

TOWNSHIP OF NORTH HANOVER

**AUDIT REPORT FOR THE YEAR
ENDED DECEMBER 31, 2017**

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**TOWNSHIP OF NORTH HANOVER
COUNTY OF BURLINGTON**

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**TOWNSHIP OF NORTH HANOVER
COUNTY OF BURLINGTON**

PART I

**INDEPENDENT AUDITOR'S REPORTS
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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HOLMAN | FRENIA
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Township Committee
Township of North Hanover
County of Burlington
North Hanover, New Jersey

Report on the Financial Statements

We have audited the accompanying statements of assets, liabilities, reserves and fund balance - regulatory basis of the various funds and account group of the Township of North Hanover as of December 31, 2017 and 2016, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, the related statements of revenues - regulatory basis, and statements of expenditures - regulatory basis for the year ended December 31, 2017 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 accounting principles and practices 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township'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.

Opinions

Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

As described in Note 1, the financial statements are prepared by the Township of North Hanover on the basis of the financial reporting provisions of 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 the State 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 Accounting Principles Generally Accepted in the United States of America

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 the Township, as of December 31, 2017 and 2016, or the results of its operations and changes in fund balance for the years then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the Township, as of December 31, 2017 and 2016, and the results of its operations and changes in fund balance - regulatory basis of such funds for the years then ended, and the statements of revenues - regulatory basis, statements of expenditures - regulatory basis of the various funds, and general fixed assets group of accounts – regulatory basis, for the year ended December 31, 2017 in conformity with accounting principles and practices 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’s basic financial statements. The supplemental schedules presented for the various funds and letter of comments and recommendations section are presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and are not a required part of the basic financial statements.

The supplemental schedules presented for the various funds are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial

statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements of each of the respective individual funds and account group taken as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated June 14, 2018 on our consideration of the Township'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 the 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's internal control over financial reporting and compliance.

Respectfully submitted,

HOLMAN FRENIA ALLISON, P.C.

Michael Holt
Certified Public Accountant
Registered Municipal Accountant
RMA No. 473

Medford, New Jersey
June 14, 2018

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

Honorable Mayor and Members
of the Township Committee
Township of North Hanover
County of Burlington
North Hanover, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements - regulatory basis of the Township of North Hanover, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated June 14, 2018. Our report indicated that the Township's financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of financial statement findings that we consider to be a material weakness as Finding No. 2017-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which are described in the accompanying schedule of financial statement findings as Finding No. 2017-001.

We noted certain other matters that are not required to be reported under Governmental Auditing Standards, that we reported to management in the accompanying letter of comments and recommendations section of this report as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Township of North Hanover's Response to Findings

The Township of North Hanover's response to the findings identified in our audit is described in the accompanying schedule of financial statement findings. The Township's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Michael Holt
Certified Public Accountant
Registered Municipal Accountant
RMA No. 473

Medford, New Jersey
June 14, 2018

BASIC FINANCIAL STATEMENTS

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**TOWNSHIP OF NORTH HANOVER
CURRENT FUND
STATEMENTS OF ASSETS, LIABILITIES, RESERVES AND
FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2017 AND 2016**

ASSETS	REFERENCE	2017	2016
Regular Fund:			
Cash - Treasurer	A-4	\$ 1,583,206	\$ 1,217,478
Petty Cash	A	450	100
Change Funds	A-6	550	550
Total		<u>1,584,206</u>	<u>1,218,128</u>
Receivables & Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-8	161,094	159,737
Tax Title Liens Receivable	A-9	27,628	21,699
Property Acquired for Taxes - (Assessed Valuation)	A-18	3,410	29,710
Revenue Accounts Receivable	A-10	9,818	7,717
Due from Animal Control Trust	B	6,238	4,246
Due from Trust Other Fund	B	40,262	26,340
Total Receivable & Other Assets With Full Reserves		<u>248,450</u>	<u>249,449</u>
Deferred Charges To Future Taxation:			
Special Emergency Authorizations N.J.S.A. 40A:4-53	A-3	10,240	12,800
Emergency Authorization N.J.S.A. 40A:4-48	A-3	-	26,500
Overexpenditure of Appropriation Reserves	A	7,861	7,861
Total		<u>18,101</u>	<u>47,161</u>
Total Regular Fund		<u>1,850,757</u>	<u>1,514,738</u>
Federal & State Grant Fund:			
Due from Trust Other Fund	B	6,541	6,541
Due from Current Fund	A	17,615	2,808
Federal & State Grants Receivable	A-20	274,087	270,001
Total Federal & State Grants		<u>298,243</u>	<u>279,350</u>
		<u>\$ 2,149,000</u>	<u>\$ 1,794,088</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**TOWNSHIP OF NORTH HANOVER
CURRENT FUND
STATEMENTS OF ASSETS, LIABILITIES, RESERVES AND
FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2017 AND 2016**

LIABILITIES, RESERVES & FUND BALANCE	REFERENCE	2017	2016
Regular Fund:			
Liabilities:			
Appropriation Reserves	A-3	\$ 105,906	\$ 77,155
Accounts Payable	A	4,741	4,709
Reserve for Encumbrances	A-3	42,154	38,770
Prepaid Taxes	A-12	255,119	126,828
Tax Overpayments	A-13	6,345	6,639
County Taxes Payable	A-14	230	-
Due County for Added & Omitted Taxes	A-15	30,978	18,680
Local School Tax Payable	A-16	54,648	27,053
Regional School Tax Payable	A-17	74,646	116,608
Due To State of New Jersey - Senior Citizen & Veteran Deductions	A-7	2,201	2,201
Due To State of New Jersey - Marriage License Fees	A-4	200	250
Due To State of New Jersey - DCA Training Fees	A-4	2,382	2,000
Reserve for Preparation of Master Plan	A	810	810
Reserve for JIF Safety Program	A-4	1,891	599
Reserve for Revaluation	A	8,471	8,471
Reserve for Codification of Ordinances	A-4	7,680	7,680
Reserve for Insurance Recoveries	A-4	1,566	259
Reserve for Sale of Municipal Assets	A-4	5,625	-
Due to Other Trust Fund - Municipal Open Space	A-19, B	31,453	31,356
Due to General Capital Fund	C	30,000	-
Due to Federal & State Grant Fund	A	17,615	2,808
Total Liabilities		684,661	472,876
Reserve for Receivables & Other Assets	A	248,450	249,448
Fund Balance	A-1	917,646	792,414
Total Regular Fund		1,850,757	1,514,738
State & Federal Grants:			
Due to General Capital Fund	C	52,342	-
Encumbrance Payable	A-22	3,000	19,051
Reserve for Federal & State Grants:			
Unappropriated	A-21	30,121	29,599
Appropriated	A-22	212,780	230,700
Total State & Federal Grants		298,243	279,350
Total Liabilities, Reserves & Fund Balance		\$ 2,149,000	\$ 1,794,088

The accompanying Notes to the Financial Statements are an integral part of this statement.

**TOWNSHIP OF NORTH HANOVER
CURRENT FUND
STATEMENTS OF OPERATIONS AND CHANGES IN
FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
Revenue & Other Income Realized:		
Fund Balance Utilized	\$ 410,000	\$ 510,000
Miscellaneous Revenue Anticipated	1,610,286	1,792,959
Receipts From Delinquent Taxes	142,530	70,276
Receipts from Current Taxes	8,871,303	8,743,769
Nonbudget Revenues	111,989	136,365
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	68,021	44,075
Statutory Excess in Animal Control Trust Fund	1,992	-
Petty Cash	350	-
Interfunds Returned	22,312	-
	<u>11,238,783</u>	<u>11,297,444</u>
 Total Income		
	<u>11,238,783</u>	<u>11,297,444</u>
 Expenditures:		
Budget Appropriations:		
Within "CAPS":		
Operations Within "CAPS":		
Salaries and Wages	1,066,519	1,046,255
Other Expenses	1,181,385	1,205,060
Deferred Charges & Statutory Expenditures - Municipal	225,825	258,488
Excluded from "CAPS":		
Operations Excluded from "CAPS":		
Salaries and Wages	161,151	163,126
Other Expenses	97,717	101,995
Municipal Debt Service	357,915	334,256
Capital Improvements	-	175,000
Deferred Charges & Statutory Expenditures - Municipal	29,060	-
County Taxes	1,703,660	1,709,604
Due County for Added and Omitted Taxes	30,978	18,680
Local District School Taxes	2,814,625	2,759,436
Regional School Taxes	2,970,797	2,963,284
Municipal Open Space Tax	-	-
Refund of Prior Year Revenue	25,045	19,012
Prior Year Deductions Disallowed by Collector	750	250
Interfunds - Advanced	38,124	14,291
	<u>10,703,551</u>	<u>10,768,737</u>
 Total Expenditures		
	<u>10,703,551</u>	<u>10,768,737</u>
 Excess in Revenue	<u>535,232</u>	<u>528,707</u>
 Adjustment to Income Before Fund Balance:		
Expenditures Included Above Which Are By Statute Deferred		
Charges to Budgets of Succeeding Years	-	39,300
	<u>-</u>	<u>39,300</u>
 Statutory Excess to Fund Balance	535,232	568,007
Fund Balance January 1	792,414	734,407
	<u>1,327,646</u>	<u>1,302,414</u>
Total		
Decreased by:		
Utilized as Anticipated Revenue	410,000	510,000
	<u>410,000</u>	<u>510,000</u>
 Fund Balance December 31	<u>\$ 917,646</u>	<u>\$ 792,414</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**TOWNSHIP OF NORTH HANOVER
CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	ADOPTED BUDGET	ADDED BY N.J.S.40A:4-87	REALIZED	EXCESS (DEFICIT)
Surplus Anticipated	\$ 410,000	\$ -	\$ 410,000	\$ -
Miscellaneous Revenues:				
Licenses:				
Alcoholic Beverages	2,000	-	5,342	3,342
Other	13,000	-	8,177	(4,823)
Fees & Permits	198,000	-	183,513	(14,487)
Fines & Costs:				
Municipal Court	85,300	-	131,269	45,969
Interest on Costs & Taxes	30,000	-	33,773	3,773
Interest on Investments & Deposits	258	-	2,862	2,604
Summer Recreation Program - North Hanover				
Board of Education	5,300	-	5,200	(100)
Communication Leases - Cable/Tower	35,000	-	42,805	7,805
Energy Tax Receipts	765,714	-	765,714	-
Uniform Construction Code Fees	46,500	-	106,308	59,808
Interlocal Service Agreement:				
Chesterfield Court Fees	120,000	-	173,395	53,395
Public & Private Revenues Offset with Appropriations:				
Clean Communities Program	18,656	-	18,656	-
Safe & Secure Communities Program	30,000	-	30,000	-
Drunk Driving Enforcement Fund	9,604	-	9,604	-
Body Armor Replacement Grant Fund- State	5,389	-	5,389	-
Transfer of Reserves from Municipal Open Space Trust Fund for Debt Service	59,793	-	59,793	-
Premiums on Notes	28,486	-	28,486	-
Total Revenues	1,453,000	-	1,610,286	157,286
Receipts from Delinquent Taxes	145,000	-	142,530	(2,470)
Amount to be Raised by Taxes for Support of Municipal Budget - Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	1,386,760	-	1,625,346	238,586
Budget Totals	3,394,760	-	3,788,162	393,402
Nonbudget Revenues	-	-	111,989	111,989
Total	\$ 3,394,760	\$ -	\$ 3,900,151	\$ 505,391

