizations

General Capital Fund

Year Ended December 31, 2015

Ordinance Number	Improvement Description	Ordinance Amount	Balance Dec. 31, 2014		2015 Authorizations	Paid or Charged	Balance Dec. 31, 2015	
			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		440,000
1-12	Refunding Bond Ordinance	4,750,000		440,000				94,094
10-12	Various Capital Improvements	1,647,300		233,705		139,611		7,402
14-12	Purchase of an Aerial Ladder Truck	850,000		24,859		17,457		60,838
3-13	Various Capital Improvements	1,522,600		113,962		53,124		
5-13	Tax Appeal Refunds	1,565,000						
1-14	Replacement of Melanie Lane Bridge	2,750,000		1,284,526		731,128		553,398
10-14	Various Capital Improvements	1,512,900		1,166,282		688,070		478,212
13-14	Refunding Bond Ordinance	5,500,000		470,000				470,000
1-15	Various Road Improvements	1,100,000			1,100,000	834,862		265,138
6-15	Various Capital Improvements	1,293,000			1,293,000	351,808		941,192
			\$ 60,368	4,238,334	2,393,000	2,876,428		3,815,274

Capital Improvement Fund \$ 119,650
 Authorized but not Issued 2,273,350
 \$ 2,393,000

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Capital Improvement Fund

General Capital Fund

Year Ended December 31, 2015

Balance - December 31, 2014	\$	76,930
Increased by:		
Budget Appropriation		<u>150,000</u>
		226,930
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>119,650</u>
Balance - December 31, 2015	\$	<u><u>107,280</u></u>

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Bonds and Notes Authorized But Not Issued

General Capital Fund

Year Ended December 31, 2015

Ordinance Number	<u>Improvement Description</u>	Balance Dec. 31, 2014	2015 Authorizations	Decreased	Balance Dec. 31, 2015
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
1-14	Replacement of Melanie Lane Bridge	350,000			350,000
13-14	Refunding Bond Ordinance	470,000			470,000
1-15	Various Road Improvements		1,045,000	1,045,000	
6-15	Various Capital Improvements		1,228,350		1,228,350
		<u>\$ 1,804,436</u>	<u>2,273,350</u>	<u>1,045,000</u>	<u>3,032,786</u>
				Bond Anticipation Notes Issued \$ <u>1,045,000</u>	
				\$ <u>1,045,000</u>	

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TOWNSHIP OF EAST HANOVER

Schedule of Cash - Treasurer

Water and Sewer Utility Fund

Year ended December 31, 2015

	<u>Operating</u>	<u>Capital</u>
Balance - December 31, 2014	\$ <u>1,877,387</u>	<u>83,935</u>
Increased by Receipts:		
Water Collector	4,232,572	
Interest on Investments	3,983	
Other Miscellaneous	67,083	
NYNEX Lease on tower	42,549	
Overpayments	10,014	
Bond Anticipation Notes		265,000
Premium on Sale of Bonds		<u>22,105</u>
	<u>4,356,201</u>	<u>287,105</u>
	6,233,588	371,040
Decreased by Disbursements:		
2015 Appropriations	3,826,469	
2014 Appropriation Reserves	203,665	
Interfunds	438,548	
Accrued Interest on Bonds	88,225	
Accrued Interest on Notes	18,207	
Refund	4,375	
Improvement Authorizations		<u>42,165</u>
	<u>4,579,489</u>	<u>42,165</u>
Balance - December 31, 2015	\$ <u><u>1,654,099</u></u>	<u><u>328,875</u></u>

TOWNSHIP OF EAST HANOVER

Analysis of Cash

Water and Sewer Utility Capital Fund

Year ended December 31, 2015

		Balance, Dec. 31, <u>2015</u>
Fund Balance		\$ 40,098
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.	137,499
9-14	Various General Water/Sewer Improv.	123,490
5-15	Various General Water/Sewer Improv.	<u>(26,550)</u>
		<u>\$ 328,875</u>

TOWNSHIP OF EAST HANOVER
Schedule of Interfunds
Water and Sewer Utility Operating Fund
Year ended December 31, 2015

	<u>Increased</u>	<u>Decreased</u>
Current Fund	\$ <u>438,548</u>	<u>438,548</u>
	\$ <u><u>438,548</u></u>	<u><u>438,548</u></u>
Cash Disbursements \$		438,548
Expenses Reimbursement	<u>438,548</u>	<u> </u>
	\$ <u><u>438,548</u></u>	<u><u>438,548</u></u>

