TOWNSHIP OF EAST HANOVER

Financial Statements with Supplementary Information December 31, 2012

(With Independent Auditor's Reports Thereon)

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Township of East Hanover in the County of Morris, as of December 31, 2012 and 2011, 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, 2012, 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.

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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.

The Length of Service Awards Program of the Township of East Hanover has not been audited, and we were not engaged to audit the Length of Service Awards Program financial statements as part of our audit of the Township's financial statements.

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, 2012 and 2011, or changes in financial position for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above, with the exception of the Length of Service Awards Program, present fairly, in all material respects, the regulatory basis balances sheets and account group as of December 31, 2012 and 2011, 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, 2012 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2013 on our consideration of the Township of East Hanover's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of

internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of East Hanover's internal control over financial reporting and compliance.

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

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

March 26, 2013

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Exhibit A

TOWNSHIP OF EAST HANOVER, N.J.

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2012 and 2011

	Ref.	2012	2011
Assets			
Current Fund:			
Cash	A-4	$ 4,489,773	5,291,777
Change Fund	A-5	150	150
		4,489,923	5,291,927
Receivables and Other Assets with Full Reserves:			
Municipal Liens Receivable	A-9	504	8,845
Delinquent Taxes Receivable	A-10	228,057	278,482
Property Acquired for Taxes - Assessed Valuation	A-11	1,518,500	1,518,500
Revenue Accounts Receivable	A-12	28,809	20,131
Interfund Accounts Receivable	A-13	63,722	8
		1,839,592	1,825,966
Deferred Charges:			
Special Emergency Authorizations	A-14	344,644	
		344,644	
		6,674,159	7,117,893
Federal and State Grant Fund:			
Due from Current Fund	A-8		212,761
Grants Receivable	A-23	706,132	215,859
		706,132	428,620
		$ 7,380,291	7,546,513

Exhibit A

TOWNSHIP OF EAST HANOVER, N.J.

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2012 and 2011

	Ref.		2012	2011
Liabilities, Reserves and Fund Balance				
Current Fund:				
Appropriation Reserves	A-3/A-15	$	1,233,965	1,124,302
Encumbrances Payable	A-3/A-16		191,794	195,127
Interfund Accounts Payable	A-13			212,761
Reserve for Other Expenditures	A-17		325,654	147,783
Due to State of New Jersey:				
Senior Citizens and Veterans Deductions	A-7		5,621	6,776
Construction Training Fees	A-18		11,633	6,069
Marriage License Fees	A-18		275	125
Burial Permit Fees	A-18		55	10
County Taxes Payable	A-21		18,597	652
Prepaid Taxes	A-22		218,225	166,465
			2,005,819	1,860,070
Reserve for Receivables	Contra		1,839,592	1,825,966
Fund Balance	A-1		2,828,748	3,431,857
			6,674,159	7,117,893
Federal and State Grant Fund:				
Appropriated Reserve for Grants	A-24		642,910	428,620
Due to Current Fund	A-8		63,222	
			706,132	428,620
		$	7,380,291	7,546,513

See accompanying notes to financial statements.

Exhibit A-1

TOWNSHIP OF EAST HANOVER, N.J.

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

Current Fund

Years Ended December 31, 2012 and 2011

	2012	2011
Revenues and Other Income:		
Fund Balance Utilized	2,548,792	2,581,354
Miscellaneous Revenue Anticipated	5,185,667	6,169,673
Receipts from Delinquent Taxes	285,763	281,395
Receipts from Current Taxes	51,538,926	51,282,042
Non-Budget Revenue	585,582	458,531
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	427,424	598,741
Interfunds Returned	8	
Other Liabilities Cancelled	2,763	
Grants Cancelled		131,863
Total Revenues and Other Income	60,574,925	61,503,599
Expenditures:		
Budget and Emergency Appropriations:		
Operations:		
Salaries and Wages	8,422,973	8,816,006
Other Expenses	8,705,222	7,963,679
Capital Improvement Fund	50,000	300,000
Municipal Debt Service	1,922,808	1,782,367
Deferred Charges and Statutory Expenditures - Municipal	1,910,192	1,941,960
Local District School Tax	17,441,780	17,641,079
Regional High School Taxes	10,533,645	10,691,587
County Taxes including Added Taxes	9,105,729	9,094,822
Local Open Space Taxes	246,930	246,427
Special District Taxes	551,993	
Grants Receivable Cancelled		69,564
Refunds	18,892	
Interfunds Advanced	63,722	45,015
Total Expenditures	58,973,886	58,592,506
Excess (Deficit) Revenue Over Expenditures	1,601,039	2,911,093
Adjustments to Income before Surplus:		
Expenditures included above which are by Statute Deferred Charges to Budget of Succeeding Year:		
Special Emergency - Accumulated Vacation and Sick	344,644	
Statutory Excess to Surplus	1,945,683	2,911,093
Fund Balance, January 1,	3,431,857	3,372,118
	5,377,540	6,283,211
Decreased by:		
Fund Balance Utilized as Budget Revenue	2,548,792	2,851,354
Fund Balance, December 31,	2,828,748	3,431,857

See accompanying notes to the financial statements.

Exhibit A-2

TOWNSHIP OF EAST HANOVER, N.J.

Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2012

	Budget	Realized	Excess or (Deficit)
Fund Balance Anticipated	$ 2,548,792	2,548,792	
Miscellaneous Revenues:			
Licenses:			
Alcoholic Beverages	27,750	27,750	
Fees and Permits	104,600	102,250	(2,350)
Fines and Costs:			
Municipal Court	219,800	190,185	(29,615)
Interest and Costs on Taxes	85,000	100,160	15,160
Interest on Investments and Deposits	9,000	13,861	4,861
Recreation Program Fees	124,000	108,974	(15,026)
Energy Receipts Tax	2,819,976	2,819,976	
Uniform Construction Code Fees	594,714	524,526	(70,188)
Interlocal Service Agreements:			
Borough of Roseland (Board of Health)	70,259	70,259	
East Hanover School District (Board of Health)	10,500	10,543	43
Borough of Parsippany (Board of Health)	63,750	63,750	
Uniform Fire Safety Act	65,000	66,527	1,527
Reserve for Payment of Debt Services - Library	52,973	52,973	
Open Space Trust Fund - Share of Debt Service	307,232	307,232	
Cable Television Fees	100,000	152,584	52,584
Recycling Tonnage Grant	36,154	36,154	
Alcohol Education and Rehabilitation	1,403	1,403	
Clean Communities Program	18,258	18,258	
Body Armor Replacement Grant	3,302	3,302	
Emergency Management	10,000	10,000	
NJ DOT - Melanie Lane	205,000	205,000	
NJ DOT - Melanie Lane Bridge	300,000	300,000	
Total Miscellaneous Revenues	5,228,671	5,185,667	(43,004)
Receipts from Delinquent Taxes	275,000	285,763	10,763
Subtotal General Revenues	8,052,463	8,020,222	(32,241)

Exhibit A-2

TOWNSHIP OF EAST HANOVER, N.J.

Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2012

Amount to be Raised by Taxes for Support of Municipal Budget - Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	13,810,780	14,568,849	758,069
Budget Totals	21,863,243	22,589,071	725,828
Non-Budget Revenue		585,582	585,582
	$ 21,863,243	23,174,653	1,311,410

Analysis of Realized Revenues

Revenue from Current Tax Collections	$ 51,538,926
Allocated to Municipal Open Space	246,930
Allocated to County and Local and Regional School Taxes	37,633,147
Balance for Support of Municipal Budget Appropriations	13,658,849
Add : Appropriation - Reserve for Uncollected Taxes	910,000
Amount for Support of Municipal Budget Appropriations	$ 14,568,849
Receipts from Delinquent Taxes:	
Delinquent Taxes	276,918
Municipal Liens	9,968
	$ 286,886

Analysis of Non-budget Revenues

Cingular Cell Tower Revenue	$ 29,525	
T-Mobile Cell Tower Revenue	31,673	
Donation Bins	400	
Auction of Property	3,707	
Dearborn Insurance Policy	40,590	
Check Return Fees	480	
Closeout of old accounts	75,000	
Recycling	19,185	
Sale of Property	15,000	
Hotel Fees	43,022	
Hurricane Irene - FEMA	73,178	
Snowstorm - FEMA	31,307	
PSE&G Lease	218,400	
DMV Fines	4,115	
		$ 585,582

See accompanying notes to the financial statements.

Exhibit A-3

TOWNSHIP OF EAST HANOVER, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2012

		Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Canceled
General Government:						
Administration:						
Salaries and Wages	$	124,848	124,848	121,968	2,880	
Other Expenses		9,350	14,350	13,785	565	
Mayor and Council:						
Salaries and Wages		39,000	39,000	39,000		
Other Expenses		9,525	9,525	5,953	3,572	
Municipal Clerk:						
Salaries and Wages		181,251	184,251	177,194	7,057	
Other Expenses		32,950	32,950	32,525	425	
Financial Administration:						
Salaries and Wages		192,377	192,377	184,321	8,056	
Other Expenses		9,103	9,103	5,942	3,161	
Audit Services		60,000	60,000	16,150	43,850	
Computer Data Processing:						
Salaries and Wages		77,827	77,827	77,245	582	
Other Expenses		18,600	18,600	16,988	1,612	
Collection of Taxes:						
Salaries and Wages		93,966	93,966	92,153	1,813	
Other Expenses		9,780	9,780	9,459	321	
Assessment of Taxes:						
Salaries and Wages		35,000	35,000	25,045	9,955	
Other Expenses		24,900	24,900	6,691	18,209	
Legal Services and Cost:						
Other Expenses		550,000	670,000	663,899	6,101	
Engineering Services and Costs;						
Other Expenses		100,000	100,000	74,811	25,189	

Exhibit A-3

TOWNSHIP OF EAST HANOVER, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2012

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Canceled
Municipal Land Use Law (N.J.S.A. 40:55D-1 et seq.)					
Planning Board:					
Salaries and Wages	47,400	47,400	45,375	2,025	
Other Expenses	8,445	8,445	7,360	1,085	
Insurance:					
General Liability	198,760	198,760	185,777	12,983	
Workers Compensation	208,219	208,219	208,219		
Employee Group Health	3,022,500	2,922,500	2,867,499	55,001	
Public Safety:					
Police:					
Salaries and Wages	4,679,136	4,679,136	4,458,372	220,764	
Other Expenses	174,176	139,176	67,050	72,126	
Emergency Management:					
Salaries and Wages	30,000	30,000	25,234	4,766	
Other Expenses	7,750	12,750	11,171	1,579	
First Aid Organization - Contribution:					
Other Expenses	25,000	25,000	25,000		
Fire Suppression:					
Salaries and Wages	91,818	91,818	91,239	579	
Other Expenses	63,950	63,950	55,339	8,611	
Fire Prevention:					
Salaries and Wages	68,000	68,000	65,969	2,031	
Other Expenses	4,050	4,050	3,285	765	

Exhibit A-3

TOWNSHIP OF EAST HANOVER, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2012

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Canceled
Municipal Prosecutor:					
Salaries and Wages	18,000	18,000	18,000		
Other Expenses	5,000	5,000	1,500	3,500	
Municipal Court					
Salaries and Wages	53,242	53,424	53,424		
Other Expenses	130,000	135,000	132,589	2,411	
Public Defender:					
Other Expenses	6,000	11,000	9,150	1,850	
Public Works:					
Road Repairs and Maintenance:					
Salaries and Wages	573,120	583,120	562,958	20,162	
Other Expenses	188,100	155,100	93,140	61,960	
Other Public Works Functions					
Salaries and Wages	196,507	196,507	189,059	7,448	
Other Expenses	16,650	16,650	8,846	7,804	
Solid Waste Collection					
Salaries and Wages	37,500	37,500	34,611	2,889	
Other Expenses	117,100	117,100	115,937	1,163	
Buildings and Grounds:					
Salaries and Wages	165,056	165,056	159,438	5,618	
Other Expenses	62,000	77,000	63,119	13,881	
Vehicle Maintenance:					
Salaries and Wages	255,084	265,084	251,046	14,038	
Other Expenses	121,600	121,600	102,592	19,008	
Community Services Act:					
Other Expenses	70,000	70,000	32,507	37,493	

Exhibit A-3

TOWNSHIP OF EAST HANOVER, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2012