**TOWNSHIP OF NORTH HANOVER
CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

ANALYSIS OF REALIZED REVENUE

Allocation of Current Tax Collections:	
Revenue From Collections	\$ 8,871,303
Allocated to School, County & Local Open Space Taxes	<u>7,520,060</u>
Balance of Support of Municipal Budget Appropriations	1,351,243
Add: Appropriation "Reserve for Uncollected Taxes"	<u>274,103</u>
Amount for Support of Municipal Budget Appropriations	<u>\$ 1,625,346</u>
Receipts from Delinquent Taxes:	
Delinquent Tax Collections	<u>\$ 142,530</u>
Fees & Permits - Other:	
Fees & Permits	\$ 325
Community Center	200
Dump Fees	36,910
Gun Permit	460
Land Use Application	7,500
Zoning Permits	1,400
Mobile Home Fees	<u>136,718</u>
Total	<u>\$ 183,513</u>

ANALYSIS OF NONBUDGET REVENUE

Miscellaneous Revenue Not Anticipated:	
Treasurer:	
Miscellaneous Fees	\$ 5,233
Tax Sale Premium Forfeited	3,000
Inspection of Motor Vehicles	9,257
Administrative Fee for Senior Citizens/Veterans and Homestead Rebates	840
Burlington County Tower Lease	22,500
Cable Franchise Fee	24,379
Insurance Reimbursements	15,429
Outside Police	9,741
Hotel/Motel Licenses	8,057
Sale of Solar Renewable Energy Credits	5,528
Tax Collector - Miscellaneous	<u>8,025</u>
Total	<u>\$ 111,989</u>

TOWNSHIP OF NORTH HANOVER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	APPROPRIATIONS			EXPENDED		
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	CANCELLED
OPERATIONS - WITHIN "CAPS"						
GENERAL GOVERNMENT:						
Mayor & Township Committee:						
Salaries and Wages	\$ 25,000	\$ 25,000	\$ 24,995	\$ -	\$ 5	\$ -
Other Expenses	2,825	3,225	3,030	-	195	-
Municipal Clerk:						
Salaries and Wages	53,100	53,300	53,281	-	19	-
Other Expenses	8,245	11,245	7,801	10	3,434	-
Financial Administration:						
Salaries and Wages	62,231	68,231	68,062	-	169	-
Other Expenses	22,505	22,505	21,649	842	14	-
Audit Services:						
Other Expenses	31,500	30,500	30,500	-	-	-
Collection of Taxes:						
Salaries and Wages	31,900	33,200	33,127	-	73	-
Other Expenses	9,648	10,548	10,504	-	44	-
Assessment of Taxes:						
Salaries and Wages	24,350	25,350	25,332	-	18	-
Other Expenses	4,500	4,650	4,649	-	1	-
Legal Services & Costs:						
Other Expenses	27,500	27,500	21,607	-	5,893	-
Engineering Services & Costs:						
Other Expenses	18,570	25,570	24,318	-	1,252	-
Municipal Land Use Law (N.J.S. 40:55D-1):						
Planning & Zoning Board:						
Salaries and Wages	625	2,625	2,620	-	5	-
Other Expenses	8,850	8,850	6,413	128	2,309	-
Zoning Officer:						
Other Expenses	775	775	308	-	467	-
Mobile Home Inspector:						
Other Expenses	200	200	150	-	50	-
INSURANCE:						
Other Insurance Premiums	61,000	51,500	51,220	-	280	-
Worker's Compensation Insurance	108,500	106,500	106,308	-	192	-
Group Insurance Plan for Employees	293,200	293,200	237,744	-	55,456	-
Medical Option Out Payments	5,000	1,200	-	-	1,200	-
PUBLIC SAFETY:						
Police:						
Salaries and Wages	649,610	649,355	648,181	-	1,174	-
Other Expenses	74,850	74,850	69,479	4,163	1,208	-

The accompanying Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF NORTH HANOVER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	APPROPRIATIONS			EXPENDED		
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	CANCELLED
OPERATIONS - WITHIN "CAPS"						
Emergency Management Service:						
Salaries and Wages	4,100	4,100	2,027	-	2,073	-
Other Expenses	1,250	2,250	2,224	-	26	-
Aid to Volunteer Fire Company:						
Jacobstown Volunteer Fire Company	59,100	53,100	45,382	3,891	3,827	-
Municipal Prosecutor:						
Salaries and Wages	2,600	2,750	2,733	-	17	-
Other Expenses	5,000	5,000	5,000	-	-	-
PUBLIC WORKS FUNCTIONS						
Public Works:						
Other Expenses	142,746	142,746	119,057	22,717	972	-
Sanitation:						
Waste Facility:						
Salaries and Wages	27,310	27,310	27,302	-	8	-
Other Expenses	27,200	33,700	32,606	1,054	40	-
Recycling:						
Other Expenses	100	3,200	1,135	-	2,065	-
Public Buildings & Grounds:						
Salaries and Wages	19,700	15,700	14,774	-	926	-
Other Expenses	33,550	46,050	43,638	1,841	571	-
Vehicle Maintenance:						
Other Expense	39,000	29,000	24,667	660	3,673	-
HEALTH & HUMAN SERVICES						
Board of Health:						
Other Expenses	50	50	-	-	50	-
Dog Regulation:						
Salaries and Wages	250	250	-	-	250	-
Other Expenses	1,000	1,000	900	-	100	-
PARKS & RECREATION FUNCTIONS:						
Parks & Playgrounds:						
Salaries and Wages	16,300	16,300	16,300	-	-	-
Other Expenses	26,871	28,221	27,631	500	90	-
Celebration of Public Events:						
Other Expenses	7,000	8,000	7,175	-	825	-
UTILITY EXPENSES & BULK PURCHASES:						
Electricity	22,800	22,400	18,748	1,478	2,174	-
Street Lighting	27,000	26,000	23,174	2,118	708	-
Telephone	17,400	19,900	19,402	497	1	-
Gas	5,000	5,400	5,399	-	1	-
Fuel Oil	1,000	1,100	1,095	-	5	-
Gasoline	32,000	32,000	30,648	1,346	6	-

**TOWNSHIP OF NORTH HANOVER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	APPROPRIATIONS		EXPENDED		CANCELLED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	
OPERATIONS - WITHIN "CAPS"					
Municipal Court:					
Salaries and Wages	59,275	61,775	61,539	-	236
Other Expenses	7,100	6,500	5,117	309	1,074
LANDFILL/SOLID WASTE DISPOSAL COSTS:					
Landfill Tipping Fees					
Other Expenses	41,000	41,000	40,709	-	291
Uniform Construction Code - Appropriations Offset by Dedicated Revenues (N.J.A.C.5:23-4.17):					
State Uniform Construction Code:					
Construction Official:					
Salaries and Wages	74,168	81,273	81,273	-	-
Other Expenses	1,950	1,950	1,461	-	489
Unclassified:					
Reserve for Salary Increases	20,000	-	-	-	-
Total Operations Within "CAPS	2,246,304	2,247,904	2,112,394	41,554	93,956
Detail:					
Salaries and Wages	1,070,519	1,066,519	1,061,546	-	4,973
Other Expenses	1,175,785	1,181,385	1,050,848	41,554	88,983
DEFERRED CHARGES & STATUTORY EXPENDITURES					
MUNICIPAL - WITHIN "CAPS"					
Statutory Expenditures:					
Contribution to:					
Public Employees' Retirement System	44,563	44,663	44,617	-	46
Social Security System (O.A.S.I)	86,000	84,000	83,684	-	316
Police & Fireman's Retirement System	88,062	90,062	89,965	-	97
Unemployment Compensation Insurance	7,800	6,100	6,034	-	66
Defined Contribution Retirement Program	1,000	1,000	1,000	-	-
Total Statutory Expenditures	227,425	225,825	225,300	-	525
Total General Appropriations Within "CAPS"	2,473,729	2,473,729	2,337,694	41,554	94,481
OPERATIONS EXCLUDED FROM "CAPS":					
Public Assistance	100	100	-	-	100
Recycling Tax Appropriations:					
Recycling Tax	4,800	4,800	4,051	-	749
INTERLOCAL MUNICIPAL SERVICE AGREEMENTS:					
Municipal Court:					
Salaries and Wages	95,906	95,906	91,671	-	4,235
Other Expenses	14,265	14,265	7,324	600	6,341

The accompanying Notes to the Financial Statements are an integral part of this statement.

**TOWNSHIP OF NORTH HANOVER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	APPROPRIATIONS			EXPENDED		
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	CANCELLED
OPERATIONS - EXCLUDED FROM "CAPS"						
Statutory Expenditures:						
Social Security System (O.A.S.I)	7,500	7,500	7,500	-	-	-
Contributions to Employees Retirement System	2,303	2,303	2,303	-	-	-
Unemployment Compensation Insurance	600	600	600	-	-	-
Group Insurance Plan for Employees	20,000	20,000	20,000	-	-	-
Municipal Prosecutor:						
Other Expenses	14,500	14,500	14,500	-	-	-
PUBLIC & PRIVATE REVENUES OFF-SET WITH APPROPRIATIONS:						
Clean Communities Program	18,656	18,656	18,656	-	-	-
Body Armor Replacement Grant- State	5,389	5,389	5,389	-	-	-
Recycling Grant- State Share	9,604	9,604	9,604	-	-	-
Safe & Secure Communities Program:						
State Share	30,000	30,000	30,000	-	-	-
Township Share	35,245	35,245	35,245	-	-	-
Total Operations	258,868	258,868	246,843	600	11,425	-
Total Operations Including Contingent	258,868	258,868	246,843	600	11,425	-
Detail:						
Salaries and Wages	161,151	161,151	156,916	-	4,235	-
Other Expenses	97,717	97,717	89,927	600	7,190	-
Municipal Debt Service:						
Payment of Bond Principal	170,000	170,000	170,000	-	-	-
Payment of Bond Anticipation & Capital Notes	86,000	86,000	86,000	-	-	-
Interest on Bonds	23,000	23,000	22,880	-	-	120

**TOWNSHIP OF NORTH HANOVER
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	APPROPRIATIONS		EXPENDED		
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED CANCELLED
OPERATIONS - EXCLUDED FROM "CAPS"					
Interest on Notes	80,000	80,000	79,035	-	965
Total Municipal Debt Service	359,000	359,000	357,915	-	1,085
DEFERRED CHARGES & STATUTORY EXPENDITURES					
MUNICIPAL - EXCLUDED FROM "CAPS"					
Emergency Authorizations	26,500	26,500	26,500	-	-
Special Emergency Authorizations - 5 Years	2,560	2,560	2,560	-	-
Total Deferred Charges & Statutory Expenditures	29,060	29,060	29,060	-	-
Total General Appropriations for Municipal Services Excluded from "CAPS"	646,928	646,928	633,818	600	11,425
Subtotal General Appropriations Reserve for Uncollected Taxes	3,120,657	3,120,657	2,971,512	42,154	105,906
	274,103	274,103	274,103	-	-
Total General Appropriations	\$ 3,394,760	\$ 3,394,760	\$ 3,245,615	\$ 42,154	\$ 105,906