Exhibit D-10

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Deferred Charges

Water and Sewer Utility Operating Fund

Year Ended December 31, 2015

	<u>Increased</u>	<u>Balance</u> <u>Dec. 31, 2015</u>
Emergency Authorization		
Water Purchases	\$ 200,000	\$ 200,000
	<u>\$ 200,000</u>	<u>200,000</u>

TOWNSHIP OF EAST HANOVER

Schedule of Fixed Capital

Water and Sewer Utility Capital Fund

Year ended December 31, 2015

<u>Account</u>	<u>Balance, Dec. 31, 2015</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	12,000
Development of Potable Water	249,259
Improvements of Water Utility System	1,600,000
Acquisition of Equipment	260,000
Improvements to Buildings and Grounds at Pump Stations	150,000
Acquisition of New or Replacement Equipment and Machinery	50,000
Improvements of Water Utility System	725,000
Improvements to Water System	300,000
Improvements to Water System	<u>175,000</u>
	<u>\$ 11,829,030</u>

TOWNSHIP OF EAST HANOVER

Schedule of Fixed Capital Authorized and Uncompleted

Water and Sewer Utility Capital Fund

Year ended December 31, 2015

Ordinance number	Improvement description	Ordinance		Balance, Dec. 31, 2014	2015 Authorizations	Decreased	Balance, Dec. 31, 2015
		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
5-15	Various General Water/Sewer Improv.	05/04/15	147,000	147,000			147,000
				\$ 4,235,759	147,000	3,509,259	873,500

TOWNSHIP OF EAST HANOVER
Schedule of 2014 Appropriation Reserves
Water and Sewer Utility Operating Fund
Year ended December 31, 2015

	Balance, Dec. 31, <u>2014</u>	Balance after transfers and <u>encumbrances</u>	Paid or <u>charged</u>	Balance <u>Lapsed</u>
Operating:				
Salaries and Wages	\$ 4,422	5,422		5,422
Other Expenses	81,603	99,727	76,993	22,734
Purchase of Water	209,200	220,401	126,672	93,729
Par-Troy Treatment Plant	427,385	427,385		427,385
Florham Park Treatment Plant	188	188		188
	<u>722,798</u>	<u>753,123</u>	<u>203,665</u>	<u>549,458</u>
Deferred Charges and Statutory Expenditures:				
Statutory Expenditures - Contribution to: Public Employees' Retirement System	<u>9,922</u>	<u>9,922</u>		<u>9,922</u>
Total Deferred Charges and Statutory Expenditures	<u>9,922</u>	<u>9,922</u>		<u>9,922</u>
	<u>\$ 732,720</u>	<u>763,045</u>	<u>203,665</u>	<u>559,380</u>
Appropriation Reserves				
		732,720		
Encumbrances				
		<u>30,325</u>		
		<u>\$ 763,045</u>		

TOWNSHIP OF EAST HANOVER

Schedule of Overpayments

Water and Sewer Utility Operating Fund

Year ended December 31, 2015

Balance - December 31, 2014		\$	10,669
Increased by:			
Cash Receipts			<u>10,014</u>
			20,683
Decreased by:			
Applied	\$	6,424	
Refunds		<u>4,375</u>	
			<u>10,799</u>
Balance - December 31, 2015		\$	<u><u>9,884</u></u>

TOWNSHIP OF EAST HANOVER
Schedule of Accrued Interest on Bonds
Water and Sewer Utility Operating Fund
Year ended December 31, 2015

Balance - December 31, 2014	\$	32,597
Increased by:		
Budget Appropriation		88,250
		120,847
Decreased by:		
Payments		88,225
Balance- December 31, 2015	\$	32,622

Analysis of Balance

	Principal Outstanding <u>Dec. 31, 2015</u>	Period (Days)	Interest Rate	Required Amount
\$	350,000	135	4.750%	6,234
	1,085,000	45	4.500%	6,103
	385,000	60	4.000%	2,567
				\$ 14,904

TOWNSHIP OF EAST HANOVER
Schedule of Accrued Interest on Notes
Water and Sewer Utility Operating Fund
Year ended December 31, 2015

Balance, December 31, 2014	\$	1,575
Increased by:		
Budget Appropriation		18,250
		19,825
Decreased by:		
Payments		18,207
		1,618
Balance, December 31, 2015	\$	1,618