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Canceled
Health and Welfare:					
Public Health Services:					
Salaries and Wages	207,300	207,300	186,935	20,365	
Other Expenses	31,625	31,625	19,113	12,512	
Animal Control					
Other Expenses	25,000	25,000	24,977	23	
Parks and Recreation:					
Recreation Services and Programs:					
Salaries and Wages	393,963	383,963	362,605	21,358	
Other Expenses	34,500	34,500	23,406	11,094	
Maintenance of Parks:					
Salaries and Wages	531,951	531,951	500,730	31,221	
Other Expenses	55,850	55,850	53,610	2,240	
Celebration of Public Events:					
Other Expenses	10,000	10,000	4,833	5,167	
Utility Expenses and Bulk Purchases					
Gasoline	210,000	210,000	205,804	4,196	
Electric and Gas	210,000	210,000	179,458	30,542	
Telephone	115,000	115,000	91,431	23,569	
Natural Gas	65,000	65,000	31,174	33,826	
Street Lighting	200,000	200,000	142,455	57,545	
Solid Waste Disposal Costs					
Garbage and Trash Removal:					
Other Expenses	175,000	175,000	147,000	28,000	
Accumulated Leave Compensation:					
Other Expenses		344,644	344,644		

Exhibit A-3

TOWNSHIP OF EAST HANOVER, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2012

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Canceled
Uniform Construction Code:					
Construction Code Official:					
Salaries and Wages	317,445	317,445	280,256	37,189	
Other Expenses	11,700	11,700	11,391	309	
Total Operations within "CAPS"	14,806,974	15,151,800	14,117,756	1,034,044	
B. Contingent	1,000	1,000	471	529	
Total Operations Including Contingent-within "CAPS"	14,807,974	15,152,800	14,118,227	1,034,573	
Detail:					
Salaries & Wages	8,409,791	8,422,973	8,002,177	420,796	
Other Expenses (Including Contingent)	6,398,183	6,729,827	6,116,050	613,777	
(E) Deferred Charges and Statutory Expenditures-Municipal within "CAPS"					
(2) STATUTORY EXPENDITURES:					
Contribution to:					
Public Employees' Retirement System	483,021	483,021	483,021		
Social Security System (O.A.S.I.)	425,000	425,000	371,300	53,700	
Police and Firemen's Retirement System of NJ	992,171	992,171	992,171		
Defined Contribution Pension Plan	10,000	10,000	6,414	3,586	
Total Deferred Charged and Statutory Expenditures-Municipal within "CAPS"	1,910,192	1,910,192	1,852,906	57,286	
Total General Appropriations for Municipal Purposes within "CAPS"	16,718,166	17,062,992	15,971,133	1,091,859	

Exhibit A-3

TOWNSHIP OF EAST HANOVER, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2012

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Canceled
Operations - Excluded from "CAPS":					
Maintenance of Free Public Library	1,226,769	1,226,769	1,109,663	117,106	
LOSAP Program					
Contribution	25,000	25,000		25,000	
Pension Deferral					
Police and Firemen's Retirement System of NJ	86,723	86,723			86,723
Public Employees' Reitrement System	199,069	199,069			199,069
Total Other Operations - Excluded from "CAPS"	1,537,561	1,537,561	1,109,663	142,106	285,792
Interlocal Municipal Service Agreements:					
Borough of Roseland (Board of Health)	70,259	70,259	70,259		
East Hanover Board of Education	10,500	10,500	10,500		
Borough of Parsippany (Board of Health)	63,750	63,750	63,750		
Total Interlocal Municipal Service Agreements	144,509	144,509	144,509		
Public and Private Programs Offset by Revenues					
Clean Comunities Grant (N.J.S.A. 13:1e-99.2)	18,258	18,258	18,258		
Alcohol Education and Rehabilitation Grant	1,403	1,403	1,403		
Recycling Tonnage Grant	36,154	36,154	36,154		
Body Armor Replacement Fund	3,302	3,302	3,302		
Emergency Mgmt Agency Assistance Funding	10,000	10,000	10,000		
Emergency Mgmt Agency Assistance Funding (Match)	5,000	5,000	5,000		
NJDOT Melanie Lane Improvements	505,000	505,000	505,000		

Exhibit A-3

TOWNSHIP OF EAST HANOVER, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2012

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Canceled
Total Public and Private Programs Offset by Revenues	579,117	579,117	579,117		
Total Operations-Excluded from "CAPS"	2,261,187	2,261,187	1,833,289	142,106	285,792
Detail:					
Salaries and Wages					
Other Expenses	2,261,187	2,261,187	1,833,289	142,106	285,792
Capital Improvements - Excluded from "CAPS"					
Capital Improvement Fund	50,000	50,000	50,000		
Total Capital Improvements Excluded from "CAPS"	50,000	50,000	50,000		
Municipal Debt Service - Excluded from "CAPS"					
Payment of Bond Principal	1,090,000	1,090,000	1,090,000		
Interest on Bonds	698,681	698,681	697,869		812
Interest on Notes	10,032	10,032	10,032		
Green Trust Loan Program:					
Principal and Interest	18,445	18,445	18,444		1
MCIA Loan Program - Post 7/1/07	71,650	71,650	71,650		
MCIA Loan Program - 2009	34,900	34,900	34,813		87
Total Municipal Debt Service-Excluded from "CAPS"	1,923,708	1,923,708	1,922,808		900
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	4,234,895	4,234,895	3,806,097	142,106	286,692

Exhibit A-3

TOWNSHIP OF EAST HANOVER, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2012

	Budget	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance Canceled
Subtotal General Appropriations	20,953,061	21,297,887	19,777,230	1,233,965	286,692
Reserve for Uncollected Taxes	910,000	910,000	910,000		
Total General Appropriations	$ 21,863,061	22,207,887	20,687,230	1,233,965	286,692

Appropriation by 40:A4-87 $	574,117
Emergency Appropriation	344,644
Adopted Budget	21,289,126
$	22,207,887

Reserve for Uncollected Taxes $	910,000
Capital Improvement Fund	50,000
Federal and State Grants	574,117
Reserve for Accumulated Sick & Vacation	344,644
Interfunds	5,584
Encumbrances	191,794
Cash	18,611,091
$	20,687,230

See accompanying notes to the financial statements.

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Exhibit B

TOWNSHIP OF EAST HANOVER

Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31, 2012 and 2011

	Ref.	2012	2011
Assets			
Animal Trust Fund:			
Cash	B-1	$ 6,370	6,765
		6,370	6,765
Other Trust Funds:			
Cash	B-1	2,337,785	6,426,430
		2,337,785	6,426,430
Unemployment Compensation Trust:			
Cash	B-1	168,165	155,966
Accounts Receivable	B-7		695
		168,165	156,661
Emergency Services Volunteer Length of Services Award Program (Unaudited):			
Cash in Plan	B-1	425,348	364,048
Service Award Contributions Receivable	B-9	36,400	30,013
		461,748	394,061
		$ 2,974,068	6,983,917

Exhibit B

TOWNSHIP OF EAST HANOVER

Comparative Balance Sheet - Regulatory Basis

Trust Funds

December 31, 2012 and 2011

	Ref.	2012	2011
Liabilities, Reserves & Fund Balance			
Animal Trust Fund:			
Reserve for Animal Trust Fund Expenditures	B-6	$ 6,370	6,765
		6,370	6,765
Other Trust Fund:			
Reserve for Various Deposits	B-4	1,485,844	6,425,938
Reserve for Payroll Deductions Payable	B-5	86,721	484
Interfund Accounts Payable	B-3	765,220	8
		2,337,785	6,426,430
Unemployment Compensation Trust:			
Accounts Payable	B-2	398	
Reserve for Expenditures	B-8	167,767	156,661
		168,165	156,661
Emergency Services Volunteer Length of Services Award Program (Unaudited):			
Net Assets Available for Benefits	B-10	461,748	394,061
		$ 2,974,068	6,983,917

See accompanying notes to financial statements.

Exhibit C

TOWNSHIP OF EAST HANOVER, N.J.

Comparative Balance Sheet - Regulatory Basis

General Capital Fund

December 31, 2012 and 2011

	Ref.		2012	2011
Assets				
Cash	C-2/C-3	$	1,711,958	642,265
Grants Receivable:				
State and County Grants	C-15		712,500	
Interfunds Receivable:				
Open Space Trust Fund	C-10		764,720	
Deferred Charges to Future Taxation:				
Funded	C-4		17,009,096	17,948,396
Unfunded	C-5		3,784,371	1,684,436
		$	23,982,645	20,275,097
Liabilities, Reserves and Fund Balance				
General Serial Bonds	C-6	$	16,599,000	17,579,000
NJ Green Trust Loans Payable	C-7		9,131	27,122
Bond Anticipation Notes Payable	C-8		2,704,935	1,140,000
Lease Purchase Agreement Payable	C-9		400,965	342,274
Reserve for Payment of Debt	C-10		764,720	52,973
Improvement Authorizations:				
Funded	C-11		927,507	550,926
Unfunded	C-11		2,555,293	507,133
Capital Improvement Fund	C-12		705	66,070
Fund Balance	C-1		20,389	9,599
		$	23,982,645	20,275,097

There were $1,079,436 and $544,436 of Bonds and Notes Authorized But Not Issued on December 31, 2012 and 2011 respectively (Exhibit C-14).

See accompanying notes to the financial statements.

Exhibit C-1

TOWNSHIP OF EAST HANOVER, N.J.

Statement of Changes in Fund Balance - Regulatory Basis

General Capital Fund

For the Years Ended December 31, 2012 and 2011

Balance - December 31, 2011	$	9,599
Increased By:		
Close out of refunding escrow		20,290
Decreased By:		
Appropriated to Finance Improvement Authorizations		9,500
Balance - December 31, 2012	$	20,389

See accompanying notes to the financial statements.

Exhibit D

TOWNSHIP OF EAST HANOVER

Comparative Balance Sheet - Regulatory Basis

Water and Sewer Utility Fund

December 31, 2012 and 2011

Assets	Ref.	2012	2011
Water Utility Operating Fund:			
Cash - Treasurer	D-4	$ 755,177	949,549
Interfunds Receivable	D-6	49,411	
		804,588	949,549
Receivables with Full Reserves:			
Consumers' Accounts Receivable	D-7	139,999	127,229
Inventory - Materials and Supplies	D-8	55,703	44,764
		195,702	171,993
Total Water Utility Operating Fund		1,000,290	1,121,542
Capital Fund:			
Cash - Treasurer	D-4,D-5	366,694	231,248
Fixed Capital	D-9	8,319,771	8,319,771
Fixed Capital Authorized and Uncompleted	D-10	3,785,759	3,509,259
Total Capital Fund		12,472,224	12,060,278
		$ 13,472,514	13,181,820

Exhibit D

TOWNSHIP OF EAST HANOVER

Comparative Balance Sheet - Regulatory Basis

Water and Sewer Utility Fund

December 31, 2012 and 2011

Liabilities, Reserves and Fund Balance	Ref.	2012	2011
Water Utility Operating Fund:			
Appropriation Reserves	D-3,D-11	$ 102,121	66,358
Reserve for Encumbrances	D-3	25,928	52,293
Overpayments	D-12	10,324	12,113
Accrued Interest on Bonds	D-13	30,279	31,915
Accrued Interest on Notes	D-14	1,575	1,067
		170,227	163,746
Reserve for Receivables	Contra	195,702	171,993
Fund Balance	D-1	634,361	785,803
Total Water Utility Operating Fund		1,000,290	1,121,542
Capital Fund:			
Serial Bonds Payable	D-22	2,430,000	2,665,000
Bond Anticipation Notes Payable	D-23	641,250	290,000
Interfund Accounts Payable	D-20	49,411	
Improvement authorization:			
Funded	D-19		95,198
Unfunded	D-19	247,134	240,651
Capital Improvement Fund	D-18	15,347	15,347
Reserve for:			
Water System Development and Improvement	D-15	105,712	105,712
Ground Water Clean-Up	D-16	1,000,000	1,000,000
Amortization	D-17	7,620,360	7,285,360
Deferred Reserve for Amortization	D-21	363,010	363,010
Total Capital Fund		12,472,224	12,060,278
		$ 13,472,514	13,181,820

There were $1,050,910 and $1,225,660 of Bonds and Notes Authorized But Not Issued on December 31, 2012 and 2011 respectively (Exhibit D-24).

See accompanying notes to financial statements.

Exhibit D-1

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, 2012 and 2011

	2012	2011
Revenue and other income:		
Fund Balance Utilized	$ 233,500	280,000
Water/Sewer rents	3,613,400	3,656,583
Miscellaneous Revenue	369,401	289,533
NYNEX Lease on Tower	43,050	43,137
Unexpended balance appropriation reserve	12,502	76,756
Liability canceled	2,155	34,231
Total revenue and other income	4,274,008	4,380,240
Expenditures:		
Operating	3,572,449	3,546,942
Capital improvements		
Debt service	450,799	381,800
Deferred charges and statutory expenditures	167,252	137,303
Refunds	1,450	
Total expenditures	4,191,950	4,066,045
Statutory excess to Surplus	82,058	314,195
Fund balance, January 1	785,803	751,608
	867,861	1,065,803
Decreased by:		
Utilization by water operating budget	233,500	280,000
Balance, December 31	$ 634,361	785,803

See accompanying notes to financial statements.