Original Budget 3,394,760

Total \$ 3,394,760

Reserve for State & Federal Grants Appropriated	\$ 98,894
Deferred Charges	29,060
Reserve for Uncollected Taxes	274,103
Refunds	(43,040)
Cash Disbursed	<u>2,886,598</u>
Total	<u>\$ 3,245,615</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**TOWNSHIP OF NORTH HANOVER
TRUST FUND
STATEMENTS OF ASSETS, LIABILITIES, RESERVES AND
FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2017 AND 2016**

ASSETS	REFERENCE	2017	2016
Animal Control Trust Fund:			
Cash	B-1	\$ 14,540	\$ 11,494
Total Animal Control Trust Fund		<u>14,540</u>	<u>11,494</u>
Other Funds:			
Cash - Treasurer	B-1	1,445,679	1,480,963
Cash - Collector	B-2	12,700	149,466
Due from Bank	B	235	235
Due from Municipal Court	B	7,579	7,579
Accounts Receivable	B	29,458	13,803
Due from Current Fund - Municipal Open Space	A	<u>31,453</u>	<u>31,356</u>
Total Other Funds		<u>1,527,104</u>	<u>1,683,402</u>
Total Assets		<u>\$ 1,541,644</u>	<u>\$ 1,694,895</u>
LIABILITIES, RESERVES & FUND BALANCE			
Animal Control Trust Fund:			
Reserve for Dog Fund Expenditures	B-4	\$ 8,297	\$ 7,243
Due to Current Fund	A	6,238	4,246
Due to State	B	<u>5</u>	<u>5</u>
Total Animal Control Trust Fund		<u>14,540</u>	<u>11,494</u>
Other Funds:			
Due to Current Fund	B-3,A	40,262	26,340
Due to State & Federal Grant Fund	A	6,541	6,541
Reserve for Escrow Deposits	B-6	562,648	564,467
Reserve for Affordable Housing	B-7	111,596	108,810
Reserve for Payroll Deductions	B-8	24,383	22,589
Reserve for Recreation	B-9	136,434	117,389
Reserve for Public Defender Fee	B-11	9,999	6,165
Reserve for Fire Prevention Fines	B-13	350	350
Reserve for Citizens' Contributions for Future Municipal Purposes	B-14	2,606	2,606
Reserve for Tax Premiums	B-2	12,700	125,200
Reserve for Tax Title Liens	B-2	-	24,266
Reserve for Ambulance Fund Contributions	B-12	465	465
Reserve for Municipal Open Space	B-5	608,892	667,987
Reserve for County Fair	B-10	7,545	7,545
Reserve for POAA	B	26	26
Reserve for Program Income - Municipal Alliance	B	682	682
Reserve for Unallocated Receipts	B	1,025	1,025
Reserve for Police	B-15	<u>950</u>	<u>950</u>
Total Other Funds		<u>1,527,104</u>	<u>1,683,402</u>
Total Liabilities, Reserves & Fund Balance		<u>\$ 1,541,644</u>	<u>\$ 1,694,895</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**TOWNSHIP OF NORTH HANOVER
GENERAL CAPITAL FUND
STATEMENTS OF ASSETS, LIABILITIES, RESERVES AND
FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2017 AND 2016**

ASSETS	REFERENCE	2017	2016
Cash	C-1	\$ 1,023,046	\$ 819,299
Accounts Receivable	C-2	2,306	2,306
DOT Grant Receivable	C-2	150,701	18,811
Burlington County Parks Grant Receivable	C-9	22,658	105,000
Deferred Charges to Future Taxation - Funded	C-3	355,000	525,000
Deferred Charges to Future Taxation - Unfunded	C-4	6,671,728	6,636,570
Due from Current Fund	A	30,000	-
Due from Federal & State Grant Fund	C-2	52,342	-
		<hr/>	<hr/>
Total Assets		<u>\$ 8,307,781</u>	<u>\$ 8,106,986</u>
 LIABILITIES, RESERVES & FUND BALANCE			
General Serial Bonds	C-8	\$ 355,000	\$ 525,000
Bond Anticipation Notes	C-7	6,028,750	3,962,750
Capital Improvement Fund	C-6	46,561	56,061
Improvement Authorizations:			
Funded	C-5	42,468	47,053
Unfunded	C-5	1,653,368	3,288,149
Reserve for:			
Capital Surplus	C-2	38,942	592
Encumbrances Payable	C-2	119,164	44,025
Payment of Debt Service (BAN's)	C-2	-	28,486
Fire Equipment	C-2	370	49,370
Acquisition of Land	C-2	500	500
Burlington County Parks Grant Receivable	C	22,658	105,000
		<hr/>	<hr/>
Total Liabilities, Reserves & Fund Balance		<u>\$ 8,307,781</u>	<u>\$ 8,106,986</u>

There were bonds and notes authorized but not issued on December 31, 2017 of \$642,978 and on December 31, 2016 was \$2,673,820.

**TOWNSHIP OF NORTH HANOVER
GENERAL FIXED ASSETS ACCOUNT GROUP
STATEMENTS OF ASSETS AND
FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2017 AND 2016**

ASSETS	2017	2016
Land & Land Improvements	\$ 2,422,656	\$ 2,422,656
Buildings	1,017,099	1,017,099
Vehicles	2,077,368	1,959,890
Machinery & Equipment	892,513	885,113
Total	\$ 6,409,636	\$ 6,284,758
FUND BALANCE		
Investment in General Fixed Assets	\$ 6,409,636	\$ 6,284,758

The accompanying Notes to the Financial Statements are an integral part of this statement.

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**TOWNSHIP OF NORTH HANOVER
COUNTY OF BURLINGTON**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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**TOWNSHIP OF NORTH HANOVER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 1. Summary of Significant Accounting Policies

Description of Financial Reporting Entity

The Township of North Hanover, County of Burlington, New Jersey (hereafter referred to as the "Township") is governed by the Township form of government, with a five-member Committee. The Committee is elected directly by the voters in partisan elections to serve three-year terms of office on a staggered basis, with one or two seats coming up for election each year. At the annual reorganization meeting, the Committee selects one of its members to serve as Mayor and another as Deputy Mayor. Legislative and executive power is vested in the Committee.

Component Units - GASB Statement 14, as amended by GASB Statements 39, 61 and 80, establishes criteria to be used in determining the component units, which should be included in the financial statements of a primary government. The financial statements of the Township are not presented in accordance with GAAP (as discussed below). Therefore, the Township had no component units as defined by GASB Statement No. 14, as amended by GASB Statements 39, 61 and 80.

Basis of Accounting, Measurement Focus and Basis of Presentation - The financial statements of the Township contain all funds and account groups in accordance with the "Requirements of Audit" as promulgated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. The principles and practices established by the Requirements of Audit 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. Generally, the financial statements are presented using the flow of current financial resources measurement focus and modified accrual basis of accounting with minor exceptions as mandated by these "Requirements". In addition, the prescribed accounting principles previously referred to differ in certain respects from accounting principles generally accepted in the United State of America applicable to local government units. The more significant differences are explained further in this note.

In accordance with the "Requirements", the Township accounts for its financial transactions through the use of separate funds, which are described as follows:

Current Fund – This fund accounts for revenues and expenditures for governmental operations of a general nature, including federal and state grant funds.

Trust Funds – These funds account for receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

General Capital Fund – This fund accounts for receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund.

General Fixed Asset Account Group – The Fixed Asset Account Group of accounts is utilized to account for property, land, buildings, and equipment that have been acquired by other funds of the Township.

**TOWNSHIP OF NORTH HANOVER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 1. Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting - The Township must adopt an annual budget for its Current Fund in accordance with *N.J.S.A.40A:4* et seq. *N.J.S.A.40A:4-5* requires the governing body to introduce and approve the annual municipal budget no later than February 10th of each year. At introduction, the governing body must fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper published and circulating in the municipality. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the governing body may, by majority vote, adopt the budget or may amend the budget in accordance with *N.J.S.A.40A:4-9*. Amendments to adopted budgets, if any are detailed in the statements of revenues and expenditures.

An extension of the statutory dates for introduction, approval and adoption of the municipal budget may be granted by the Director of Local Government Services, with the permission of the Local Finance Board. Budgets are adopted on the same basis of accounting utilized for the preparation of the Township's financial statements. Once a budget is approved it may be amended after November 1, by a resolution adopted by the governing body.

Cash, Cash Equivalents and Investments - Cash and Cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Under GAAP, investments are reported at fair value but under regulatory basis of accounting, investments are stated at cost. Therefore unrealized gains or losses on investments have not been recorded.

New Jersey municipal units are required by *N.J.S.A.40A:5-14* to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. *N.J.S.A.40A:5-15.1* provides a list of investments, which may be purchased by New Jersey municipal units. In addition, other State statutes permit investments in obligations issued by local utilities and other state agencies.

N.J.S.A.17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the Governmental Units.

The cash management plan adopted by the Township requires it to deposit funds in public depositories protected from loss under the provisions of the Act.

Interfunds - Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed. 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.

**TOWNSHIP OF NORTH HANOVER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 1. Summary of Significant Accounting Policies (continued)

Inventories and Supplies - The cost 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 statements of assets, liabilities, reserves and fund balance.

General Fixed Assets – Accounting for governmental fixed assets, as required by *N.J.A.C.5:30-5.6*, differs in certain respects from accounting principles generally accepted in the United States of America. In accordance with the regulations, all local units, including municipalities, must maintain a general fixed assets reporting system that establishes and maintains a physical inventory of nonexpendable, tangible property as defined and limited by the U.S. Office of Management and Budget Circular A-87 (Attachment B, Section 19), except that the useful life of such property is at least five years. The Township has adopted a capitalization threshold of \$5,000.00, the maximum amount allowed by the Circular. Generally, assets are valued at historical cost; however, assets acquired prior to December 31, 1985 are valued at actual historical cost or estimated historical cost. In some instances, assets are valued at the assessed valuation of the property at the time of acquisition, which approximates fair value. No depreciation of general fixed assets is recorded. Donated general fixed assets are recorded at their acquisition value as of the date of the transaction. Interest costs relative to the acquisition of general fixed assets are recorded as expenditures when paid. Public domain ("infrastructure") general fixed assets consisting of certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. Expenditures for construction in progress are recorded in the capital funds until such time as the construction is completed and put into operation. The Township is required to maintain a subsidiary ledger detailing fixed assets records to control additions, retirements, and transfers of fixed assets. In addition, a statement of general fixed assets, reflecting the activity for the year, must be included in the Township's basic financial statements.

The regulations require that general fixed assets, whether constructed or acquired through purchase, grant or gift be included in the aforementioned inventory. In addition, property management standards must be maintained that includes accurate records indicating asset description, source, ownership, acquisition cost and date, the percentage of federal participation (if any), and the location, use, and condition of the asset. Periodically, physical inventories must be taken and reconciled with these records. All fixed assets must be adequately controlled to safeguard against loss, damage, or theft.

Foreclosed property – Foreclosed Property or "Property Acquired for Taxes" is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. Ordinarily it is the intention of the Township to resell foreclosed property in order to recover all or a portion of the delinquent taxes or assessments and to return the property to a taxpaying basis. For this reason the value of foreclosed property has not been included in the General Fixed Assets Account Group. If such property is converted to a municipal use, it will be recorded in the General Fixed Assets Account Group.

Deferred Charges – The recognition of certain expenditures is deferred to future periods. These expenditures or deferred charges are generally overexpenditures of legally adopted budget appropriations or emergency appropriations made in accordance with *N.J.S.A.40A:4-46* et seq. Deferred charges are subsequently raised as items of appropriation in budgets of succeeding years.