Analysis of Balance

	Principal Outstanding <u>Dec. 31, 2015</u>	<u>Period (Days)</u>	Interest Rate		Required Amount
\$	176,000	131	2.00%	\$	1,281
	725,000	35	2.00%		1,410
	281,000	131	2.00%		2,045
	163,250	131	2.00%		1,188
	276,500	35	2.00%		538
	185,000	35	2.00%		360
	265,000	35	2.00%		515
				\$	7,336

Exhibit D-17

TOWNSHIP OF EAST HANOVER

Schedule of Reserve for Amortization

Water and Sewer Utility Capital Fund

Year ended December 31, 2015

Balance, December 31, 2014		\$ 8,151,770
Increased by:		
Budget Appropriation -		
Bond Anticipation Notes	\$ 14,000	
Bonds	135,000	
Transfer from Deferred Reserve for Amortization	<u>363,010</u>	
		<u>512,010</u>
Balance, December 31, 2015		<u>\$ 8,663,780</u>

Exhibit D-18

Schedule of Capital Improvement Fund

Water and Sewer Utility Capital Fund

Year ended December 31, 2015

Balance- December 31, 2014		\$ <u>15,347</u>
Balance- December 31, 2015		<u>\$ 15,347</u>

TOWNSHIP OF EAST HANOVER
Schedule of Improvement Authorizations
Water and Sewer Utility Capital Fund

Year ended December 31, 2015

Ordinance number	Improvement description	Ordinance Date	Amount	Balance, Dec. 31, 2014		2015 Authorizations		Balance, Dec. 31, 2015	
				Funded	Unfunded	Expended	Funded	Unfunded	
11-12	Various Utility Improvements	July 9, 2012	276,500	38,991				38,991	
4-13	Various General Water/Sewer Improv.	May 6, 2013	185,000	139,614	2,115			137,499	
9-14	Various General Water/Sewer Improv.	May 12, 2014	265,000	136,990	13,500			123,490	
5-15	Various General Water/Sewer Improv.	May 4, 2015	147,000		147,000			120,450	
				\$ 315,595	147,000	42,165		420,430	

TOWNSHIP OF EAST HANOVER
Schedule of Deferred Reserve for Amortization
Water and Sewer Utility Capital Fund
Year ended December 31, 2015

<u>Ordinance number</u>	<u>Improvement description</u>	<u>Date of Ordinance</u>	Balance, Dec. 31, <u>2014</u>	<u>Transfer to Reserve for Amortization</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 Bond Anticipation Notes Payable

Water and Sewer Utility Capital Fund

Year ended December 31, 2015

Ord. No.	Improvement Description	Date of issue of original notes	Date of issue	Date of Maturity	Interest rate	Balance Dec.31 2014	Increased	Decreased	Balance, Dec.31, 2015
19-04	Water/Sewer Utility Improvements	Aug. 24, 2011	Aug. 19, 2015	Aug. 19, 2016	2.00%	183,000	176,000	183,000	176,000
14-06	Improvements to Water/Sewer Utility	Nov. 26, 2013	Nov. 13, 2015	Aug. 19, 2015	2.00%	725,000	725,000	725,000	725,000
6-10	Improvements to Water System	Aug. 23, 2012	Aug. 19, 2015	Aug. 19, 2016	2.00%	285,000	281,000	285,000	281,000
8-11	Improvements to Water System	Aug. 23, 2012	Aug. 19, 2015	Aug. 19, 2016	2.00%	166,250	163,250	166,250	163,250
11-12	Various Utility Improvements	Nov. 26, 2013	Nov. 13, 2015	Aug. 19, 2015	2.00%	276,500	276,500	276,500	276,500
4-13	Various General Water/Sewer Imp.	Nov. 26, 2013	Nov. 13, 2015	Aug. 19, 2015	2.00%	185,000	185,000	185,000	185,000
9-14	Various General Water/Sewer Imp.	Nov. 13, 2015	Nov. 13, 2015	Aug. 19, 2015	2.00%		265,000		265,000
						<u>\$ 1,820,750</u>	<u>2,071,750</u>	<u>1,820,750</u>	<u>2,071,750</u>

Cash \$	265,000
Budget Appropriations Renewed	1,806,750
	<u>1,806,750</u>
	<u>\$ 2,071,750</u>
	<u>1,820,750</u>