Exhibit D-2

TOWNSHIP OF EAST HANOVER

Statement of Revenues - Regulatory Basis

Water and Sewer Utility Operating Fund

Year ended December 31, 2012

	Anticipated	Realized	Excess (deficit)
Operating surplus anticipated	$ 233,500	233,500	
Water/Sewer Rents	3,665,000	3,613,400	(51,600)
Miscellaneous	250,000	369,401	119,401
NYNEX Lease on tower	42,000	43,050	1,050
	$ 4,190,500	4,259,351	68,851

Analysis of Realized Revenue

Rents	$ 3,601,287
Overpayments applied	12,113
NYNEX Lease on tower	43,050
	3,656,450
Interest on Investments	961
Due from Water Capital Fund - Interest on Investments	681
Novartis Water Bills	133,705
Parsipanny-Troy Hills refunds	223,717
Interest on Water Bills	3,274
Water Connection Charges	3,950
Interest on Sewer Bills	3,113
	$ 369,401

See accompanying notes to financial statements.

Exhibit D-3

TOWNSHIP OF EAST HANOVER

Statement of Expenditures - Regulatory Basis

Water and Sewer Utility Operating Fund

Year ended December 31, 2012

	Appropriations			
	Budget	Budget after modification	Paid or charged	Reserved
Operating:				
Salaries and Wages	$ 860,400	860,400	835,990	24,410
Other Expenses	873,039	872,039	833,063	38,976
Purchase of Water	550,000	550,000	511,515	38,485
Par-Troy Treatment Plant	1,280,010	1,280,010	1,280,010	
Florham Park Treatment Plant	9,000	10,000	9,750	250
Total Operating	3,572,449	3,572,449	3,470,328	102,121
Debt Service:				
Payment of Bond Principal	235,000	235,000	235,000	
Payment of Bond Anticipation and Capital Notes	100,000	100,000	100,000	
Interest on Bonds	112,244	112,244	112,244	
Interest on Bond Anticipation Notes	3,555	3,555	3,555	
Total Debt Service	450,799	450,799	450,799	
Deferred Charges and Statutory Expenditures:				
Statutory Expenditures - Contribution to:				
Public Employees' Retirement System	101,402	101,402	101,402	
Social Security System (O.A.S.I.)	54,540	54,540	54,540	
Medicare Tax	11,310	11,310	11,310	
Total Deferred Charges and Statutory Expenditures	167,252	167,252	167,252	
	$ 4,190,500	4,190,500	4,088,379	102,121

Cash Disbursed	$ 3,946,652
Reserve for Encumbrances	25,928
Accrued Interest on Bonds	112,244
Accrued Interest on Notes	3,555
	$ 4,088,379

See accompanying notes to financial statements.

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Exhibit E

TOWNSHIP OF EAST HANOVER, N.J.

Comparative Statement of General Fixed Assets - Regulatory Basis

December 31, 2012 and 2011

		2012	2011
General Fixed Assets:			
Land	$	31,073,600	31,073,600
Buildings		33,493,121	33,493,121
Machinery and Equipment		6,481,258	6,265,740
	$	71,047,979	70,832,461
Investment in Fixed Assets	$	71,047,979	70,832,461

See accompanying notes to financial statements.

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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.

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.

Public Assistance Fund - This fund is used to account for the receipt and disbursement of funds that provide assistance to certain residents of the Township pursuant to Title 44 of New Jersey Statutes.

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.

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 April first in the year following the calendar year levy when the same became in arrears, 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.

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

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 2012, the Council approved additional revenues and appropriations of $574,117 in accordance with N.J.S.A. 40A:4-87. In addition, several budget transfers were approved by the governing body. The Mayor and Council also approved $344,644 of special emergency appropriations for accumulated sick and vacation payments.

Expenditures - Are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless canceled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

Encumbrances - Contractual orders outstanding at December 31, are reported as expenditures through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures under GAAP.

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

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

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

Basis of Accounting, (continued)

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

Property Acquired for Taxes - Is recorded in the Current Fund at the assessed valuation when such property was acquired and fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at market value on the date of acquisition.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve.

Inventories - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets.

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

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

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.

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.

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, 2012, $-0- of the Township's bank balance of $10,075,403 was exposed to custodial credit risk.

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.

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

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, 2012 and 2011 amounted to $425,348 and $364,048, respectively.

The following investments represent 5% or more of the total invested with AIG on December 31, 2012 and 2011:

	2012	2011
DWS EQ 500 Index	$65,873	$52,208
Fixed	155,062	138,762
LVIP Delaware Bond	38,844	37,985
LVIP Baron Browh	21,481	15,511
All Others	144,088	119,582
Total	$425,348	$364,048

NOTE 3. MUNICIPAL DEBT

Long-term debt as of December 31, 2012 consisted of the following:

	Balance Dec. 31, 2011	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds Payable:					
General Obligation Debt	$17,579,000	$4,310,000	$5,290,000	$16,599,000	$1,160,000
Water and Sewer Utility Obligation Debt	2,665,000		235,000	2,430,000	245,000
Total Bonds Payable	20,244,000	4,310,000	5,525,000	19,029,000	1,405,000
Other Liabilities:					
Pension Deferral	571,584		24,069	547,515	28,166
General Capital:					
MCIA Leases Payable	342,274	150,752	92,061	400,965	96,893
NJ Green Trust Loans Payable	27,122		17,991	9,131	9,131
Compensated Absences Payable	3,198,602	489,208	371,364	3,316,446	
Total Other Liabilities	4,139,582	639,960	505,485	4,274,057	134,190
	$24,383,582	$4,949,960	$6,030,485	$23,303,057	$1,539,190

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.

NOTE 3. MUNICIPAL DEBT, (continued)

The Township's debt is summarized as follows:

Summary of Municipal Debt (Excluding Current Operating Debt)

	Year 2012	Year 2011	Year 2010
Issued:			
General - Bonds, Notes and Loans	$19,313,066	$18,746,122	$18,548,759
Water and Sewer Utility - Bonds, Notes and Loans	3,071,250	2,955,000	3,020,000
	22,384,316	21,701,122	21,568,759
Authorized But Not Issued			
General - Bonds and Notes	1,079,436	544,436	1,684,436
Water and Sewer Utility - Bonds and Notes	1,050,910	1,225,660	1,249,410
	2,130,346	1,770,096	2,933,846
Total Bonds, Notes and Loans Issued and Authorized But Not Issued	24,514,662	23,471,218	24,502,605
Less: Deductions	4,332,160	4,233,633	7,617,384
Net Debt	$20,182,502	$19,237,585	$16,885,221

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 .556%.

	Gross Debt	Deductions	Net Debt
School District Debt	$7,922,249	$7,922,249	$0
Water and Sewer Utility	4,122,160	4,122,160	0
General Debt	20,392,502	210,000	20,182,502
	$32,436,911	$12,254,409	$20,182,502

Net debt of $20,182,502 divided by equalized valuation basis per N.J.S.A. 40A:2-2 as amended of $3,632,986,433 equals .556%.

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

3 ½% of Equalized Valuation Basis (Municipal)	$127,154,525
Net Debt	20,182,502
Remaining Borrowing Power	$106,972,023

NOTE 3. MUNICIPAL DEBT, (continued)

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

Cash receipts from fees, rents or other charges for year		$4,259,351
Deductions:		
Operating and Maintenance Cost	$3,739,701	
Debt Service per Water and Sewer Account	450,799	
Total Deductions		4,190,500
Excess in Revenue - Self-Liquidating		$68,851

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, 2012:

Paid by Current Fund:

General Serial Bonds:

$4,600,000 General Serial Bonds - with an interest rate of 4.00% issued November 1, 2004, due through November 1, 2013	$ 100,000
$7,168,000 General Serial Bonds - with an interest rate of 3.875% to 3.95% issued March 15, 2007, due through March 15, 2027	6,208,000
$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	3,676,000
$3,120,000 Refunding Bonds - with an interest rate of 3.00% to 4.00% issued November 4, 2010, due through February 1, 2016	2,405,000
$4,310,000 Refunding Bonds - with an interest rate of 1.50% to 3.00% issued March 28, 2012, due through November 1, 2024	4,210,000
Total General Serial Bonds	16,599,000

NOTE 3. MUNICIPAL DEBT, (continued)

Paid by Water Utility Fund:

Water and Sewer Utility Serial Bonds:

$570,000 Water Utility Bonds - with an interest rate of 4.50% to 5.00% issued August 15, 2008, due through August 15, 2022	$470,000
$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	1,160,000
$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	800,000
Total Water and Sewer Utility Bonds	2,430,000
Total Serial Bonds	$19,029,000

Intergovernment Loans Payable

General Capital New Jersey Green Acres Trust Loans

The Township entered into a loan agreement with the New Jersey Department of Environmental Protection under the Green Acres Trust Loan program to fund the Cook Halfway House Project.

The Cook Halfway House Project award is a rate of 2%, in the amount of $296,609 which represents the loan proceeds draw down plus $1,516 in accrued interest with principal and interest payments commencing March 25, 1994 and continuing on a semiannual basis through March 25, 2013.	$9,131

NOTE 3. MUNICIPAL DEBT, (continued)

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

	General Capital			Water and Sewer Utility		
Year	Principal	Interest	Total	Principal	Interest	Total
2013	$1,160,000	$613,525	$1,773,525	$245,000	$104,444	$349,444
2014	1,350,000	571,562	1,921,562	230,000	95,569	325,569
2015	1,205,000	527,012	1,732,012	135,000	88,225	223,225
2016	1,215,000	484,587	1,699,587	135,000	82,325	217,325
2017	1,330,000	447,862	1,777,862	135,000	76,725	211,725
2018-2022	7,306,000	1,407,436	8,713,436	665,000	303,453	968,453
2023-2027	3,033,000	258,297	3,291,297	725,000	154,969	879,969
2028				160,000	8,400	168,400
	$16,599,000	$4,310,281	$20,909,281	$2,430,000	$914,110	$3,344,110

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.

At December 31, 2012, the Township had authorized but not issued debt as follows:

General Capital Fund	$1,079,436
Water and Sewer Utility Capital Fund	1,050,910

NOTE 4. GENERAL CAPITAL MCIA LEASE PURCHASE AGREEMENT PAYABLE

The Township entered into four lease purchase agreements with the Morris County Improvement Authority for the purchase of equipment including a (2) Dodge Durango Police Vehicles, a 1500 GPM Pumper Apparatus with Equipment, (4) Ford CV Police Pursuit Vehicles and (4) 2012 Ford Utility Police Interceptors totaling $768,172. 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, 2012:

Year	Total	Principal	Interest
2013	$108,713	$96,893	$11,820
2014	108,714	97,041	11,673
2015	108,714	100,485	8,229
2016	56,790	52,134	4,656
2017	56,790	54,412	2,378
	$439,721	$400,965	$38,756

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, 2012, the Township had $2,704,935 in outstanding General Capital Bond Anticipation Notes. The Township also had $641,250 in outstanding Water and Sewer Utility Capital Bond Anticipation Notes.

The following activity related to bond anticipation notes occurred during the calendar year ended December 31, 2012.

	Beginning Balance	Additions	Reductions	Ending Balance
General Capital Notes Payable				
Valley National Bank	$1,140,000	$	$1,140,000	$
TD Bank, N.A.		2,704,935		2,704,935
	1,140,000	2,704,935	1,140,000	2,704,935
Water and Sewer Utility Capital Notes Payable				
TD Bank, N.A.	100,000	641,250	100,000	641,250
Valley National Bank	190,000		190,000	
	290,000	641,250	290,000	641,250
	$1,430,000	$3,346,185	$1,430,000	$3,346,185

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.

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.

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 ¼ 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.

NOTE 7. PENSION PLANS, (continued)

Description of Systems, (continued)

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

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

Chapter 1, P.L. 2010, effective May 21, 2010, eliminated the provision in PFRS that would permit a member to retire, at any age after 25 years of service credit, on a special retirement allowance of 70% of final compensation after the retirement system reaches a funded level of 104%. Also, for new members of PFRS, the law capped the maximum compensation that can be used to calculate a pension from the plan at the annual wage contribution base for Social Security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary.

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

Significant Legislation

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

The Township of East Hanover opted for this deferral in the amount of $571,584.

NOTE 7. PENSION PLANS, (continued)

Description of Systems, (continued)

Contribution Requirements

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

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

Year	PERS	PFRS
December 31, 2012	$661,805	$992,171
December 31, 2011	611,183	1,054,761
December 31, 2010	460,882	919,225

Defined Contribution Retirement Program

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

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

NOTE 7. PENSION PLANS, (continued)

Defined Contribution Retirement Program, (continued)

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.