Fund Balance – Fund Balance included in the Current Fund represent the amount available for anticipation as revenue in future year's budgets, with certain restrictions.

Revenues – are recorded when received in cash except for certain amounts, which are due from other governmental units. Revenue from Federal and State grants are realized when anticipated as such in the Township's budget. Receivables for property taxes are recorded with offsetting reserves on the statement

**TOWNSHIP OF NORTH HANOVER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 1. Summary of Significant Accounting Policies (continued)

of assets, liabilities, reserves and fund balance of the Township's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Township, which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenues when received.

Property Tax Revenues – are collected in quarterly installments due February 1, May 1, August 1 and November 1. The amount of tax levied includes not only the amount required in support of the Township's annual budget, but also the amounts required in support of the budgets of the County of Burlington, North Hanover Township School District, and Northern Burlington County Regional School District. Unpaid property taxes are subject to tax sale in accordance with statutes.

County Taxes – The municipality is responsible for levying, collecting and remitting County taxes for the County of Burlington. Operations is charged for the amount due the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10th of the current year. In addition, operations is charged for the County share of Added and Omitted Taxes certified to the County Board of Taxation by October 10th of the current year and due to be paid to the County by February 15th of the following year.

School Taxes – The municipality is responsible for levying, collecting and remitting school taxes for the North Hanover Township School District Northern Burlington County Regional School District. Operations are charged for the full amount required to be raised from taxation to operate the local and regional school district July 1 to June 30.

Deferred School Taxes – School taxes raised in advance in the Current Fund for a school fiscal year (July 1 to June 30) which remain unpaid at December 31 of the calendar year levied may be deferred to fund balance to the extent of not more than 50% of the annual levy providing no requisition has been made by the school district for such amount.

Reserve for Uncollected Taxes – The inclusion of the "Reserve for Uncollected Taxes" appropriation in the Township's annual budget protects the Township from taxes not paid currently. The Reserve, the minimum amount of which is determined on the percentage of collections experienced in the immediate preceding year, with certain exceptions, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations.

Expenditures – are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered through the issuance of a numerically controlled purchase order or when a contract is executed as required by Technical Accounting Directive No. 85-1. When an expenditure is paid, the amount encumbered is simultaneously liquidated in its original amount. Encumbrances are offset by an account entitled reserve for encumbrances. The reserve is classified as a cash liability under New Jersey municipal accounting. At December 31, this reserve represents the portion of appropriation reserves that has been encumbered and is subject to the same statutory provisions as appropriation reserves. Appropriations for interest payments on outstanding general capital bonds and notes are provided on the cash basis.

Appropriation Reserves – Appropriation reserves covering unexpended appropriation balances are automatically created at year-end and recorded as liabilities, except for amounts, which may be cancelled by the governing body. Appropriation reserves and reserve for encumbrances at current year end are available until December 31st of the succeeding year to meet specific claims, commitments or contracts

**TOWNSHIP OF NORTH HANOVER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 1. Summary of Significant Accounting Policies (continued)

incurred during the preceding year. Any unspent balances at this time are lapsed appropriation reserves and recorded as income.

Long-Term Debt - Long-Term Debt relative to the acquisition of capital assets, is recorded as a liability in the General Capital Fund. Where an improvement is a “local improvement”, i.e. assessable upon completion, long-term debt associated with that portion of the cost of the improvement to be funded by assessments is transferred to the Trust Fund upon the confirmation of the assessments or when the improvement is fully and permanently funded.

Compensated Absences – Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to NJSA 40A:4-39 for the future payment of compensated absences.

Recent Accounting Pronouncements – The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB has recently adopted accounting statements 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 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; and there have been no GASB pronouncements effective for the current year that have a significant impact of the Township’s financial statements.

Note 2. Deposits and Investments

The Township is governed by the deposit and investment limitations of New Jersey state law.

Deposits

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Township’s deposits may not be returned. Although the Township does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 et seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA is a supplemental insurance program set forth by the New Jersey Legislature to protect the deposits of local governmental agencies. The program is administered by the Commissioner of the New Jersey Department of Banking and Insurance. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by FDIC. Public funds owned by the Township in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds or funds that may pass to the Township relative to the happening of a future condition. Such funds are shown as Uninsured and Uncollateralized in the schedule below.

**TOWNSHIP OF NORTH HANOVER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 2. Deposits and Investments (continued)

As of December 31, 2017, the Township's bank balance of \$ 4,080,971 was insured or collateralized as follows:

Insured under FDIC and GUDPA	\$	1,506,867
Uninsured and Uncollateralized		2,574,104
	\$	4,080,971

Investments

The Township had no investments as of December 31, 2017.

Note 3. Property Taxes

The following is a three-year comparison of certain statistical information relative to property taxes and property tax collections for the current and previous two years.

Comparison Schedule of Tax Rates

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Tax Rate	\$ 2.079	\$ 2.073	\$ 1.991
Apportionment of Tax Rate:			
Municipal	0.324	0.324	0.305
Municipal Open Space	-	-	0.049
County General	0.330	0.332	0.321
County Library	0.031	0.031	0.030
County Open Space	0.040	0.040	0.014
Local School	0.659	0.649	0.600
Regional School	0.695	0.697	0.672

Assessed Valuation

<u>Year</u>		<u>Amount</u>
2017	\$	427,026,067
2016		425,310,682
2015		422,232,797

**TOWNSHIP OF NORTH HANOVER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 3. Property Taxes (continued)

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage Of Collection</u>
2017	\$ 9,039,225	\$ 8,871,303	98.14%
2016	8,915,831	8,743,769	98.07%
2015	8,839,494	8,680,053	98.19%

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage Of Tax Levy</u>
2017	\$ 27,628	\$ 161,094	\$ 188,722	2.09%
2016	21,699	159,737	181,436	2.03%
2015	19,915	136,211	156,126	1.77%

Number of Tax Title Liens

<u>Year</u>	<u>Number</u>
2017	3
2016	3
2015	3

The last tax sale was held on October 12, 2017.

Note 4: Property Acquired By Tax Title Lien Liquidation

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

<u>Year</u>	<u>Amount</u>
2017	\$ 3,410
2016	29,710
2015	200,010

**TOWNSHIP OF NORTH HANOVER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 5. Fund Balances Appropriated

The following schedule details the amount of fund balances available at the end of the current year and four previous years and the amounts utilized in the subsequent year's budgets:

<u>Year</u>	<u>Balance December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
Current Fund:			
2017	\$ 917,646	\$ 458,000	49.91%
2016	792,414	410,000	51.74%
2015	734,407	510,000	69.44%

Note 6. Disaggregated Receivable and Payable Balances

There are no significant components of receivable and payable balances reported in the financial statements.

Note 7. Interfund Receivables, Payables and Transfers

The following interfund balances were recorded in the various statements of assets liabilities, reserves and fund balances at December 31, 2017:

Fund	Interfund Receivable	Interfund Payable
Current Fund	\$ 46,500	\$ 79,068
State and Federal Grant Fund	24,156	52,342
Animal Control Trust	-	6,238
Trust Other Fund	31,453	46,803
Capital Fund	82,342	-
	<u>\$ 184,451</u>	<u>\$ 184,451</u>

The interfund receivables and payables above predominately resulted from payment made by certain funds on behalf of other funds. All interfund balances are expected to be repaid within one year. Additionally, an interfund was created for the Statutory Excess in the Animal Control Trust Fund Reserve that is due over to Current Fund. Also, grant receipts for General Capital Fund ordinances were received by State and Federal Grant Fund and Current Fund.

**TOWNSHIP OF NORTH HANOVER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 7. Interfund Receivables, Payables and Transfers (continued)

A summary of interfund transfers is as follows:

Fund	Transfers In	Transfers Out
Current Fund	\$ 200,082	\$ 171,093
State and Federal Grant Fund	185,210	147,673
Animal Control Trust	1,992	-
Trust Other Fund	36,233	22,409
Capital Fund	-	82,342
	\$ 423,517	\$ 423,517

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them (i.e. interest earning), (2) provide cash flow to other funds to temporary finance expenditures that are on a reimbursable basis (i.e. grants), (3) when no bank account exists for a fund, and (4) utilizing surplus or fund balance from one fund as budgeted revenue in another.

Note 8. Fixed Assets

The following is a summary of changes in the General Fixed Assets Account Group for the year ended December 31, 2017.

	Balance December 31, <u>2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2017</u>
Land	\$ 2,422,656	\$ -	\$ -	\$ 2,422,656
Buildings and Improvements	1,017,099	-	-	1,017,099
Vehicles	1,959,890	117,478	-	2,077,368
Machinery & Equipment	885,113	7,400	-	892,513
	\$ 6,284,758	\$ 124,878	\$ -	\$ 6,409,636

Note 9. Pension Obligations

A. Public Employees' Retirement System (PERS)

Plan Description - The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at <http://www.nj.gov/treasury/pensions/financial-reports.shtml>.

**TOWNSHIP OF NORTH HANOVER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 9. Pension Obligations (continued)

The vesting and benefit provisions are set by *N.J.S.A. 43:15A*. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 or more years of service credit before age 62 and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Basis of Presentation - The schedules of employer allocations and the schedules of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Contributions - The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2017, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June

**TOWNSHIP OF NORTH HANOVER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 9. Pension Obligations (continued)

30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2017, the Township's contractually required contribution to PERS plan was \$39,794.

Components of Net Pension Liability - At December 31, 2017, the Township's proportionate share of the PERS net pension liability was \$999,943. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The Township's proportion of the net pension liability was based on the Township's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The Township's proportion measured as of June 30, 2017, was 0.0042955842% which was a decrease of 0.0009532620% from its proportion measured as of June 30, 2016.

Collective Balances at December 31, 2017 and December 31, 2016

	<u>12/31/2017</u>	<u>12/30/2016</u>
Actuarial valuation date (including roll forward)	June 30, 2017	June 30, 2016
Deferred Outflows of Resources	\$ 392,235	\$ 615,572
Deferred Inflows of Resources	529,791	223,247
Net Pension Liability	999,943	1,554,558
Township's portion of the Plan's total net pension Lia	0.00430%	0.00525%

Pension Expense and Deferred Outflows/Inflows of Resources - At December 31, 2017, the Township's proportionate share of the PERS expense, calculated by the plan as of the June 30, 2017 measurement date is \$72,124. This expense is not recognized by the Township because of the regulatory basis of accounting as described in Note 1, but as previously mentioned the Township contributed \$39,794 to the plan in 2017.