TOWNSHIP OF EAST HANOVER

Schedule of Bonds and Notes Authorized But Not Issued

Water and Sewer Utility Capital Fund

Year ended December 31, 2015

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2014</u>	<u>2015 Authorizations</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2015</u>
9-14	Various General Water/Sewer Improvements	\$ 265,000		265,000	
5-15	Various General Water/Sewer Improvements	<u> </u>	<u>147,000</u>	<u> </u>	<u>147,000</u>
		<u>\$ 265,000</u>	<u>147,000</u>	<u>265,000</u>	<u>147,000</u>
			Notes Issued \$	<u>265,000</u>	
				<u>\$ 265,000</u>	

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TOWNSHIP OF EAST HANOVER

PART II

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

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2015

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Ferraioli, Wielkocz, Cerullo & Cuva, P.A.

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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, 2015 and the related notes to the financial statements, and have issued our report thereon dated February 18, 2016 which was adverse due to being presented in accordance with New Jersey regulatory basis of accounting. The regulatory basis opinion was qualified for not implementing the requirements of Governmental Accounting Standards Board (GASB) Statement No. 45.

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 accompany comments and recommendations section of this report.

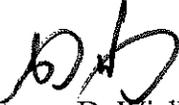
Compliance and Other Matters

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

February 18, 2016



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 \$17,500 and with a qualified purchasing agent the threshold may be up to \$36,000. On July 1, 2015, the threshold with a qualified purchasing agent was increased to \$40,000.

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:

Asphalt Vibratory Roller
Garbage Compactor Truck
Packed Tower Aeration 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 5, 2015, 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 17, 2015, 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>
2015	11
2014	3
2013	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.

**TOWNSHIP OF EAST HANOVER
COMMENTS AND RECOMMENDATIONS
DECEMBER 31, 2015**

Comments:

Administration:

1. *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.
2. *Formal evaluations for Request for Qualification submissions are not being prepared by the evaluation committee.
3. The Township did not implement the requirement of Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employees for Postemployment Benefits Other Than Pensions."

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. *There are unfunded improvement authorizations in the General Capital fund greater than 5 years old.
3. The State of New Jersey Employer's Quarterly Report NJ927W did not contain all applicable wages for the first quarter of 2015.

Municipal Court

1. There are 90 tickets assigned over 180 days 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. Interest earned in the bank accounts was not turned over to the municipality on a monthly basis.
4. There are 35 tickets eligible for dismissal on the December Monthly Management Report.
5. The Township has not established a separate reserve for fees collected to purchase equipment for police vehicles with mobile video recording systems per N.J.S.A 40A:14-118.1.
6. The General Account and Bail Account monthly reconciliations include numerous adjustments that were not adjusted in the ATS/ACS system.
7. There were instances in which monies collected were not disbursed prior to the fifteenth of the subsequent month.
8. There were instances in which money was collected for "Fish and Game" and "SPCA" and the funds were not remitted to the proper agency in a timely manner.

Purchasing

1. There was an instance in which the Township should have received quotes for a service provided.

**TOWNSHIP OF EAST HANOVER
COMMENTS AND RECOMMENDATIONS
DECEMBER 31, 2015
(continued)**

Recommendations:

Administration:

1. *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.
2. *That evaluation summaries be prepared by the committee when reviewing Request for Qualifications.
3. That the Township take the necessary steps to implement and maintain the requirements of Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employees for Postemployment Benefits Other Than Pensions."

Finance:

1. *That an account be established to maintain accurate individual developer escrow balances with allocated interest earnings.
2. *That all ordinances with cash deficits over five years old should be funded through a valid financing source.
3. That the Township amend the State of New Jersey Employer's Quarterly Report NJ927W for the first quarter of 2015 to include corrected amounts.
4. That all fees be turned over to the State in a timely manner,

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 interest earnings be turned over to the municipality in a timely manner.
4. That the court dismissed all tickets eligible within a timely manner.
5. The Township should establish procedures to abstract the municipal share of fees collected for the reserve for fees collected to purchase equipment for police vehicles with mobile video recording systems per N.J.S.A 40A:14-118.1.
6. That all reconciling items be entered into the proper system in a timely manner.
7. That all funds collected be remitted to the proper agencies prior to the fifteenth of the subsequent month.
8. That all funds collected be remitted to the proper agencies prior to the fifteenth of the subsequent month.

Purchasing

1. That all eligible purchases receive the required quotes as required by Local Public Contracts Law.

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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

February 18, 2016

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