The Township's contribution to the DCRP for the years ended December 31, 2012, 2011 and 2010 were $1,049, $985 and $672, respectively.

NOTE 8. FUND BALANCE APPROPRIATED

The fund balance at December 31, 2012 which has been appropriated as revenue in the 2013 budget is as follows:

Current Fund	$1,750,000
Water and Sewer Utility Operating Fund	494,469

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 $3,316,446 as of December 31, 2012. 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, 2012 consist of the following:

$63,222	Due to the Current Fund from the Federal and State Grant Fund for reimbursements for expenditures made.
49,411	Due to the Water/Sewer Utility Operating Fund from the Water/Sewer Utility Capital Fund for reimbursement of cash advance.
500	Due to the Current Fund from the Other Trust Fund for duplicate payment from the municipal court for public defender fees.
764,720	Due to the General Capital Fund from the Open Space Trust Fund for reserve for payment of debt (Ord. 13-03) receipts from NJ Green Acres Trust.
$877,853	

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.

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, 2012 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 2012 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.

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.

NOTE 12. RISK MANAGEMENT, (continued)

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

NOTE 13. TAXES COLLECTED IN ADVANCE

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

	Balance Dec 31, 2012	Balance Dec 31, 2011
Prepaid Taxes	$218,225	$166,465
Cash Liability for Taxes Collected in Advance	$218,225	$166,465

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, 2008. 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, 2008 in the amount of $150,000 which it feels will be sufficient to cover any reductions in taxes and related refund of revenue.

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, 2012:

	Balance Dec. 31, 2011	Additions	Deletions	Balance Dec. 31, 2012
Land	$31,073600	$	$	$31,073,600
Buildings	33,493,121			33,493,121
Machinery and Equipment	6,265,740	302,391	86,873	6,481,258
	$70,832,461	$302,391	$86,873	$71,047,979

SUPPLEMENTARY DATA

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TOWNSHIP OF EAST HANOVER

Supplementary data

Comparative Schedule of Tax Rate Information

	2012	2011	2010
Tax rate	2.075	2.080	2.070
Apportionment of tax rate:			
Municipal	0.569	0.559	0.559
School	1.136	1.151	1.134
County	0.370	0.370	0.377

Assessed Value	
2012	$ 2,464,075,834
2011	2,464,273,822
2010	2,463,832,761

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.

		Currently	
Year	Tax Levy	Collections	Percentage of Collection
2012	$ 51,538,926	51,310,869	99.56%
2011	51,567,161	51,282,042	99.45%
2010	51,051,884	50,687,132	99.29%

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.

Dec. 31	Amount of delinquent taxes	Tax title liens	Total delinquent	Percentage of tax levy
2012	$ 228,057	504	228,561	0.44%
2011	278,482	8,845	287,327	0.56%
2010	285,900		285,900	0.56%

TOWNSHIP OF EAST HANOVER

Supplementary data

Property Acquired by Tax Title Lien Liquidation

No properties have been acquired in 2012 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:

Year		Amount
2012	$	1,518,500
2011		1,518,500
2010		1,518,500

Comparative Schedule of Fund Balance

	Year		Dec. 31	Utilized in budget of succeeding year
Current Fund	2012	$	2,828,748	1,750,000
	2011		3,431,857	2,548,792
	2010		3,372,118	2,581,354
	2009		3,313,363	1,600,000
	2008		2,206,585	1,100,000
Water Utility Operating Fund	2012		634,361	494,469
	2011		785,803	233,500
	2010		751,608	280,000
	2009		449,081	250,000
	2008		127,628	125,000

TOWNSHIP OF EAST HANOVER

Supplementary Data

Officials in Office and Surety Bonds

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

Name	Title	Amount of bond
Joseph Pannullo	Mayor	
Frank DeMaio, Jr.	Councilmember	
Carolyn M. Jandoli	Councilmember	
Michael Martorelli	Councilmember	
Joseph Peluso	Councilmember	
Joseph Tempesta Jr.	Township Administrator	(A)
Paula A. Massaro	Township Clerk	(A)
Kenneth Huelbig	Treasurer, Chief Financial Officer	(A)
Carole D. Reardon	Tax Collector	(A)
Barbara Yuille-Wynne	Water and Sewer Collector	(A)
Rui Caetano	Deputy Tax, Water and Sewer Collector	(A)
Kevin E. Esposito	Tax Assessor	(A)
Matthew J. O'Donnell, Esq.	Township Attorney	(A)
William J. Rush, Esq.	Magistrate	
Elaine Vitellaro	Court Administrator	
Stanley Hansen	Chief of Police	(A)
Thomas Pershouse	Construction Official	(A)
Theresa Maggiulli	Register of Vital Statistics	(A)

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

Schedule 1

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Expenditures of Federal Awards

Year ended December 31, 2012

Program	CFDA number	Grant period	Award Amount	Balance at Dec. 31, 2011	Cash Received	Expenditures	Cancellations	Deferred Revenue/ (Accounts Receivable) at Dec. 31, 2012	MEMO Cumulative Total Expenditures
Federal and State Grant Fund:									
Department of Transportation									
Transportation Trust Fund	20.205	2010	250,000	(20,277)	20,277			*	178,497
Transportation Trust Fund	20.205	2011	250,000	146,873		193,407		(46,534) *	193,407
Transportation Trust Fund - Melanie Lane	20.205	2012	205,000					*	
Transportation Trust Fund - Melanie Lane Bridge	20.205	2012	300,000			72,628		(72,628) *	72,628
								*	
				126,596	20,277	266,035		(119,162) *	444,532
								*	
Department of Law and Public Safety									
Emergency Management Agency Assistance (EMAA)	97.042	2011	10,000	5,000		4,589		411 *	5,000
Emergency Management Agency Assistance (EMAA)	97.042	2012	5,000			5,000		(5,000) *	5,000
Emergency Management Agency Assistance (EMAA)	97.042	2012	5,000			5,000		(5,000) *	5,000
								*	
				5,000		14,589		(9,589) *	15,000
								*	
Department of Law and Public Safety									
FEMA Reimbursement	97.036	2012	98,254		98,254	98,254		*	98,254
FEMA Reimbursement	97.036	2012	31,307		31,307	31,307		*	31,307
								*	
					129,561	129,561		*	129,561
								*	
Subtotal Federal and State Grant Fund				131,596	149,838	410,185		(128,751) *	589,093
								*	
General Capital Fund:								*	
Department of Homeland Security								*	
Assistance to Firefighters Grant	97.044	2012	712,500					*	
								*	
Subtotal General Capital Fund								*	
								*	
Total Federal Awards				$ 131,596	149,838	410,185		(128,751) *	589,093

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

Schedule 2

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Expenditures of State Financial Assistance

Year ended December 31, 2012

	Grant number	Grant period	Award Amount	Balance Dec. 31, 2011	Cash Received	Budgetary Expenditures	Cancellations	Deferred Revenue/ (Accounts Receivable) at Dec. 31, 2012	MEMO Cumulative Total Expenditures
Federal and State Grant Fund:									
Department of Law and Public Safety									
Body Armor Replacement Fund	98-718-066-1020-001	2007-08	3,547	1,248		1,248			3,547
Body Armor Replacement Fund	98-718-066-1020-001	2008	3,397	3,397		1,773		1,624	1,773
Body Armor Replacement Fund	98-718-066-1020-001	2009	1,330	1,330				1,330	
Body Armor Replacement Fund	98-718-066-1020-001	2010	3,102	3,102				3,102	
Body Armor Replacement Fund	98-718-066-1020-001	2011	3,397	3,397				3,397	
Body Armor Replacement Fund	98-718-066-1020-001	2012	3,302		3,302			3,302	
				12,474	3,302	3,021		12,755	5,320
Department of Treasury									
Municipal Alliance	100-082-2000-044-995120	2011	10,878	2,439		3,000		(561)	5,565
Municipal Alliance	100-082-2000-044-995120	2012	10,878		3,020	2,324		696	2,800
				2,439	3,020	5,324		135	8,365
Department of Environmental Protection									
Clean Communities Act	765-042-4900-004-6020	2011	18,520	10,203		9,756		447	18,073
Clean Communities Act	765-042-4900-004-6020	2012	18,258		18,258	3,310		14,948	3,310
Recycling Grant	765-042-4900-001-6020	2010	36,947	5,747		5,747			36,947
Recycling Grant	765-042-4900-001-6020	2011	44,239	39,239		39,239			44,239
Recycling Grant	765-042-4900-001-6020	2012	36,154		36,154	325		35,829	325
				55,189	54,412	58,377		51,224	102,894
Department of Health and Senior Services									
Alcohol Education and Rehabilitation	9735-760-0600000-60	2011	1,079			(1,079)		1,079	
Alcohol Education and Rehabilitation	9735-760-0600000-60	2012	1,403		1,403			1,403	1,079
					1,403	(1,079)		2,482	1,079

Schedule 2

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Expenditures of State Financial Assistance

Year ended December 31, 2012

	Grant number	Grant period	Award Amount	Balance Dec. 31, 2011	Cash Received	Budgetary Expenditures	Cancellations	Deferred Revenue/ (Accounts Receivable) at Dec. 31, 2012	MEMO Cumulative Total Expenditures
Other State Agencies									
Bullet Proof Vest Program	N/A	2007	8,884	8,884		8,884			8,884
Bullet Proof Vest Program	N/A	2009	1,114	1,114		1,114			1,114
Bullet Proof Vest Program	N/A	2010	9,076	(1,114)	1,400	1,400		(1,114)	1,400
Bullet Proof Vest Program	N/A	2011	1,686		30	1,686		(1,656)	1,686
				8,884	1,430	13,084		(2,770)	13,084
Total State Awards				$ 78,986	63,567	78,727		63,826	130,742

Note: This schedule was not subject to an audit in accordance with N.J. OMB 04-04

Exhibit A-4

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Cash - Collector-Treasurer

Current Fund

Year Ended December 31, 2012

		Current Fund
Balance - December 31, 2011	$	5,291,777
Increased by Receipts:		
Taxes Receivable		51,270,627
Miscellaneous Revenue Not Anticipated		585,582
Tax Overpayments		
Prepaid Revenue		218,225
Petty Cash		1,200
Due from State - Senior Citizen and Veteran Deductions		129,146
Revenue Accounts Receivable		4,251,345
Due to State of New Jersey		26,273
Interfunds		450,619
Municipal Liens		9,967
Grants Receivable		83,844
		57,026,828
		62,318,605
Decreased by Disbursements:		
Current Year Budget Appropriations		18,611,091
Petty Cash		1,200
Interfunds		438,424
Due to State of New Jersey		20,514
Appropriation Reserves		714,134
Refunds		18,892
Municipal Liens		9,967
Local District School Taxes		17,441,780
Regional School District Taxes		10,533,645
County Taxes Payable		9,087,784
Local Open Space Taxes		246,930
Grants		359,827
Various Reserves		344,644
		57,828,832
Balance - December 31, 2012	$	4,489,773

Exhibit A-5

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Cash - Change Fund

Current Fund

Year Ended December 31, 2012

Balance - December 31, 2011	$ 150
Balance - December 31, 2012	$ 150

Exhibit A-6

Schedule of Cash - Petty Cash

Current Fund

Year Ended December 31, 2012

Increased by:	
Disbursed	$ 1,200
Decreased by:	
Returned to Treasurer	$ 1,200

Exhibit A-7

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, 2012

Balance - December 31, 2011		$ (6,776)
Increased by:		
Senior Citizens' Deductions Per Tax Billing	$ 23,750	
Veterans' Deductions Per Tax Billing	104,500	
Senior Citizen's and Veteran's Allowed - 2012	2,750	
		131,000
		124,224
Decreased by:		
State Share of Senior Citizens and Veteran Deductions Received in Cash	$ 129,146	
Senior Citizen's and Veteran's Disallowed - 2012	699	
		129,845
Balance - December 31, 2012		$ (5,621)

Exhibit A-8

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Amount Due (to)/from Current Fund

Federal and State Grant Fund

Year Ended December 31, 2012

Balance - December 31, 2011	$	212,761
Increased by:		
Budget Appropriations		83,844
		296,605
Decreased by:		
Reimbursement for expenditures paid		359,827
Balance - December 31, 2012	$	(63,222)

Exhibit A-9

Schedule of Municipal Liens

Current Fund

Year Ended December 31, 2012

Balance - December 31, 2011			$	8,845
Increased by:				
Transferred from Delinquent Taxes	$	163		
Interest and costs - 2012 tax sale		1,168		
Subsequent Taxes		295		
				1,626
				10,471
Decreased by:				
Redeemed				9,967
Balance - December 31, 2012			$	504