At December 31, 2017, the Township reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

**TOWNSHIP OF NORTH HANOVER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 9. Pension Obligations (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 23,545	\$ -
Changes of Assumptions	201,454	200,716
Net Difference between Projected and Actual Earnings on Pension Plan Investments	6,809	-
Changes in Proportion and Differences between Township Contributions and Proportionate Share of Contributions	160,427	329,075
	\$ 392,235	\$ 529,791

The Township will amortize the above sources of deferred outflows and inflows related to PERS over the following number of years:

**TOWNSHIP OF NORTH HANOVER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 9. Pension Obligations (continued)

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48

**TOWNSHIP OF NORTH HANOVER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 9. Pension Obligations (continued)

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to PERS that will be recognized in future periods:

Year Ending <u>Dec 31,</u>	<u>Amount</u>
2018	\$ (25,395)
2019	(13,434)
2020	6,440
2021	(66,091)
2022	<u>(39,077)</u>
	<u><u>\$ (137,557)</u></u>

Actuarial Assumptions - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Inflation	2.25%
Salary Increases:	
Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Investment Rate of Return	7.00%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	
Study upon which Actuarial Assumptions were Based	July 1, 2011 - June 30, 2014

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rate were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the

**TOWNSHIP OF NORTH HANOVER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 9. Pension Obligations (continued)

base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scales. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
	<u>100.00%</u>	

**TOWNSHIP OF NORTH HANOVER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 9. Pension Obligations (continued)

Discount Rate - The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Township's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Township's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Township's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	1% Decrease <u>(4.00%)</u>	Current Discount Rate <u>(5.00%)</u>	1% Increase <u>(6.00%)</u>
Township's Proportionate Share of the Net Pension Liability	<u>\$ 1,240,498</u>	<u>\$ 999,943</u>	<u>\$ 799,532</u>

B. Police and Firemen's Retirement System (PFRS)

Plan Description – The State of New Jersey, Police and Firemen's Retirement System (PFRS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PFRS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at <http://www.nj.gov/treasury/pensions/financial-reports.shtml>.

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after four years of service.

The following represents the membership tiers for PFRS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to May 22, 2010.
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible to enroll on or after June 28, 2011

TOWNSHIP OF NORTH HANOVER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note 9. Pension Obligations (continued)

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1 % for each year if creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

Basis of Presentation - The schedules of employer allocations and the schedules of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PFRS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PFRS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PFRS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Contributions - The contribution policy for PFRS is set by *N.J.S.A. 43:16A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2017, the State contributed an amount less than the actuarially determined amount. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2017, the Township's contractually required contributions to PFRS plan was \$89,113.

The employee contributions for PFRS are 10.00% of employees' annual compensation, as defined.

Net Pension Liability and Pension Expense - At December 31, 2017 the Township's proportionate share of the PFRS net pension liability was \$1,554,468. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2016, to the measurement date of June 30, 2017. The Township's proportion of the net pension liability was based on the Township's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The Township's proportion measured as of June 30, 2017, was 0.0100690555%, which was a decrease of 0.0007315842% from its proportion measured as of June 30, 2016.

**TOWNSHIP OF NORTH HANOVER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 9. Pension Obligations (continued)

Collective Balances at December 31, 2017 and December 31, 2016

	<u>12/31/2017</u>	<u>12/31/2016</u>
Actuarial valuation date (including roll forward)	June 30, 2017	June 30, 2016
Deferred Outflows of Resources	\$ 234,094	\$ 434,051
Deferred Inflows of Resources	779,013	560,778
Net Pension Liability	1,554,468	2,063,198
Township's portion of the Plan's total net pension Lia	0.01007%	0.01080%

Pension Expense and Deferred Outflows/Inflows of Resources – At December 31, 2017, the Township's proportionate share of the PFRS expense, calculated by the plan as of the June 30, 2017 measurement date was \$140,979. This expense is not recognized by the Township because of the regulatory basis of accounting as described in Note 1, but as previously mentioned the Township contributed \$89,113 to the plan in 2017.

At December 31, 2017, the Township had deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 10,084	\$ 9,123
Changes of Assumptions	191,683	254,576
Net Difference between Projected and Actual Earnings on Pension Plan Investments	29,663	-
Changes in Proportion and Differences between Township Contributions and Proportionate Share of Contributions	2,664	515,314
	<u>\$ 234,094</u>	<u>\$ 779,013</u>

**TOWNSHIP OF NORTH HANOVER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 9. Pension Obligations (continued)

The Township will amortize the above sources of deferred outflows and inflows related to PFRS over the following number of years:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	-	5.53
June 30, 2016	-	5.58
June 30, 2017	5.59	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.17	-
June 30, 2015	5.53	-
June 30, 2016	5.58	-
June 30, 2017	-	5.59
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.17	6.17
June 30, 2015	5.53	5.53
June 30, 2016	5.58	5.58
June 30, 2017	5.59	5.59

**TOWNSHIP OF NORTH HANOVER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 9. Pension Obligations (continued)

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to PERS that will be recognized in future periods:

Year Ending		
<u>Dec 31,</u>	<u>Amount</u>	
2018	\$	(96,830)
2019		(48,196)
2020		(115,122)
2021		(241,576)
2022		<u>(43,195)</u>
	\$	<u>(544,919)</u>

Special Funding Situation – Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the state is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability to report in the financial statements of the local participating employers related to this legislation.

Additionally, the State’s proportionate share of the PFRS net pension liability attributable to the Township is \$174,113 as of December 31, 2017. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2016, to the measurement date of June 30, 2017. The State’s proportion of the net pension liability associated with the Township was based on a projection of the Township’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. The State’s proportion measured as of June 30, 2017 was 0.0100690555%, which was a decrease of 0.0007315842% from its proportion measured as of June 30, 2016, which is the same proportion as the Township’s. At December 31, 2017, the Township’s and the State of New Jersey’s proportionate share of the PFRS net pension liability were as follows:

Township's Proportionate Share of Net Pension Liability	\$ 1,554,468
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the Township	<u>174,113</u>
	<u>\$ 1,728,581</u>

**TOWNSHIP OF NORTH HANOVER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 9. Pension Obligations (continued)

At December 31, 2017, the State's proportionate share of the PFRS expense, associated with the Township, calculated by the plan as of the June 30, 2017 measurement date was \$21,298.

Actuarial Assumptions - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Inflation	2.25%
Salary Increases:	
Through 2026	2.10% - 8.98% Based on Age
Thereafter	3.10% - 9.98% Based on Age
Investment Rate of Return	7.00%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	
Study upon which Actuarial	
Assumptions were Based	July 1, 2010 - June 30, 2013

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rate were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scales. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of

**TOWNSHIP OF NORTH HANOVER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 9. Pension Obligations (continued)

arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 6.14% as of June 30, 2017. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**TOWNSHIP OF NORTH HANOVER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 9. Pension Obligations (continued)

Sensitivity of the Township's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Township's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Township's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.14%) or 1-percentage-point higher (7.14%) than the current rate:

	1% Decrease <u>(5.14%)</u>	Current Discount Rate <u>(6.14%)</u>	1% Increase <u>(7.14%)</u>
Township's Proportionate Share of the Net Pension Liability	\$ 2,048,140	\$ 1,554,468	\$ 1,148,861
State of New Jersey's Proportionate Share of Net Pension Liability associated with the Township	229,408	174,113	128,682
	\$ 2,277,548	\$ 1,728,581	\$ 1,277,543

Related Party Investments - The Division of Pensions and Benefits does not invest in securities issued by the Township.

**TOWNSHIP OF NORTH HANOVER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 10. Municipal Debt

The following schedule represents the Township's summary of debt, as filed in the Township's Annual Debt Statement required by the Local Bond Law of New Jersey for the current and two previous years:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Issued:			
General:			
Bonds, Notes and Loans	\$ 6,383,750	\$ 4,487,750	\$ 4,768,750
	<hr/>	<hr/>	<hr/>
Total Debt Issued	6,383,750	4,487,750	4,768,750
	<hr/>	<hr/>	<hr/>
Authorized but not issued:			
General:			
Bonds, Notes and Loans	642,978	2,673,820	32,820
	<hr/>	<hr/>	<hr/>
Total Authorized But Not Issued	642,978	2,673,820	32,820
	<hr/>	<hr/>	<hr/>
Total Gross Debt	\$ 7,026,728	\$ 7,161,570	\$ 4,801,570
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Deductions:			
General:			
Funds on Hand For Payment of Bonds and Notes			
Reserve for Debt Service	-	-	-
	<hr/>	<hr/>	<hr/>
Total Deductions	-	-	-
	<hr/>	<hr/>	<hr/>
Total Net Debt	\$ 7,026,728	\$ 7,161,570	\$ 4,801,570
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Summary of Statutory Debt Condition - Annual Debt Statement

The following schedule is a summary of the previous schedule and is prepared in accordance with the required method of setting up the Annual Debt Statement:

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School Debt	\$ -	\$ -	\$ -
Regional School Debt	1,711,354	1,711,354	-
General Debt	7,026,728	-	7,026,728
	<hr/>	<hr/>	<hr/>
	\$ 8,738,082	\$ 1,711,354	\$ 7,026,728
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**TOWNSHIP OF NORTH HANOVER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 10. Municipal Debt (continued)

Net Debt \$7,026,728 divided by the average Equalized Valuation Basis per N.J.S.A 40A:2-2 as amended, \$419,956,629, equals 1.673%. New Jersey statute 40A:2-6, as amended, limits the debt of a Municipality to 3.5% of the last three preceding year's average equalized valuations of real estate, including improvements and the assessed valuation of Class II Railroad Property. The remaining borrowing power in dollars at December 31, 2017 is calculated as follows:

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$	14,698,482
Net Debt		7,026,728
 Remaining Borrowing Power	 \$	 <u><u>7,671,754</u></u>

General Debt

A. Serial Bonds Payable

On June 15, 1999 the Township issued \$2,520,000 of General Obligation Bonds, 1999 Series A. The General Obligation Bonds were issued at a fixed interest rate of 5.20% and mature on June 15, 2019.

Principal and interest due on the outstanding bonds is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 175,000	\$ 13,910	\$ 188,910
2019	180,000	4,680	184,680
	<u>\$ 355,000</u>	<u>\$ 18,590</u>	<u>\$ 373,590</u>

**TOWNSHIP OF NORTH HANOVER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 10. Municipal Debt (continued)

B. Bond Anticipation Notes Payable – Short Term Debt

The following is a summary of bond anticipation notes payable accounted for in the General Capital Fund at December 31, 2017:

<u>Description</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Rate</u>	<u>Balance December 31, 2017</u>
Series 2017 A	4/25/2017	4/24/2018	2.250%	<u>\$ 6,028,750</u>
				<u>\$ 6,028,750</u>

The purpose of these short-term borrowings was to provide resources for general capital construction, acquisitions or improvement projects and other purposes permitted by State Local Bond Law NJSA 40A:2 et. seq.

C. Bonds and Notes Authorized But Not Issued

As of December 31, 2017, the Township had \$642,978 in various General Capital bonds and notes authorized but not issued.