Exhibit A-10

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Taxes Receivable and Analysis of Property Tax Levy

Current Fund

Year Ended December 31, 2012

Year	Balance, Dec. 31, 2011	Levy	Collected 2011	Collected 2012	Senior Citizen and Veteran Deductions	Transferred to Tax Title Liens	Canceled	Balance, Dec. 31, 2012
2010	500			500				
2011	277,982			276,418		163	1,401	
	278,482			276,918		163	1,401	
2012		51,538,926	166,465	50,993,709	130,301	295	20,099	228,057
	$ 278,482	51,538,926	166,465	51,270,627	130,301	458	21,500	228,057

Analysis of Tax Levy

Tax yield:		
General Purpose Tax		$ 50,882,642
Special District Taxes		551,993
Added Tax (R.S. 54:4-63.1 et seq.)		104,291
		$ 51,538,926
Tax Levy:		
Local District School Tax		$ 17,441,780
Regional School Taxes		10,533,645
Local Open Space Taxes		246,930
Special District Tax		551,993
County Tax	$ 9,087,132	
County Added and Omitted Taxes	18,597	
		9,105,729
Local Tax for Municipal Purposes	$ 13,658,148	
Add: Additional Taxes Levied	701	
Local Tax for Municipal Purposes		13,658,849
		$ 51,538,926

Exhibit A-11

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Property Acquired for Taxes - Assessed Valuation

Current Fund

Year Ended December 31, 2012

Balance - December 31, 2011	$ 1,518,500
Balance - December 31, 2012	$ 1,518,500

Exhibit A-12

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Revenue Accounts Receivable

Current Fund

Year Ended December 31, 2012

	Balance Dec. 31, 2011	Accrued	Collected	Balance Dec. 31, 2012
Clerk:				
Licenses:				
Alcoholic beverages	$	27,750	27,750	
Fees and Permits		102,250	102,250	
Municipal Court :				
Fines and Costs	20,131	198,863	190,185	28,809
Treasurer:				
Cablevision Franchise Fees		152,584	152,584	
Interest and Costs on Taxes		100,160	100,160	
Interest on Investments and Deposits		13,861	13,861	
Recreation Program Fees		108,974	108,974	
Energy Receipts Tax		2,819,976	2,819,976	
Uniform Construction Code Fees		524,526	524,526	
Interlocal Service Agreements				
Borough of Roseland		70,259	70,259	
East Hanover School District		10,543	10,543	
Borough of Parsippany		63,750	63,750	
Uniform Fire Safety Act - Local		66,527	66,527	
Open Space Trust Fund - Share of Debt Service		307,232	307,232	
Reserve for Payment of Debt Service - Library		52,973	52,973	
	$ 20,131	4,620,228	4,611,550	28,809

Interfunds	$ 360,205
Cash	4,251,345
	$ 4,611,550

Exhibit A-13

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Interfunds

Current Fund

Year Ended December 31, 2012

Fund	Due from/(to) Balance Dec. 31, 2011	Increased	Decreased	Due from/(to) Balance Dec. 31, 2012
Federal and State Grant Fund	$ (212,761)	359,827	83,844	63,222
Other Trust Fund	8	177,113	176,621	500
Open Space Trust Fund		554,162	554,162	
General Capital Fund		58,557	58,557	
	$ (212,753)	1,149,659	873,184	63,722
Due to Current Fund	8	936,898	873,184	63,722
Due from Current Fund	(212,761)	212,761		
	$ (11,887)	1,149,659	873,184	63,722

Cash Receipts	$	450,619
Cash Disbursements	438,424	
Reimbursement for expenditures paid		41,791
Municipal Open Space Taxes	246,930	246,930
Tax Sale Premiums	28,600	
Grants Receivable		83,844
Budgeted Revenue	360,205	
Miscellaneous Revenue	75,000	
Court Revenue	500	
Capital Improvement Fund		50,000
	$ 1,149,659	873,184

Exhibit A-14

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, 2012

Date Authorized	Purpose	Amount Authorized	1/5 of Net Amount Authorized	Authorized in 2012	Balance, Dec. 31, 2012
12/17/2012	Accrued Vacation and Sick	$ 344,644	68,929	344,644	344,644

Exhibit A-15

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Appropriation Reserves

Current Fund

Year Ended December 31, 2012

	Balance, Dec. 31, 2011	Balance after Transfers and Encumbrances	Paid or Charged	Balance Lapsed
Salaries and Wages Within "CAPS":				
Municipal Clerk	$ 91	91		91
Financial Administration	18,802	18,802	18,000	802
Computer Data Processing	382	382		382
Collection of Taxes	100	100		100
Assessment of Taxes	100	100		100
Planning Board	904	904		904
Police	134,681	124,681	121,572	3,109
Emergency Management	886	886		886
Fire Suppression	11,636	11,636	10,000	1,636
Fire Prevention	3,098	98		98
Municipal Court	12,375	2,375		2,375
Road Repairs and Maintenance	7,919	919		919
Administration of Public Works	2,038	2,038		2,038
Solid Waste Collection	2,084	2,084		2,084
Public Buildings and Grounds	2,082	2,082		2,082
Vehicle Maintenance	8,473	473		473
Health Department	9,844	844		844
Recreation Services and Programs	10,435	2,435		2,435
Maintenance of Parks	15,869	3,869		3,869
Construction Code Official	4,628	4,628	4,000	628
Total Salaries and Wages Within "CAPS"	246,427	179,427	153,572	25,855
Other Expenses Within "CAPS":				
Administrative and Executive	612	2,078	1,466	612
Mayor and Council	993	1,109	116	993
Municipal Clerk	1,473	2,698	1,112	1,586
Financial Administration:				
Other Expenses	806	896	89	807
Audit Services	24,950	84,950	65,500	19,450
Computer Data Processing	208	208		208
Collection of Taxes	1,185	1,957	772	1,185
Assessment of Taxes:				
Other Expenses	2,607	5,463	1,256	4,207
Legal Services and Costs	15,118	45,088	39,105	5,983
Engineering Services and Costs	12,693	22,798	20,075	2,723

Exhibit A-15

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Appropriation Reserves

Current Fund

Year Ended December 31, 2012

	Balance, Dec. 31, 2011	Balance after Transfers and Encumbrances	Paid or Charged	Balance Lapsed
Planning Board	2,687	3,243	556	2,687
Insurance:				
Workers Compensation	542	542		542
Employee Group Health	16,967	45,107	39,574	5,533
Police:				
Other Expenses	59,125	23,738	16,035	7,703
Emergency Management Services	626	626		626
Fire Suppression	13,367	6,245	3,963	2,282
Fire Prevention	916	1,554	638	916
Municipal Court	4,302	776		776
Public Defender	3,000	3,000	3,000	
Road Repairs and Maintenance	13,299	36,007	33,177	2,830
Administration of Public Works	690	2,317	1,928	389
Solid Waste Collection	17,125	69,283	63,305	5,978
Public Buildings and Grounds	4,754	14,368	13,478	890
Vehicle Maintenance	3,351	21,415	16,127	5,288
Community Services Act	35,000	105,000	105,000	
Health Department	11,984	2,074	540	1,534
Animal Control	9,471	9,471	8,529	942
Recreation	8,486	7,742	5,156	2,586
Parks and Playgrounds	4,773	6,291	2,328	3,963
Celebration of Public Events				
Other Expenses	4,025	2,025		2,025
Gasoline	4,561	35,474	32,000	3,474
Electricity	15,570	15,570	13,837	1,733
Telephone	20,822	11,052	7,211	3,841
Natural Gas	19,561	9,561	5,574	3,987
Street Lighting	42,136	30,136	29,052	1,084
Construction Code Official	2,615	2,665	50	2,615
Contingent	940	940		940
Total Other expenses Within "CAPS"	381,340	633,467	530,549	102,918

Exhibit A-15

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Appropriation Reserves

Current Fund

Year Ended December 31, 2012

	Balance, Dec. 31, 2011	Balance after Transfers and Encumbrances	Paid or Charged	Balance Lapsed
Deferred Charges and Statutory Expenditures Within "CAPS":				
Social Security System (O.A.S.I.)	7,451	7,451		7,451
Defined Contribution Pension Plan	421	421		421
Total Deferred Charges and Statutory Expenditures Within "CAPS"	7,872	7,872		7,872
Other Expenses Excluded From "CAPS":				
Maintenance of Free Public Library	177,871	177,871	177,871	
LOSAP	25,000	35,000	30,013	4,987
Pension Deferral				
Police and Firemen's Retirement System of NJ	86,723	86,723		86,723
Public Employee's Retirement System	199,069	199,069		199,069
Total Other Expenses Excluded from "CAPS"	488,663	498,663	207,884	290,779
Total Reserves	$ 1,124,302	1,319,429	892,005	427,424

Appropriation Reserves	1,124,302
Encumbrances	195,127
	$ 1,319,429

Cash Disbursed	$ 714,134
Transfer to Due to Library	177,871
	$ 892,005

Exhibit A-16

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Encumbrances Payable

Current Fund

Year Ended December 31, 2012

Balance - December 31, 2011	$	195,127
Increased by:		
Transferred from Current Year Budget		191,794
		386,921
Decreased by:		
Transferred to Appropriation Reserves		195,127
Balance - December 31, 2012	$	191,794

Exhibit A-17

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Reserve for Other Expenditures

Current Fund

Year Ended December 31, 2012

	Pending Tax Appeals	Library	Accumulated Sick and Vacation	Total
Balance - December 31, 2011	$ 147,783			$ 147,783
Increased by:				
Transfer from				
Budget Appropriations			344,644	344,644
Appropriation Reserves		177,871		177,871
		177,871	344,644	522,515
	147,783	177,871	344,644	670,298
Decreased by:				
Cash Disbursements			344,644	344,644
			344,644	344,644
Balance - December 31, 2012	$ 147,783	177,871		$ 325,654

Exhibit A-18

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Amount Due to the State of New Jersey

Current Fund

Year Ended December 31, 2012

	Marriage License Fee	Burial Permit Fee	Construction Training Fee	Total
Balance - December 31, 2011	$ 125	10	6,069	$ 6,204
Increased by:				
Collections	1,425	130	24,718	26,273
	1,425	130	24,718	26,273
	1,550	140	30,787	32,477
Decreased by:				
Payments	1,275	85	19,154	20,514
Balance - December 31, 2012	$ 275	55	11,633	$ 11,963

Exhibit A-19

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Local School District Tax Payable

Current Fund

Year Ended December 31, 2012

Increased by:	
2012 Levy	$ 17,441,780
Decreased by:	
Payments	$ 17,441,780

Exhibit A-20

Schedule of Regional School District Tax Payable

Current Fund

Year Ended December 31, 2012

Increased by:	
2012 Levy	$ 10,533,645
Decreased by:	
Payments	$ 10,533,645

Exhibit A-21

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of County Taxes Payable

Current Fund

Year Ended December 31, 2012

Balance - December 31, 2011		$ 652
Increased by:		
2012 Levy	$ 8,527,519	
2012 Open Space	559,613	
2012 Added Assessments	18,597	
		9,105,729
		9,106,381
Decreased by:		
Payments		9,087,784
Balance - December 31, 2012		$ 18,597

Exhibit A-22

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Prepaid Taxes

Current Fund

Year Ended December 31, 2012

Balance - December 31, 2011	$	166,465
Increased by:		
Collections		218,225
		384,690
Decreased by:		
Applied to 2012 Taxes Receivable		166,465
Balance - December 31, 2012	$	218,225

Exhibit A-23

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Grants Receivable

Federal and State Grant Fund

Year Ended December 31, 2012

Grant	Balance, Dec. 31, 2011	2012 Budget Revenue Realized	Received	Balance, Dec. 31, 2012
Municipal Alliance on Alcoholism and Drug Abuse - 2011	$ 5,874			5,874
Municipal Alliance on Alcoholism and Drug Abuse - 2012	10,878		3,020	7,858
Transportation Trust Fund Authority Act FY 10	91,780		20,277	71,503
Transportation Trust Fund Authority Act FY 11	103,127			103,127
FY12 NJDOT Melanie Lane		205,000		205,000
FY12 NJDOT Melanie Lane Bridge		300,000		300,000
Recycling Tonnage Grant		36,154	36,154	
Clean Communities Grant		18,258	18,258	
Alcohol Education/Rehab Program		1,403	1,403	
Body Armor Replacement Grant		3,302	3,302	
Bullet Proof Vest 2010	2,514		1,400	1,114
Bullet Proof Vest 2011	1,686		30	1,656
Homeland Security Emergency Management		5,000		5,000
Emergency Management Assistance		5,000		5,000
	$ 215,859	574,117	83,844	706,132

Exhibit A-24

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Appropriated Reserves for Grants

Federal and State Grant Fund

Year Ended December 31, 2012

Grant	Balance, Dec. 31, 2011	Transfer From 2012 Budget	Expended	Balance, Dec. 31, 2012
Municipal Alliance on Alcohol and Drug Abuse - 2011	$ 8,313		3,000	5,313
Local Match				
Municipal Alliance on Alcohol and Drug Abuse - 2012	10,878		2,324	8,554
Local Match	2,179		476	1,703
Clean Communities Program Grant - 2011	10,203		9,756	447
Clean Communities Program Grant - 2012		18,258	3,310	14,948
Alcohol Education and Rehabilitation - 2011			(1,079)	1,079
Alcohol Education and Rehabilitation - 2012		1,403		1,403
Department of Transportation Trust Fund - 2010	71,503			71,503
Department of Transportation Trust Fund - 2011	250,000		193,407	56,593
FY12 NJDOT Melanie Lane		205,000		205,000
FY12 NJDOT Melanie Lane Bridge		300,000	72,628	227,372
Body Armor Replacement Program - 2007	1,248		1,248	
Body Armor Replacement Program - 2008	3,397		1,773	1,624
Body Armor Replacement Program - 2009	1,330			1,330
Body Armor Replacement Program - 2010	3,102			3,102
Body Armor Replacement Program - 2011	3,397			3,397
Body Armor Replacement Program - 2012		3,302		3,302
Bullet Proof Vest Program - 2007	8,884		8,884	
Bullet Proof Vest Program - 2009	1,114		1,114	
Bullet Proof Vest Program - 2010	1,400		1,400	
Bullet Proof Vest Program - 2011	1,686		1,686	
Recycling Tonnage Grant - 2010	5,747		5,747	
Recycling Tonnage Grant - 2011	39,239		39,239	
Recycling Tonnage Grant - 2012		36,154	325	35,829
Emergency Mgmt. Agency Assistance Funding	5,000		4,589	411
Homeland Security Emergency Management		5,000	5,000	
Emergency Management Assistance		5,000	5,000	
	$ 428,620	574,117	359,827	642,910
Appropriated by 40a:4-87		$ 574,117		
		$ 574,117		

Exhibit B-1

TOWNSHIP OF EAST HANOVER

Schedule of Cash

Trust Funds

Year Ended December 31, 2012

	Animal Trust Fund	Other Trust Fund	Unemployment Compensation Trust Fund	Emergency Service LOSAP Fund
Balance - December 31, 2011	$ 6,765	6,426,430	155,966	364,048
Increase by Receipts:				
Reserve for Animal Trust Expenditures	10,135			
Interfunds		500		
Due to the State of New Jersey	1,227			
Various Reserves and Deposits		1,943,546		
Payroll Deductions		12,625,231		
Accounts Receivable			20,335	
Contributions				29,713
Interest Earnings			406	
Net Gain on Benefit Contributions				32,862
Total Receipts	11,362	14,569,277	20,741	62,575
	18,127	20,995,707	176,707	426,623
Decreased by Disbursements:				
Reserve for Animal Trust Expenditures	10,530			
Interfunds		426,861		
Due to the State of New Jersey	1,227		8,542	
Various Reserves and Deposits		5,692,067		
Payroll Deductions		12,538,994		
Account Charges/Tax				1,275
LOSAP Distributions				
Total Disbursements	11,757	18,657,922	8,542	1,275
Balance - December 31, 2012	$ 6,370	2,337,785	168,165	425,348

Exhibit B-2

TOWNSHIP OF EAST HANOVER

Schedule of Due to State of New Jersey

Trust Funds

Year Ended December 31, 2012

	Dog License Fees	Quarterly Unemployment Taxes Due
Increased by:		
Dog License Fees	$ 1,227	
Unemployment Billings		8,940
	1,227	8,940
	1,227	8,940
Decreased by:		
Cash Disbursements	1,227	8,542
	$	398

Exhibit B-3

TOWNSHIP OF EAST HANOVER

Schedule of Interfunds Receivable/(Payable)

Trust Funds

Year Ended December 31, 2012

	Balance Dec. 31, 2011	Increased	Decreased	Balance Dec. 31, 2012
Open Space Trust Fund				
Current Fund		554,162	554,162	
Capital Fund	$		764,720	(764,720)
Total Open Space Trust		554,162	1,318,882	(764,720)
Other Trust Fund:				
Current Fund	$ (8)	176,621	177,113	(500)
Total Open Space Trust	(8)	176,621	177,113	(500)
	$ (8)	730,783	1,495,995	(765,220)
Due to Current Fund	$ (8)	483,853	484,345	(500)
Due from Current Fund		246,930	246,930	
Due to Capital Fund			764,720	(764,720)
	$ (8)	730,783	1,495,995	(765,220)

Receipts $		500
Disbursements	119,621	307,240
Budgeted Revenue	307,232	
Miscellaneous Revenue		75,000
Tax Sale Premiums		28,600
Reimbursement for expenditures paid	57,000	73,005
Open Space Tax Levy	246,930	246,930
Ordinance 13-03, NJ Green Acres Trust		764,720
$	730,783	1,495,995

Exhibit B-4

TOWNSHIP OF EAST HANOVER

Schedule of Various Reserves and Deposits

Trust Funds

Year Ended December 31, 2012

	Balance Dec. 31, 2011	Increased	Decreased	Balance Dec. 31, 2012
Escrow Deposits	$ 989,363	364,795	442,681	911,477
Developer's Interest	35,836	75,924	87,355	24,405
Parking Offense Adjudication Act	1,999	216		2,215
Public Defender	4,330	5,455		9,785
Police Contractual Payroll	26,005	236,764	240,456	22,313
Recreation	80,286	114,018	127,360	66,944
Accrued Compensated Absences	15,082	57,000	49,513	22,569
Tax Title Lien Premiums	19,800	60,200	28,600	51,400
Law Enforcement	19,519	47		19,566
Affordable Housing	4,806,276	15,954	4,815,430	6,800
Municipal Open Space	427,442	1,013,173	1,092,245	348,370
	$ 6,425,938	1,943,546	6,883,640	1,485,844

Cash Receipts	1,943,546	
Cash Disbursements		5,692,067
Interfunds		1,191,573
	1,943,546	6,883,640

Exhibit B-5

TOWNSHIP OF EAST HANOVER

Schedule of Reserve for Payroll Deductions Payable

Trust Fund

Year Ended December 31, 2012

Balance - December 31, 2011	$ 484
Increased by:	
Payroll Deductions	12,625,231
	12,625,715
Decreased by:	
Cash Disbursements	12,538,994
Balance - December 31, 2012	$ 86,721

Exhibit B-6

TOWNSHIP OF EAST HANOVER

Schedule of Reserve for Animal Trust Fund Expenditures

Trust Funds

Year Ended December 31, 2012

Balance - December 31, 2011		$ 6,765
Increased by:		
Dog License Fees	$ 7,590	
Cat License Fees	1,091	
Miscellaneous Revenue:		
Late Fees - Dog	1,300	
Late Fees - Cat	130	
Interest Earnings	24	
		10,135
		16,900
Decreased by:		
Cash Disbursements		10,530
Balance - December 31, 2012		$ 6,370

Animal License Fees Collected	
Year	
2010	$ 9,964
2011	9,802
Maximum Reserve	$ 19,766

Exhibit B-7

TOWNSHIP OF EAST HANOVER

Schedule of Accounts Receivable

Trust Funds

Year Ended December 31, 2012

Balance - December 31, 2011		695
Increased by:		
Unemployment Insurance Payroll Deductions	$	19,640
Decreased by:		
Cash Receipts	$	20,335

Exhibit B-8

TOWNSHIP OF EAST HANOVER

Schedule of Reserve for Unemployment Compensation Insurance Fund

Trust Funds

Year Ended December 31, 2012

Balance - December 31, 2011		$ 156,661
Increased by:		
Interest Earnings	$ 406	
Current Year Contributions	19,640	
		20,046
		176,707
Decreased by:		
Cash Disbursements	8,542	
Accounts Payable	398	
		8,940
Balance - December 31, 2012		$ 167,767

Exhibit B-9

TOWNSHIP OF EAST HANOVER

Schedule of Service Award Contributions Receivable

Trust Funds

Year Ended December 31, 2012

Balance - December 31, 2011		$ 30,013
Increased by:		
2012 Service Award Contributions		36,400
		66,413
Decreased by:		
Cash Received	29,713	
Refund of Contribution	300	
		30,013
Balance - December 31, 2012		$ 36,400

Exhibit B-10

TOWNSHIP OF EAST HANOVER

Schedule of Net Assets Available for Benefits

Trust Funds

Year Ended December 31, 2012

Balance - December 31, 2011		$ 394,061
Increased by:		
Contributions	$ 36,400	
Gain on Benefit Contributions	32,862	
		69,262
		463,323
Decreased by:		
Account Charges/Tax	$ 1,275	
Refund of Contribution	300	
		1,575
Balance - December 31, 2012		$ 461,748

Exhibit C-2

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Cash

General Capital Fund

Year Ended December 31, 2012

Balance - December 31, 2011		$ 642,265
Increased by Receipts:		
Bond Anticipation Notes	$ 1,564,935	
Refunding Bond Payable	4,310,000	
Interfunds	5,584	
Close out of Refunding Escrow	20,290	
		5,900,809
		6,543,074
Decreased by Disbursements:		
Improvement Authorizations	$ 4,822,559	
Interfunds	8,557	
		4,831,116
Balance - December 31, 2012		$ 1,711,958

Exhibit C-3

TOWNSHIP OF EAST HANOVER, N.J.

Analysis of Cash

General Capital Fund

Year Ended December 31, 2012

Fund Balance		$ 20,389
Capital Improvement Fund		705
Grants Receivable		(712,500)
Improvement Authorizations:		
Ordinance Number	Improvement Description	
4-00b	Improvements to McKinley Avenue	(39,436)
07-11	Various Capital Improvements	141,313
10-11	Various Improvements	31,194
10-12	Various Capital Improvements	1,515,293
14-12	Purchase of an Aerial Ladder Truck	755,000
		$ 1,711,958

Exhibit C-4

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Deferred Charges to Future Taxation - Funded

General Capital Fund

Year Ended December 31, 2012

Balance - December 31, 2011		$ 17,948,396
Increased by:		
Capital Lease Authorizations	$ 150,752	
Refunding Bonds Issued	4,310,000	
		4,460,752
		22,409,148
Decreased by:		
Current year Budget Appropriations:		
Capital Lease Payments	$ 92,061	
NJ Green Trust Loans	17,991	
Serial Bond Principal	5,290,000	
		5,400,052
Balance - December 31, 2012		$ 17,009,096

Exhibit C-5

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Deferred Charges to Future Taxation - Unfunded

General Capital Fund

Year Ended December 31, 2012

Ordinance Number	Improvement Description	Balance Dec. 31, 2011	2012 Authorizations	Cancelled	Financed by Refunding Serial Bonds	Balance Dec. 31, 2012	Analysis of Balance: Financed by Bond Anticipation Notes	Analysis of Balance: Expenditures	Analysis of Balance: Unexpended Improvement Authorization
	General improvements:								
4-00b	Improvements to McKinley Avenue	$ 39,436				39,436		39,436	
13-09	Various Capital Improvements	1,140,000				1,140,000	1,140,000		
04-10	Refunding Bond Ordinance	505,000				505,000			505,000
1-12	Refunding Bond Ordinance		4,750,000		4,310,000	440,000			440,000
10-12	Various Capital Improvements		1,564,935			1,564,935	1,564,935		
14-12	Purchase of an Aerial Ladder Truck		95,000			95,000			95,000
		$ 1,684,436	6,409,935		4,310,000	3,784,371	2,704,935	39,436	1,040,000

Improvement Authorizations - Unfunded	$ 2,555,293
Less: Unexpended proceeds of Bond Anticipation Notes Ordinance: 10-12	1,515,293
	$ 1,040,000

Exhibit C-6

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of General Serial Bonds Payable