Summary of Principal Debt

A summary of the changes in long-term and short term debt of the Township is as follows:

	<u>Balance December 31, 2016</u>	<u>Accrued/ Increases</u>	<u>Retired/ Decreases</u>	<u>Balance December 31, 2017</u>	<u>Balance Due Within One Year</u>
General Capital:					
General Bonds	\$ 525,000	\$ -	\$ 170,000	\$ 355,000	\$ 175,000
Bond Anticipation Notes	<u>3,962,750</u>	<u>6,028,750</u>	<u>3,962,750</u>	<u>6,028,750</u>	<u>6,028,750</u>
	<u>\$ 4,487,750</u>	<u>\$ 6,028,750</u>	<u>\$ 4,132,750</u>	<u>\$ 6,383,750</u>	<u>\$ 6,203,750</u>

**TOWNSHIP OF NORTH HANOVER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 11. Deferred Charges to be Raised in Succeeding Budgets

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2017 the following deferred charges are shown on the statement of assets, liabilities, reserves and fund balances of the following funds:

<u>Description</u>	Balance December 31, <u>2017</u>	2018 Budget <u>Appropriation</u>	Balance to Succeeding <u>Budgets</u>
Current Fund:			
Special Emergency Authorizations (40A:4-55)	\$ 10,240	\$ 2,560	\$ 7,680
Overexpenditure of 2015 Appropriation Reserves	7,861	7,861	-

Note 12. Deferred School Taxes

School taxes have been raised and the liability deferred by statutes. The balance of unpaid local and regional school taxes levied, amount deferred and the amount reported as a liability (payable) at December 31, are as follows:

<u>Local Taxes</u>	<u>Balance, December 31,</u>	
	<u>2017</u>	<u>2016</u>
Total Balance of Local Tax	\$ 1,407,292	\$ 1,379,697
Deferred Taxes	<u>1,352,644</u>	<u>1,352,644</u>
Local Tax Payable	<u>\$ 54,648</u>	<u>\$ 27,053</u>
<u>Regional Tax</u>	<u>Balance, December 31,</u>	
	<u>2017</u>	<u>2016</u>
Total Balance of Regional Tax	\$ 1,515,715	\$ 1,557,678
Deferred Taxes	<u>1,441,070</u>	<u>1,441,070</u>
Regional Tax Payable	<u>\$ 74,645</u>	<u>\$ 116,608</u>

Note 13. Accrued Sick, Vacation and Compensation Time

As discussed in Note 1 and in accordance with accounting principles prescribed by the State of New Jersey, the cash basis of accounting is followed for recording the Township's liability related to unused vacation, sick pay and compensation time. The Township permits certain employees within limits to accumulate unused vacation, sick pay and compensation time, which may be taken as time off or paid at a later date at an agreed upon rate. In accordance with New Jersey accounting principles, this unused accumulated absences amount is not reported as a liability in the accompanying financial statements. It is estimated that accrued benefits for compensated absences are valued at \$19,495 at December 31, 2017.

**TOWNSHIP OF NORTH HANOVER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 14. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Joint Insurance Pool

The Township is a member of the Municipal Excess Liability Joint Insurance Fund. The Fund provides the Township with the following coverage

Worker's Compensation	300,000.00
General Liability	300,000.00
Employer's Liability	300,000.00
Auto Liability	300,000.00
Property Damage	125,000,000.00
Property/Boiler and Machinery	125,000,000.00
Auto Physical Damage	125,000,000.00
Employee Dishonesty Liability	1,000,000.00
Environmental Impairment Liability	1,000,000.00

Contributions to the Funds are payable in two installments and are based on actuarial assumptions determined by the Funds' actuaries. The Fund publishes its own financial report for the year ended December 31, 2017 which can be obtained on the Fund's website.

New Jersey Unemployment Compensation Insurance

The Township has elected to fund its New Jersey Unemployment Compensation Insurance under the "Direct Method". Under this plan, the Township is required to annually appropriate funds to pay the projected costs of contributions at a rate determined by the Commissioner of Labor. The amounts paid for the years ended December 31, 2017 and 2016 were \$6,634 and \$6,441, respectively.

Note 15. Contingencies

Grantor Agencies

The Township receives financial assistance from the State of New Jersey and the U.S. government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by grantors. As a result of these audits, costs previously reimbursed could be disallowed and require repayment to the grantor agency. As of December 31, 2017 the Township estimates that no material liabilities will result from such audits.

Litigation

The Township is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the Township, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

**TOWNSHIP OF NORTH HANOVER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 15. Contingencies (continued)

Tax Appeals

Losses arising from tax appeals are recognized at the time a decision is rendered by an administrative or judicial body; however, municipalities may establish reserves transferred from tax collections or by budget appropriation for future payments of tax appeal losses. There are no significant pending tax appeals as of December 31, 2017.

Note 16. Municipal Open Space Trust

The Township of North Hanover is strongly committed to preserving, to the extent possible, farmland within the Township for the benefit of the citizens of the Township of North Hanover and the State of New Jersey. At the general election in 2000 the voters approved a tax rate of two cents (.02) per \$100. This rate was in effect for 2001, 2002 and 2003. Voters approved a four cent (.04) tax rate for calendar year 2004. At the general election in 2004, the voters approved a tax rate of eleven cents (.11) per \$100 for 2005, 2006 and 2007, and for 2008, 2009 and 2010 a rate of nine cents (.09), and for 2012, 2013, 2014 and 2015 a rate of five cents (.049) per \$100 of the assessed value of real property in order to raise revenue for the acquisition, development, maintenance and conservation of farmland, open space recreation and historic properties. During 2015, the Township raised an open space tax levy after the sunset period of the original ordinance had passed. In 2016, credits were given to the taxpayers on the August 2016 billings.

All revenue received is accounted for in a Trust Fund dedicated by rider (N.J.S.A. 40A:4-39) for the purposes stated. Interest earned on the investment of these funds is credited to the Township of North Hanover Open Space Trust Fund.

Note 17. Other Post-Retirement Benefits – GASB 45

The financial statements of the Township are not prepared in accordance with Governmental Accounting Standards Board Statement No. 45. The following information is provided in accordance with the requirements of the Statement.

Plan Description

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

The Township's defined benefit postemployment healthcare plan provides post-employment health care benefits, at its cost, to certain retired employees. The Township will cover the entire cost of post-retirement health benefits for the retirees and his/her dependents only when the employee has worked twenty-five (25) or more years in a State or locally administered retirement system and twenty (20) continuous years or more of service with the Township of North Hanover. Post-retirement benefits included Medicare reimbursement.

**TOWNSHIP OF NORTH HANOVER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 17. Other Post-Retirement Benefits – GASB 45 (continued)

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

Funding Policy

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

Contributions to pay for the health premiums of participating retirees in the S.H.B.P. are billed to the Township on a monthly basis.

The Township funds these benefits on a pay-as-you-go basis and therefore does not record accrued expenses related to these benefits. As of December 31, 2017 there are no retirees receiving post-retirement health benefits.

Note 18. Subsequent Events

Authorization of Debt – Subsequent to December 31, 2017 the Township of North Hanover authorized additional Bonds and Notes as follows:

<u>Purpose</u>	<u>Date</u>	<u>Amount</u>
Acquisition of a Fire Truck	February 15, 2018	\$ 475,000.00

SUPPLEMENTARY EXHIBITS

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CURRENT FUND

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**TOWNSHIP OF NORTH HANOVER
CURRENT FUND
SCHEDULE OF CURRENT CASH
FOR THE YEAR ENDED DECEMBER 31, 2017**

	CURRENT	
Balance December 31, 2016	\$	1,217,478
Increased by Receipts:		
Tax Collector	\$ 9,146,303	
Due from State of New Jersey - Senior Citizens' & Veterans' Deductions	41,500	
Due General Capital Fund	30,000	
Due Trust Other Fund	22,311	
Miscellaneous Revenue Not Anticipated	111,989	
Due State - DCA Training Fees	4,993	
Due State - Marriages License Fees	725	
Reserve for JIF Safety Program	4,733	
Reserve for Insurance Recoveries	1,308	
Reserve for Sale of Municipal Assets	5,625	
Revenue Accounts Receivable	1,512,864	
Refunds	43,040	
Due General Capital Fund - Grant Fund	52,342	
Unappropriated Grants	28,782	
Federal & State Grants Receivable	31,303	
Total Increases		11,037,818
Total Receipts		12,255,296
Decreased by Disbursements:		
2017 Budget Appropriations	2,886,598	
2016 Appropriation Reserves	47,872	
Tax Overpayments - Refunds	12,853	
County Taxes	1,703,430	
County Share of Added & Omitted Taxes	18,680	
Local District School Tax	2,787,030	
Regional School Taxes	3,012,759	
Reserve for JIF Safety Program	3,441	
Due State - DCA Training Fees	4,611	
Due State - Marriages License Fees	775	
Due to Trust Other Fund	36,210	
Prior Year Refund - DCA Training Fees	17,557	
Prior Year Refund - Wrightstown Court	7,407	
Reserve for Federal & State Grant Funds - Appropriated	132,867	
Total Disbursements		10,672,090
Balance December 31, 2017	\$	1,583,206

**TOWNSHIP OF NORTH HANOVER
CURRENT FUND
SCHEDULE OF CASH AND RECONCILIATION
PER N.J.S.40A:5-5--COLLECTOR
FOR THE YEAR ENDED DECEMBER 31, 2017**

Balance December 31, 2016		\$ -
Increased by:		
Taxes Receivable	\$ 8,845,742	
Tax Overpayments	44,309	
Interest & Costs on Taxes	33,773	
Prepaid Taxes	222,479	9,146,303
Subtotal		9,146,303
Decreased by Disbursements:		
Deposits Directly to Treasurer Bank Account		9,146,303
Balance December 31, 2017		<u><u>\$ -</u></u>

**SCHEDULE OF CHANGE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

OFFICE	AMOUNT
Tax Collector	\$ 50
Municipal Court	300
Construction Official	50
Township Clerk	150
Total	<u><u>\$ 550</u></u>

**TOWNSHIP OF NORTH HANOVER
CURRENT FUND
SCHEDULE OF DUE FROM STATE OF NEW JERSEY
CHAPTER 20, P.L. 1971
FOR THE YEAR ENDED DECEMBER 31, 2017**

Balance December 31, 2016		\$ (2,201)
Increased by:		
Senior Citizen & Veteran Deductions per Tax Billing	\$ 42,500	
Deductions Allowed by Tax Collector - 2016 Taxes	250	
Deductions Disallowed by Tax Collector - 2017 Taxes	(250)	
Deductions Disallowed by Tax Collector - Prior Year Taxes	<u>(1,000)</u>	
		<u>41,500</u>
Subtotal		39,299
Decreased by:		
Collections		<u>41,500</u>
Balance December 31, 2017		<u><u>\$ (2,201)</u></u>

**TOWNSHIP OF NORTH HANOVER
CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY
FOR THE YEAR ENDED DECEMBER 31, 2017**

YEAR	BALANCE DECEMBER 31, 2016	2017 LEVY	ADDED TAXES	COLLECTIONS 2016	COLLECTIONS 2017	DUE FROM STATE OF NEW JERSEY	CANCELLED	TRANSFER TO TAX TITLE LIENS	BALANCE DECEMBER 31 2017
Arrears 2016	\$ 10,516 149,221	- \$ -	- \$ -	- \$ -	500 \$ 142,030	(500) \$ (250)	- \$ 7,441	- \$ -	10,516 -
Total	159,737	-	-	-	142,530	(750)	7,441	-	10,516
2017	-	8,875,843	163,382	92,122	8,736,931	42,250	11,415	5,929	150,578
Balance	\$ 159,737	\$ 8,875,843	\$ 163,382	\$ 92,122	\$ 8,879,461	\$ 41,500	\$ 18,856	\$ 5,929	\$ 161,094

Cash Receipts	\$ 8,890,051
Overpayments Created	(44,309)
Overpayments Applied	33,719
	<u>\$ 8,879,461</u>