General Capital Fund

Year Ended December 31, 2012

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding, December 31, 2012 Date	Amount	Interest Rate	Balance Dec. 31, 2011	Increased	Decreased	Balance Dec. 31, 2012
General Improvement	November 1, 2004	4,600,000	11/01/13	100,000	4.000%	$ 4,300,000		4,200,000	100,000
General Improvement	March 15, 2007	7,168,000	03/15/13	300,000	3.875%	6,458,000		250,000	6,208,000
			03/15/14-15	300,000	3.900%				
			03/15/16	350,000	3.900%				
			03/15/17-23	450,000	3.900%				
			03/15/24-26	450,000	3.950%				
			03/15/27	458,000	3.950%				
General Improvement	December 4, 2008	3,876,000	10/11/13-15	50,000	4.500%	3,726,000		50,000	3,676,000
			10/15/16	25,000	4.500%				
			10/15/17	465,000	5.000%				
			10/15/18	505,000	5.000%				
			10/15/19	555,000	5.000%				
			10/15/20	600,000	4.500%				
			10/15/21	655,000	4.500%				
			10/15/22	721,000	4.625%				
Refunding Bonds	November 4, 2010	3,120,000	02/01/13	685,000	3.000%	3,095,000		690,000	2,405,000
			02/01/14	670,000	4.000%				
			02/01/15	530,000	4.000%				
			02/01/16	520,000	4.000%				

Exhibit C-6

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of General Serial Bonds Payable

General Capital Fund

Year Ended December 31, 2012

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding, December 31, 2012 Date	Amount	Interest Rate	Balance Dec. 31, 2011	Increased	Decreased	Balance Dec. 31, 2012
Refunding Bonds	March 28, 2012	4,310,000	11/01/13	25,000	1.500%		4,310,000	100,000	4,210,000
			11/01/14	330,000	2.000%				
			11/01/15	325,000	2.000%				
			11/01/16	320,000	3.000%				
			11/01/17	415,000	3.000%				
			11/01/18	410,000	3.000%				
			11/01/19	410,000	3.000%				
			11/01/20	405,000	3.000%				
			11/01/21	400,000	3.000%				
			11/01/22	395,000	3.000%				
			11/01/23	390,000	3.000%				
			11/01/24	385,000	3.000%				
						$ 17,579,000	4,310,000	5,290,000	16,599,000

Budget Appropriations	$ 1,190,000
Bonds Refunded	4,100,000
	$ 5,290,000

Exhibit C-7

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of New Jersey Green Trust Loans Payable

General Capital Fund

Year Ended December 31, 2012

Improvement Description	Date of Issue	Original Issue	Maturities of Loans Outstanding, December 31, 2012 Date	Amount	Interest Rate	Balance Dec. 31, 2011	Decreased	Balance Dec. 31, 2012
Cook (Halfway) House Acquistion Project	June 22, 1993	296,609	2013	9,131	2.00%	27,122	17,991	9,131
						$ 27,122	17,991	9,131

Exhibit C-8

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Bond Anticipation Notes Payable

General Capital Fund

Year ended December 31, 2012

Ord. No.	Improvement Description	Date of issue of original notes	Date of issue	Date of Maturity	Interest rate	Balance Dec.31 2011	Increased	Decreased	Balance, Dec.31, 2012
13-09	Various Capital Improvements	Aug. 24, 2011	Aug. 23, 2012	Aug. 23, 2013	0.68%	1,140,000	1,140,000	1,140,000	1,140,000
10-12	Various Capital Improvements	Aug. 23, 2012	Aug. 23, 2012	Aug. 23, 2013	0.68%		1,564,935		1,564,935
						$ 1,140,000	2,704,935	1,140,000	2,704,935

Exhibit C-9

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Lease Purchase Agreement Payable

General Capital Fund

Year Ended December 31, 2012

Purpose	Date of Issue	Original Issue	Maturities of Loans Outstanding, December 31, 2012 Date	Amount	Interest Rate	Balance Dec. 31, 2011	Increased	Decreased	Balance Dec. 31, 2012
(2) Dodge Durango Police Vehicl	July 1, 2007	65,325				$ 14,196		14,196	
1500 GPM Pumper Apparatus with Equipment	July 1, 2007	452,250	7/1/13	45,856	4.370%	294,147		43,934	250,213
			7/1/14	47,860	4.370%				
			7/1/15	49,951	4.370%				
			7/1/16	52,134	4.370%				
			7/1/17	54,412	4.370%				
(4) 2009 Ford CV Police Pursuit Vehicles	May 21, 2009	99,845				33,931		33,931	
(4) 2012 Ford Utility Police Interceptors	November 20, 2012	150,752	2/1/13	51,037	2.750%		150,752		150,752
			2/1/13	49,181	2.750%				
			2/1/13	50,534	2.750%				
						$ 342,274	150,752	92,061	400,965

Exhibit C-10

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Reserve for Payment of Debt

General Capital Fund

Year Ended December 31, 2012

Balance - December 31, 2011	$	52,973
Increased by:		
NJ Green Acres Trust, Open Space Trust Ord. 13-03		764,720
		817,693
Decreased by:		
Utilized as Budget Revenue		52,973
Balance - December 31, 2012	$	764,720

Exhibit C-11

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Improvement Authorizations

General Capital Fund

Year Ended December 31, 2012

Ordinance Number	Improvement Description	Ordinance Amount	Balance Dec. 31, 2011 Funded	Balance Dec. 31, 2011 Unfunded	2012 Authorizations	Paid or Charged	Balance Dec. 31, 2012 Funded	Balance Dec. 31, 2012 Unfunded
	General Improvements:							
13-09	Various Capital Improvements	1,500,000		2,133		2,133		
03-10	Technology Upgrades	49,754	629			629		
04-10	Refunding Bond Ordinance	4,750,000		505,000				505,000
10-10	New Handguns and Police Equipment	23,000	2,769			2,769		
7-11	Various Capital Improvements	642,436	492,528			351,215	141,313	
10-11	Various Improvements	55,000	55,000			23,806	31,194	
1-12	Refunding Bond Ordinance	4,750,000			4,750,000	4,310,000		440,000
10-12	Various Capital Improvements	1,647,300			1,647,300	132,007		1,515,293
14-12	Purchase of an Aerial Ladder Truck	850,000			850,000		755,000	95,000
			$ 550,926	507,133	7,247,300	4,822,559	927,507	2,555,293

Exhibit C-12

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Capital Improvement Fund

General Capital Fund

Year Ended December 31, 2012

Balance - December 31, 2011	$	66,070
Increased by:		
Budget Appropriation		50,000
		116,070
Decreased by:		
Appropriated to Finance Improvement Authorizations		115,365
Balance - December 31, 2012	$	705

Exhibit C-13

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Interfunds

General Capital Fund

Year ended December 31, 2012

		Increased	Decreased	Due from/(to) Balance Dec. 31, 2012
Current Fund	$	58,557	58,557	
Open Space Trust Fund		764,720		764,720
	$	823,277	58,557	764,720
Analysis				
Due from General Capital Fund	$	58,557	58,557	
Due to General Capital Fund		764,720		764,720
	$	823,277	58,557	764,720

Cash Receipts	$	5,584	
Cash Disbursements			8,557
Capital Improvement Fund			50,000
Reserve for Payment of Debt - Ord. 13-03		764,720	
Budget Revenue		52,973	
	$	823,277	58,557

Exhibit C-14

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Bonds and Notes Authorized But Not Issued

General Capital Fund

Year Ended December 31, 2012

Ordinance Number	Improvement Description	Balance Dec. 31, 2011	2012 Authorizations	Decreased	Balance Dec. 31, 2012
4-00b	Improvements to McKinley Avenue	39,436			39,436
04-10	Refunding Bond Ordinance	505,000			505,000
1-12	Refunding Bond Ordinance		4,750,000	4,310,000	440,000
10-12	Various Capital Improvements		1,564,935	1,564,935	
14-12	Purchase of an Aerial Ladder Truck		95,000		95,000
		$ 544,436	6,409,935	5,874,935	1,079,436

Refunding Bonds Issued	$ 4,310,000
Bond Anticipation Notes Issued	1,564,935
	$ 5,874,935

Exhibit C-15

TOWNSHIP OF EAST HANOVER, N.J.

Schedule of Grants Receivable

General Capital Fund

Year Ended December 31, 2012

Increased by:	
Ordinance 14-2012	$ 712,500
Balance - December 31, 2012	$ 712,500

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Exhibit D-4

TOWNSHIP OF EAST HANOVER

Schedule of Cash - Treasurer

Water and Sewer Utility Fund

Year ended December 31, 2012

	Operating	Capital
Balance - December 31, 2011	$ 949,549	231,248
Increased by Receipts:		
Water Collector	3,601,287	
Interest on Investments	961	
Other Miscellaneous	3,113	
Non-Budget Revenue	365,327	
NYNEX Lease on tower	43,050	
Overpayments	10,324	
Bond Anticipation Notes		451,250
Interfunds		49,411
	4,024,062	500,661
	4,973,611	731,909
Decreased by Disbursements:		
2012 Appropriations	3,946,652	
2011 Appropriation Reserves	106,149	
Interfunds	49,411	
Accrued Interest on Bonds	111,725	
Accrued Intertest on Notes	3,047	
Refund	1,450	
Improvement Authorizations		365,215
	4,218,434	365,215
Balance - December 31, 2012	$ 755,177	366,694

Exhibit D-5

TOWNSHIP OF EAST HANOVER

Analysis of Cash

Water and Sewer Utility Capital Fund

December 31, 2012

		Balance, Dec. 31, 2012
Reserve for Water System Development and Improvement		$ 105,712
Reserve for Groundwater Clean-Up		1,000,000
Capital Improvement Fund		15,347
Interfunds Accounts Payable		49,411
Improvement authorizations:		
Ordinance number	General improvements	
20-94	Improvement of Water Supply System	(27)
20-95	Replacement of Hanover Road Water Main	(383)
15-01	Purchase of Equipment	(49,000)
14-06	Improvements of Water Utility System	(725,000)
6-10	Improvements to Water System	23,917
8-11	Improvements to Water System	19,336
11-12	Various Utility Improvements	(72,619)
		$ 366,694

Exhibit D-6

TOWNSHIP OF EAST HANOVER

Schedule of Interfunds

Water and Sewer Utility Operating Fund

Year ended December 31, 2012

		Increased	Due from/(to) Balance Dec. 31, 2012
Water Utility Capital Fund	$	49,411	49,411
		49,411	49,411

Cash Disbursements	$	49,411
	$	49,411

Exhibit D-7

TOWNSHIP OF EAST HANOVER

Schedule of Consumers' Accounts Receivable - Operating Fund

Water and Sewer Utility Operating Fund

Year ended December 31, 2012

Balance - December 31, 2011		$ 127,229
Increased by:		
Water Utility Billings	$ 1,842,407	
Sewer Utility Billings	1,794,087	
		3,636,494
		3,763,723
Decreased by:		
Cash receipts	$ 3,601,287	
Transfer to Overpayments	10,324	
Overpayments applied	12,113	
		3,623,724
Balance - December 31, 2012		$ 139,999

Exhibit D-8

Inventory - Material and Supplies

Water and Sewer Utility Operating Fund

Year ended December 31, 2012

Balance - December 31, 2011	$ 44,764
Increased by:	
Purchases	49,745
	94,509
Decreased by:	
Inventory usage	38,806
Balance - December 31, 2012	$ 55,703

Anaylsis of Balance:	
Water Portion	52,203
Sewer Portion	3,500
	$ 55,703

Exhibit D-9

TOWNSHIP OF EAST HANOVER

Schedule of Fixed Capital

Water and Sewer Utility Capital Fund

Year ended December 31, 2012

Account		Balance, Dec. 31, 2012
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
	$	8,319,771

Exhibit D-10

TOWNSHIP OF EAST HANOVER

Schedule of Fixed Capital Authorized and Uncompleted

Water and Sewer Utility Capital Fund

Year ended December 31, 2012

Ordinance number	Improvement description	Ordinance Date	Ordinance Amount	Balance, Dec. 31, 2011	2012 Authorizations	Balance, Dec. 31, 2012
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 Ground: 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
8-11	Various Utility Improvements	07/09/12	276,500		276,500	276,500
				$ 3,509,259	276,500	3,785,759

Exhibit D-11

TOWNSHIP OF EAST HANOVER

Schedule of 2011 Appropriation Reserves

Water and Sewer Utility Operating Fund

Year ended December 31, 2012

	Balance, Dec. 31, 2011	Balance after tranfers and encumbrances	Paid or charged	Balance Lapsed
Operating:				
Salaries and Wages	$ 7,687	7,687		7,687
Other Expenses	42,476	81,942	78,745	3,197
Purchase of Water	15,695	28,522	27,404	1,118
Florham Park Treatment Plant	500	500		500
Total Operating	66,358	118,651	106,149	12,502
	$ 66,358	118,651	106,149	12,502

Appropriation Reserves	66,358
Encumbrances	52,293
	$ 118,651

Exhibit D-12

TOWNSHIP OF EAST HANOVER

Schedule of Overpayments

Water and Sewer Utility Operating Fund

Year ended December 31, 2012

Balance - December 31, 2011	$	12,113
Increased by:		
Cash Receipts		10,324
		22,437
Decreased by:		
Applied		12,113
Balance - December 31, 2012	$	10,324