ANALYSIS OF 2017 PROPERTY TAX LEVY

Tax Yield:	
General Purpose Tax	\$ 8,875,843
Added & Omitted Taxes (54:4-63.1 et seq.)	<u>163,382</u>
Total	<u>\$ 9,039,225</u>
Tax Levy:	
Regional School Tax	\$ 2,970,797
Local District School Tax	2,814,625
County Taxes:	
County Tax	\$ 1,405,640
County Library Tax	129,879
Open Space	168,141
Due County:	
Added & Omitted Taxes (R.S. 54:4-63.1 et seq)	<u>30,978</u>
Total County Taxes	<u>1,734,638</u>
Local Tax for Municipal Purpose	1,386,760
Add: Additional Tax Levied	<u>132,405</u>
Local Tax for Municipal Purposes Levied	<u>1,519,165</u>
Total	<u>\$ 9,039,225</u>

**TOWNSHIP OF NORTH HANOVER
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Balance December 31, 2016	\$	21,699
Increased by:		
Transfer from Taxes Receivable		5,929
Balance December 31, 2017	\$	27,628

**SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2017**

	BALANCE DECEMBER 31, 2016	ACCRUED	COLLECTED BY TREASURER	BALANCE DECEMBER 31, 2017
Licenses:				
Alcoholic Beverages	\$ -	\$ 5,342	\$ 5,342	\$ -
Other	-	8,177	8,177	-
Fees & Permits	-	183,513	183,513	-
State of New Jersey:				
Energy Receipt Taxes	-	765,714	765,714	-
Interlocal Service Agreement:				
Chesterfield Court Fees	-	173,395	173,395	-
Cablevision Lease/Tower Rental	-	42,805	42,805	-
Summer Recreation Program - Board of Education	-	5,200	5,200	-
Interest on Investments	-	2,862	2,862	-
Construction Code Official:				
Fees & Permits	-	106,308	106,308	-
Municipal Court:				
Fines & Costs	7,717	133,370	131,269	9,818
Interest & Costs on Taxes	-	33,773	33,773	-
Transfer of Reserves from Municipal Open Space Trust Fund for Debt Service	-	59,793	59,793	-
Premiums on Notes	-	28,486	28,486	-
Total	\$ 7,717	\$ 1,548,738	\$ 1,546,637	\$ 9,818
			\$ 1,512,864	
			33,773	
			\$ 1,546,637	

**TOWNSHIP OF NORTH HANOVER
CURRENT FUND
SCHEDULE OF 2016 APPROPRIATION RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	BALANCE DECEMBER 31, 2016	BALANCE AFTER MODIFICATION	DISBURSED	BALANCE LAPSED
Salary & Wages:				
Municipal Court - North Hanover	\$ 2,039	\$ 2,039	\$ 155	\$ 1,884
Municipal Court - Wrightstown	699	699	20	679
Municipal Court - Chesterfield	9,554	9,554	325	9,229
All Other Accounts - No Changes	2,997	2,997	-	2,997
Other Expenses:				
Mayor & Township Committee	256	256	94	162
Municipal Clerk	156	156	32	124
Financial Administration	1,787	1,787	1,477	310
Collection of Taxes	297	297	290	7
Assessment of Taxes	314	314	274	40
Engineering Services & Costs	4,331	4,331	3,071	1,260
Planning & Zoning Board	705	705	112	593
Mobile Home Inspector	60	60	60	-
Police	6,462	6,462	6,418	44
Aid to Volunteer Fire Company	13,696	13,696	7,931	5,765
Prosecutor	125	125	125	-
Streets & Roads	6,915	6,915	6,594	321
Waste Facility	2,228	2,228	1,811	417
Vehicle Maintenance	3,651	3,651	3,296	355
Parks & Playgrounds	5,599	5,599	1,531	4,068
Electric	7,942	7,942	2,962	4,980
Street Lighting	614	614	613	1
Telephone	900	900	891	9
Natural Gas	3,369	3,369	501	2,868
Gasoline	3,335	3,335	2,612	723
Landfill Tipping Fees	3,197	3,197	2,656	541
Construction Official	334	334	330	4
Recycling Tax	1,129	1,129	294	835
Municipal Court - North Hanover	2,549	2,549	125	2,424
Municipal Court - Wrightstown	484	484	11	473
Municipal Court - Chesterfield	7,864	7,864	168	7,696
Interlocal: Municipal Prosecutor	3,125	3,125	3,125	-
All Other Accounts - No Changes	19,212	19,212	-	19,212
	<u>\$ 115,925</u>	<u>\$ 115,925</u>	<u>\$ 47,904</u>	<u>\$ 68,021</u>
Total	<u>\$ 115,925</u>			
2016 Appropriation Reserves	\$ 77,155			
2016 Encumbrances	38,770			
Total	<u>\$ 115,925</u>			
Cash Disbursements			\$ 47,872	
Transferred to Accounts Payable			32	
			<u>\$ 47,904</u>	

**TOWNSHIP OF NORTH HANOVER
CURRENT FUND
SCHEDULE OF PREPAID TAXES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Balance December 31, 2016 (2017 Taxes)		\$ 126,828
Increased by:		
Collection - 2018 Taxes		222,479
Subtotal		349,307
Decreased by:		
Applied to 2017 Taxes Receivable	\$ 92,122	
Transferred to Tax Overpayments	2,066	
		94,188
Balance December 31, 2017 (2018 Taxes)		\$ 255,119

**SCHEDULE OF TAX OVERPAYMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Balance December 31, 2016		\$ 6,639
Increased by:		
Overpayments Created	\$ 44,309	
Transferred from Prepaid Taxes	2,066	
		46,375
Subtotal		53,014
Decreased by:		
Applied to 2017 Taxes	33,719	
Cancelled to Municipal Open Space	97	
Refunded	12,853	
		46,669
Balance December 31, 2017		\$ 6,345

**TOWNSHIP OF NORTH HANOVER
CURRENT FUND
SCHEDULE OF COUNTY TAXES PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2017**

Balance December 31, 2016	\$	-
Increased by:		
2017 Levy:		
County Tax	\$	1,405,640
County Library Tax		129,879
County Open Space Tax		168,141
		1,703,660
Subtotal		1,703,660
Decreased by:		
Payments		1,703,430
		1,703,430
Balance December 31, 2017	\$	230

**SCHEDULE OF DUE COUNTY FOR ADDED AND OMITTED TAXES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Balance December 31, 2016	\$	18,680
Increase by County Share of 2017 Levy:		
Added (R.S. 54:4-63.1 et seq.)		30,978
		30,978
Subtotal		49,658
Decreased by:		
Payments:		
Added Taxes (2016)		18,680
		18,680
Balance December 31, 2017	\$	30,978

**TOWNSHIP OF NORTH HANOVER
CURRENT FUND
SCHEDULE OF LOCAL DISTRICT SCHOOL TAX
FOR THE YEAR ENDED DECEMBER 31, 2017**

Balance December 31, 2016			
School Tax Payable	\$	27,053	
School Tax Deferred		<u>1,352,644</u>	\$ 1,379,697
Increased by Local District School's Share of 2018 Levy:			
Levy - School Year July 1, 2017 to June 30, 2018			<u>2,814,625</u>
Subtotal			4,194,322
Decreased by Payments:			
Payments			<u>2,787,030</u>
Balance December 31, 2017			
School Tax Payable	\$	54,648	
School Tax Deferred		<u>1,352,644</u>	<u>1,407,292</u>
Total			<u><u>\$ 1,407,292</u></u>
2017 Liability for Local District School Tax:			
Tax Paid	\$	2,787,030	
Tax Payable December 31, 2016			<u>54,648</u>
Subtotal			2,841,678
Less: Tax Payable December 31, 2016			<u>27,053.00</u>
Amount Charged to 2017 Operations			<u><u>\$ 2,814,625</u></u>

**TOWNSHIP OF NORTH HANOVER
CURRENT FUND
SCHEDULE OF REGIONAL SCHOOL TAX
FOR THE YEAR ENDED DECEMBER 31, 2017**

Balance December 31, 2016		
School Tax Payable	\$ 116,608	
School Tax Deferred	<u>1,441,070</u>	\$ 1,557,678
Increased by Regional School's Share of 2018 Levy:		
Levy - School Year July 1, 2017 to June 30, 2018		<u>2,970,797</u>
Subtotal		4,528,475
Decreased by Payments:		
Payments		<u>3,012,759</u>
Balance December 31, 2017		
School Tax Payable	\$ 74,646	
School Tax Deferred	<u>1,441,070</u>	
Total		<u><u>\$ 1,515,716</u></u>
2017 Liability for Regional School Tax:		
Tax Paid	\$ 3,012,759	
Tax Payable December 31, 2017		<u>74,646</u>
Subtotal		3,087,405
Less: Tax Payable December 31, 2016		<u>116,608</u>
Amount Charged to 2017 Operations		<u><u>\$ 2,970,797</u></u>

**TOWNSHIP OF NORTH HANOVER
CURRENT FUND
SCHEDULE OF PROPERTY ACQUIRED FOR TAXES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Balance December 31, 2016	\$	29,710
Decreased by:		
Loss on Sales		<u>26,300</u>
Balance December 31, 2017	\$	<u><u>3,410</u></u>

**TOWNSHIP OF NORTH HANOVER
CURRENT FUND
SCHEDULE OF DUE TRUST OTHER FUND FOR RESERVE FOR OPEN SPACE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

Balance December 31, 2016	\$	31,356
Increased by:		
Prior Year Tax Overpayments Cancelled to Open Space		97
Balance December 31, 2017	\$	31,453

**FEDERAL AND STATE GRANT FUND
SCHEDULE OF STATE AND FEDERAL GRANTS RECEIVABLES
FEDERAL AND STATE GRANTS RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2017**

PROGRAM	BALANCE DECEMBER 31, 2016	2017 REVENUE REALIZED	RECEIVED	FROM UNAPPROPRIATED RESERVES	BALANCE DECEMBER 31, 2017
Federal Grants:					
Body Armor Replacement Fund	\$ 1,202	\$ 5,389	\$ 1,303	\$ -	\$ 5,288
Total	1,202	5,389	1,303	-	5,288
State Grants:					
Transportation Trust Fund					
Discretionary Aid Program	2,419	-	-	-	2,419
DOT Grant	48,457	-	-	-	48,457
DOT Grant - Stewart Road	17,451	-	-	-	17,451
Stop Violence Against Women	777	-	-	-	777
Safe & Secure Communities	60,000	30,000	30,000	-	60,000
Smart Growth Planning Grant	15,000	-	-	-	15,000
Municipal Alliance on Alcoholism & Drug Abuse	2,760	-	-	-	2,760
DVRPC Zoning Implementation Grant	48,000	-	-	-	48,000
Project Graduation	238	-	-	-	238
"55 Alive" DEDR Program	500	-	-	-	500
NJ Economic Development:					
Program - Hazardous Discharge	500	-	-	-	500
SLAHEOP Grant	2,406	-	-	-	2,406
Stormwater Regulation Program	3,750	-	-	-	3,750
State Agriculture Development Committee (SADC) Planning Assistance Grant	20,000	-	-	-	20,000
Polling Place Grant	3,841	-	-	-	3,841
Clean Communities	-	18,656	-	18,656	-
Drunk Driving Enforcement Fund	-	9,604	-	9,604	-
NJ DOT - Jacobstown/Ameystown Rd - Phase II	42,599	-	-	-	42,599
Total State Grants	268,699	58,260	30,000	28,260	268,699
Other Grants:					
Burlington County Parks Grant - Phase II	100	-	-	-	100
Total Other Grants	100	-	-	-	100
Total	\$ 270,001	\$ 63,649	\$ 31,303	\$ 28,260	\$ 274,087
Cash Receipts			\$ 31,303		
Total			\$ 31,303		