Exhibit D-13

TOWNSHIP OF EAST HANOVER

Schedule of Accrued Interest on Bonds

Water and Sewer Utility Operating Fund

Year ended December 31, 2012

Balance - December 31, 2011		$ 31,915
Increased by:		
Budget Appropriation		112,244
		144,159
Decreased by:		
Payments	$ 111,725	
Liability Canceled	2,155	
Payments		113,880
Balance- December 31, 2012		$ 30,279

Analysis of Balance

Principal Outstanding Dec. 31, 2012	Period (Days)	Interest Rate	Amount
$ 470,000	135	4.50%	7,931
1,160,000	45	4.50%	6,525
800,000	60	1.50%	2,000
			$ 16,456

Exhibit D-14

TOWNSHIP OF EAST HANOVER

Schedule of Accrued Interest on Notes

Water and Sewer Utility Operating Fund

Year ended December 31, 2012

Balance, December 31, 2011	$ 1,067
Increased by:	
Budget Appropriation	3,555
	4,622
Decreased by:	
Payments	3,047
Balance, December 31, 2012	$ 1,575

Analysis of Balance

Principal Outstanding Dec. 31, 2012	Period (Days)	Interest Rate	Amount
$ 190,000	130	0.68%	$ 467
285,000	130	0.68%	700
166,250	130	0.68%	408
			$ 1,575

Exhibit D-15

TOWNSHIP OF EAST HANOVER

Schedule of Reserve for Water System Development and Improvement

Water and Sewer Utility Capital Fund

Year ended December 31, 2012

Balance - December 31, 2011	$ 105,712
Balance - December 31, 2012	$ 105,712

Exhibit D-16

Schedule of Reserve for Ground Water Clean-Up

Water and Sewer Utility Capital Fund

Year ended December 31, 2012

Balance - December 31, 2011	$ 1,000,000
Balance - December 31, 2012	$ 1,000,000

Exhibit D-17

TOWNSHIP OF EAST HANOVER

Schedule of Reserve for Amortization

Water and Sewer Utility Capital Fund

Year ended December 31, 2012

Balance, December 31 - 2011		$ 7,285,360
Increased by:		
Budget Appropriation -		
Bond Anticipation Notes	$ 100,000	
Bonds	235,000	
		335,000
Balance, December 31 - 2012		$ 7,620,360

Exhibit D-18

Schedule of Capital Improvement Fund

Water and Sewer Utility Capital Fund

Year ended December 31, 2012

Balance- December 31, 2011	$ 15,347
Balance- December 31, 2012	$ 15,347

Exhibit D-19

TOWNSHIP OF EAST HANOVER

Schedule of Improvement Authorizations

Water and Sewer Utility Capital Fund

Year ended December 31, 2012

Ordinance number	Improvement description	Ordinance Date	Ordinance Amount	Balance, Dec. 31, 2011 Funded	Balance, Dec. 31, 2011 Unfunded	2012 Authorizations	Expended	Balance, Dec. 31, 2012 Funded	Balance, Dec. 31, 2012 Unfunded
10-01	Development of Potable Water	March 19, 2001	$ 249,260	$ 86,448			86,448		
19-04a	Improvements to Buildings & Grouds at Pump Stations	May 10, 2004	150,000		9,181		9,181		
6-10	Improvements to Water System	December 27, 2010	300,000		65,220		41,303		23,917
8-11	Improvements to Water System	August 8, 2011	175,000	8,750	166,250		155,664		19,336
11-12	Various Utility Improvements	July 9, 2012	276,500			276,500	72,619		203,881
				$ 95,198	240,651	276,500	365,215		247,134

Exhibit D-20

TOWNSHIP OF EAST HANOVER

Schedule of Interfunds

Water and Sewer Utility Capital Fund

Year ended December 31, 2012

	Decreased	Due from/(to) Balance Dec. 31, 2012
Water Utility Operating Fund	$ 49,411	(49,411)
	$ 49,411	(49,411)
Analysis		
Due from Water Utility Capital Fund	49,411	(49,411)
	$ 49,411	(49,411)

Cash Receipts	$ 49,411
	$ 49,411

Exhibit D-21

TOWNSHIP OF EAST HANOVER

Schedule of Deferred Reserve for Amortization

Water and Sewer Utility Capital Fund

Year ended December 31, 2012

Ordinance number	Improvement description	Date of Ordinance		Balance, Dec. 31, 2011	Balance, Dec. 31, 2012
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
			$	363,010	363,010

Exhibit D-22

TOWNSHIP OF EAST HANOVER

Schedule of Water Utility Serial Bonds

Water and Sewer Utility Capital Fund

Year ended December 31, 2012

Purpose	Date of issue	Original issue	Maturities of bonds outstanding, December 31, 2012 Date	Amount	Interest rate	Balance, Dec. 31, 2011	Decreased	Balance, Dec. 31, 2012
Water Improvements	Aug. 15, 2008	570,000	Aug. 15, 2013	35,000	4.500	$ 495,000	25,000	470,000
			Aug. 15, 2014	35,000	4.625			
			Aug. 15, 2015-21	50,000	4.750			
			Aug. 15, 2022	50,000	5.000			
Water Improvements	Oct. 15, 2008	1,260,000	Oct. 15, 2013-16	25,000	4.500	1,185,000	25,000	1,160,000
			Oct. 15, 2017-19	25,000	5.000			
			Oct. 15, 2020-21	25,000	4.580			
			Oct. 15, 2022	50,000	4.625			
			Oct. 15, 2023	135,000	5.000			
			Oct. 15, 2024	140,000	5.000			
			Oct. 15, 2025	145,000	5.000			
			Oct. 15, 2026	150,000	5.125			
			Oct. 15, 2027	155,000	5.125			
			Oct. 15, 2028	160,000	5.250			

Exhibit D-22

TOWNSHIP OF EAST HANOVER

Schedule of Water Utility Serial Bonds

Water and Sewer Utility Capital Fund

Year ended December 31, 2012

Purpose	Date of issue	Original issue	Maturities of bonds outstanding, December 31, 2012 Date	Amount	Interest rate	Balance, Dec. 31, 2011	Decreased	Balance, Dec. 31, 2012
Refunding Bonds	Nov. 4, 2010	1,125,000	Feb. 1, 2013	185,000	3.000	985,000	185,000	800,000
			Feb. 1, 2014	170,000	4.000			
			Feb. 1, 2015-16	60,000	4.000			
			Feb. 1, 2017-19	60,000	3.000			
			Feb. 1, 2020	55,000	3.000			
			Feb. 1, 2021	55,000	3.125			
			Feb. 1, 2022	35,000	3.250			
						$ 2,665,000	235,000	2,430,000

Exhibit D-23

TOWNSHIP OF EAST HANOVER

Schedule of Bond Anticipation Notes Payable

Water and Sewer Utility Captial Fund

Year ended December 31, 2012

Ord. No.	Improvement Description	Date of issue of original notes	Date of issue	Date of Maturity	Interest rate	Balance Dec.31 2011	Increased	Decreased	Balance, Dec.31, 2012
15-01	Acquisition of Equipment	June 18, 2002	June 6, 2011	June 5, 2012	2.25%	$ 100,000		100,000	
19-04	Water/Sewer Utility Improvements	Aug. 24, 2011	Aug. 23, 2012	Aug. 23, 2013	0.68%	190,000	190,000	190,000	190,000
6-10	Improvements to Water System	Aug. 23, 2012	Aug. 23, 2012	Aug. 23, 2013	0.68%		285,000		285,000
8-11	Improvements to Water System	Aug. 23, 2012	Aug. 23, 2012	Aug. 23, 2013	0.68%		166,250		166,250
						$ 290,000	641,250	290,000	641,250
						Cash $	451,250	100,000	
						Renewed	190,000	190,000	
						$	641,250	290,000	

Exhibit D-24

TOWNSHIP OF EAST HANOVER

Schedule of Bonds and Notes Authorized But Not Issued

Water and Sewer Utility Capital Fund

Year ended December 31, 2012

Ordinance Number	Improvement Description	Balance Dec. 31, 2011	2012 Authorizations	Decreased	Balance Dec. 31, 2012
20-94	Improvement of Water Supply System	$ 27			27
20-95	Replacement of Hanover Road Water Main	383			383
15-01	Purchase of Equipment	49,000			49,000
14-06	Improvement of Water System	725,000			725,000
6-10	Improvements to Water System	285,000		285,000	
8-11	Improvements to Water System	166,250		166,250	
11-12	Various Utility Improvements		276,500		276,500
		$ 1,225,660	276,500	451,250	1,050,910

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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, 2012

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

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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 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, 2012, and have issued our report thereon dated March 26, 2013. Our report disclosed that, as described in Note 1 to the financial statements-regulatory basis, the Township of East Hanover prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis of accounting and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit 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.

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.

FWCC

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.

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.

FWCC

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. Wielkotz, C.P.A.
Registered Municipal Accountant
No. CR00413

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

March 26, 2013

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TOWNSHIP OF EAST HANOVER

GENERAL COMMENTS

Contracts and Agreements

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

a. When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of $17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to 25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

b. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to subparagraph (i) of paragraph (a) of subsection (1) of section 5 of P.L. 1971, c.198 (C.40A:11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.

c. The Governor, in consultation with the Department of the Treasury, shall no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L. 1999, c.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L. 1971, c.198(C.40A:11-2), and shall round the adjustment to the nearest $1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. The adjustment shall become effective on July 1 of the year in which it is made.

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

a. Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this act of specifically by any other law. The governing body of a contracting unit may, be 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

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

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

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

Sewage Pump Stations No. 2 and No. 7 Grinder Installations
Tree Removal, Trimming and Stump Grinding Services
HVAC Repair and Maintenance Services

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 statue 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 3, 2012, 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.

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 November 29, 2012, 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:

Year	Number of liens
2012	2
2011	2
2010	0

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, 2012

Comments:

Administration:

1. *The Township does not have a system of tagging fixed assets.
2. *The Department of Public Works purchased Bioxide in an amount in excess of the bid threshold without following the requirements of Local Public Contracts Law.
3. Request for Qualification documents for awarded professional service contracts could not be located for review.
4. There is no salary ordinance for the payment of fire watch duty.

Finance:

1. *Interest earned on Developer' Escrow deposits is not allocated among the individual developers in accordance with N.J.S.A. 40:55D-53.1.
2. *The 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".
3. Receipts collected in the Water/Sewer Utility were posted as reimbursements to appropriation lines instead of revenue.
4. Goods/Services are being ordered prior to being encumbered as prescribed by Technical Directive #1.
5. There were instances where the incorrect budget year was charged for Shade Tree and residential curbside collections.

Municipal Court

1. There are 25 tickets eligible for FTA over 14 days on the December Monthly Management Report.
2. There are 61 tickets assigned over 180 days on the December Monthly Management Report.
3. There were instances when deposits were made into the incorrect bank accounts and the error was not corrected prior to year end.
4. Monies collected are not being transferred to the proper agencies prior the fifteenth of the subsequent month.
5. The ticket logs being utilized by the police do not require a signature of the officer receiving the ticket book.
6. Statutory employees of the court do not have the required bond coverage.
7. *The Reconciled cash bail per the bank account does not agree to the Bail on Account per ATS/ACS.

Recommendations:

Administration:

1. *That the Township develop and implement a system of tagging fixed assets as required by Technical Accounting Directive #2, codified as N.J.A.C. 5:30-5.6.
2. *That all purchases above the bid threshold be advertised for public bid as required by Local Public Contracts Law N.J.S.A. 40A:11-1 et seq.
3. That Request for Qualification documents for awarded professional service contracts be retained for a minimum of four years as required by N.J.S.A. 19:25.
4. That the Township approve an ordinance establishing a payment rate for individuals performing fire watch duty.

Finance:

1. *That an account be established to maintain accurate individual developer escrow balances with allocated interest earnings.
2. *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".
3. That more care be taken to ensure receipts are properly recorded as revenue.
4. That all goods/services be encumbered prior to being ordered in accordance with Technical Directive #1.
5. That more care be taken to ensure that the proper budget year is charged.

Municipal Court

1. That all eligible FTA be processed in a timely manner
2. That tickets assigned over 180 days be recalled and re-issued by the court
3. That more care be taken to ensure deposits are made to the proper bank accounts.
4. That monies collected be transmitted to the proper agencies prior to the fifteenth of the subsequent month.
5. That ticket logs be modified to include a signature requirement of the officer receiving the ticket books.
6. That all statutory employees be included in the Townships' joint insurance fund.
7. *That the Bail on Account be reconciled to the Bail Account cash on a monthly basis.

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. Wielkotz
Registered Municipal Accountant
No. CR00413

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

March 26, 2013