**TOWNSHIP OF NORTH HANOVER
FEDERAL AND STATE GRANT FUND
SCHEDULE OF STATE AND FEDERAL AND STATE GRANTS - UNAPPROPRIATED
FOR THE YEAR ENDED DECEMBER 31, 2017**

PROGRAM	BALANCE DECEMBER 31, 2016	2017 BUDGET REVENUE REALIZED	RECEIVED	BALANCE DECEMBER 31, 2017
Federal Grants:				
COPS Universal Program	\$ 2	\$ -	\$ -	\$ 2
Body Armor Replacement Program	2	-	-	2
Total	4	-	-	4
State Grants:				
Body Armor Replacement Grant	1,222	-	-	1,222
Clean Communities Grant	18,656	18,656	15,850	15,850
Supplemental Fire Services	113	-	-	113
Recycling Tonnage Grant	9,604	9,604	12,932	12,932
Total State Grants	29,595	28,260	28,782	30,117
Total All Grants	\$ 29,599	\$ 28,260	\$ 28,782	\$ 30,121

**TOWNSHIP OF NORTH HANOVER
FEDERAL AND STATE GRANT FUND
SCHEDULE OF RESERVE FOR FEDERAL AND STATE GRANTS - APPROPRIATED
FOR THE YEAR ENDED DECEMBER 31, 2017**

PROGRAM	BALANCE DECEMBER 31, 2016 APPROPRIATED	TRANSFERRED FROM 2017 BUDGET APPROPRIATION	PRIOR YEAR ENCUMBRANCES	DISBURSED	BALANCE DECEMBER 31, 2017 APPROPRIATED
Federal Grants:					
COPS Universal Program	\$ 7,077	\$ -	\$ -	\$ 4,196	\$ 2,881
Small Cities Block Grant	27	-	-	-	27
Body Armor Replacement Program	555	-	-	-	555
Total Federal Grants	7,659	-	-	4,196.00	3,463
State Grants:					
DOT Grant	64,217	-	-	-	64,217
Transportation Trust Fund - Stewart Road	6,676	-	-	-	6,676
State Agriculture Development Committee (SADC) Planning Assistance Grant	929	-	-	-	929
Municipal Alliance on Alcoholism & Drug Abuse	3,750	-	-	-	3,750
NJ Economic Development Authority Municipal Grant Program	6,510	-	-	-	6,510
Buckle Up New Jersey Grant	1,932	-	-	-	1,932
Special Legislative Grant - Purchase of Emergency Generators	916	-	-	-	916
Recycling Tonnage Grant	6,882	9,604	17,931	34,417	-
SLAHEOP Grant	2,406	-	-	-	2,406
Drunk Driving Enforcement Fund	13,980	-	-	2,800	11,180
Smart Growth Grant	15,000	-	-	-	15,000
Body Armor Replacement Program	1,950	5,389	-	2,213	5,126
Safe & Secure Communities Program	-	30,000	-	28,922	1,078
Polling Place Grant	3,841	-	-	-	3,841
Clean Communities Grant	55,526	18,656	1,120	23,596	51,706
NJ DOT - Jacobstown/Ameystown Rd - Phase II	32,995	-	-	-	32,995
Total State Grants	217,510	63,649	19,051	91,948	208,262
Municipal Share/ Local:					
Safe & Secure Communities Program	4,476	35,245	-	39,721	-
Aid to Volunteer Fire Company: Jacobstown Volunteer Fire Company	555	-	-	-	555
Municipal Alliance on Alcoholism & Drug Abuse	500	-	-	-	500
Total Local Grants	5,531	35,245	-	39,721	1,055
Total All Grants	\$ 230,700	\$ 98,894	\$ 19,051	\$ 135,865	\$ 212,780

Cash Disbursements	\$ 132,867
Encumbrances	3,000
	<u>\$ 3,000</u>

TRUST FUND

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**TOWNSHIP OF NORTH HANOVER
TRUST FUND
STATEMENT OF TRUST CASH
PER N.J.S.40A:5-5-TREASURER
FOR THE YEAR ENDED DECEMBER 31, 2017**

	ANIMAL CONTROL TRUST FUND	OTHER FUNDS
Balance December 31, 2016	\$ 11,494	\$ 1,480,963
Increased by Receipts:		
Reserve for Dog Fund Expenditures	\$ 4,238	\$ -
Due State of New Jersey - Dog License Fees	641	
Reserve for Escrow Deposits	-	25,737
Reserve for Affordable Housing	-	27,674
Reserve for Payroll	-	1,333,607
Reserve for Recreation	-	51,758
Reserve for Public Defender Fee	-	5,834
Reserve for Municipal Open Space	-	601
Due to Current Fund	-	36,235
	4,879	1,481,446
Total Receipts	4,879	1,481,446
Subtotal	16,373	2,962,409
Decreased by Disbursements:		
Reserve for Dog Fund Expenditures	1,192	-
Due State of New Jersey - Dog License Fees	641	
Due to Current Fund	-	22,313
Reserve for Escrow Deposits	-	27,556
Reserve for Affordable Housing	-	24,888
Reserve for Payroll	-	1,331,813
Reserve for Public Defender Fee	-	2,000
Reserve for Recreation	-	32,713
Reserve for Outside Police	-	15,654
Reserve for Municipal Open Space	-	59,793
	1,833	1,516,730
Total Disbursements	1,833	1,516,730
Balance December 31, 2017	\$ 14,540	\$ 1,445,679

**TOWNSHIP OF NORTH HANOVER
TRUST OTHER FUNDS
SCHEDULE OF CURRENT CASH
PER N.J.S. 40A:5-5--COLLECTOR
FOR THE YEAR ENDED DECEMBER 31, 2017**

Balance December 31, 2016		\$ 149,466
Increased by:		
Interest	\$ 100	
Reserve for Tax Title Lien Redemption	187,614	
Reserve for Tax Premium Redemption	3,500	
		191,214
Subtotal		340,680
Decreased by:		
Refund Lien Redemption	211,880	
Refund Premium	116,000	
Interest to Current	100	
		327,980
Balance December 31, 2017		\$ 12,700
	Tax Premiums	\$ 12,700
	Tax Title Liens	-
		\$ 12,700
		\$ 12,700

**TRUST OTHER FUND
SCHEDULE OF DUE TO CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

Balance December 31, 2016		\$ 26,340
Increase by:		
Receipts		36,235
Decreased by:		
Disbursements		22,313
Balance December 31, 2017		\$ 40,262

**TOWNSHIP OF NORTH HANOVER
ANIMAL CONTROL TRUST FUND
SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Balance December 31, 2016		\$ 7,243
Increased by:		
Collections:		
Dog License Fees Collected by Clerk	4,238	
Due to State of New Jersey	641	
	4,879	4,879
Subtotal		12,122
Decreased by:		
Expenditures Under R.S.4:19-15.11- Cash	\$ 1,192	
Due to State of New Jersey	641	
Statutory Excess Due to Current Fund	1,992	
	3,825	3,825
Balance December 31, 2017		\$ 8,297

LICENSE FEES COLLECTED

YEAR	AMOUNT
2016	\$ 4,172
2015	4,125
	8,297
Total	\$ 8,297

**TRUST OTHER FUNDS
SCHEDULE OF RESERVE FOR OPEN SPACE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

Balance December 31, 2016		\$ 667,987
Increased by:		
Due from Current Fund	\$ 97	
Interest	601	
	698	698
Subtotal		668,685
Decreased by:		
Anticipated Revenue Current Fund - Debt Service		59,793
		59,793
Balance December 31, 2017		\$ 608,892

**TOWNSHIP OF NORTH HANOVER
TRUST OTHER FUNDS
SCHEDULE OF RESERVE FOR ESCROW DEPOSITS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Balance December 31, 2016		\$ 564,467
Increased by:		
Interest Earned & Escrow Deposits	\$ 23,575	
Outstanding Checks Cancelled	<u>2,162</u>	
		<u>25,737</u>
Subtotal		590,204
Decreased by:		
Refunds or Payments		<u>27,556</u>
Balance December 31, 2017		<u><u>\$ 562,648</u></u>

**SCHEDULE OF RESERVE FOR AFFORDABLE HOUSING
FOR THE YEAR ENDED DECEMBER 31, 2017**

Balance December 31, 2016		\$ 108,810
Increased by:		
Affordable Housing Fees		<u>27,674</u>
Subtotal		136,484
Decreased by:		
Disbursements		<u>24,888</u>
Balance December 31, 2017		<u><u>\$ 111,596</u></u>

**TOWNSHIP OF NORTH HANOVER
TRUST OTHER FUNDS
SCHEDULE OF RESERVE FOR PAYROLL
FOR THE YEAR ENDED DECEMBER 31, 2017**

Balance December 31, 2016	\$ 22,589
Increased by:	
Payroll	<u>1,333,607</u>
Subtotal	1,356,196
Decreased by:	
Payroll Expenditures	<u>1,331,813</u>
Balance December 31, 2017	<u><u>\$ 24,383</u></u>

ANALYSIS OF BALANCE

Dental/Health	\$ 10,621
PERS	4,834
PFRS	3,719
DCRP Retirement	799
Unallocated Reserve	<u>4,410</u>
Total	<u><u>\$ 24,383</u></u>

**SCHEDULE OF RESERVE FOR RECREATION
FOR THE YEAR ENDED DECEMBER 31, 2017**

Balance December 31, 2016	\$ 117,389
Increased by:	
Receipts	<u>51,758</u>
Subtotal	169,147
Decreased by:	
Disbursements	<u>32,713</u>
Balance December 31, 2017	<u><u>\$ 136,434</u></u>

**TOWNSHIP OF NORTH HANOVER
TRUST OTHER FUNDS
SCHEDULE OF RESERVE FOR COUNTY FAIR
FOR THE YEAR ENDED DECEMBER 31, 2017**

EXHIBIT B-10

Balance December 31, 2017 and 2016	<u><u>\$ 7,545</u></u>
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**SCHEDULE OF RESERVE FOR PUBLIC DEFENDER FEE
FOR THE YEAR ENDED DECEMBER 31, 2017**

EXHIBIT B-11

Balance December 31, 2016	\$ 6,165
Increased by:	
Receipts - Fees Collected by Court	<u>5,834</u>
Subtotal	11,999
Decreased by:	
Disbursements - Expenditures	<u>2,000</u>
Balance December 31, 2017	<u><u>\$ 9,999</u></u>

**SCHEDULE OF RESERVE FOR AMBULANCE CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017**

EXHIBIT B-12

Balance, December 31, 2017 and 2016	<u><u>\$ 465</u></u>
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EXHIBIT B-13

**TOWNSHIP OF NORTH HANOVER
TRUST OTHER FUNDS
SCHEDULE OF RESERVE FOR FIRE PREVENTION FINES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Balance, December 31, 2017 and 2016 \$ 350

EXHIBIT B-14

**SCHEDULE OF RESERVE FOR CITIZENS' CONTRIBUTIONS FOR FUTURE MUNICIPAL
PURPOSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Balance, December 31, 2017 and 2016 \$ 2,606

EXHIBIT B-15

**SCHEDULE OF RESERVE FOR POLICE CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Balance, December 31, 2017 and 2016 \$ 950

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GENERAL CAPITAL FUND

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**TOWNSHIP OF NORTH HANOVER
GENERAL CAPITAL FUND
SCHEDULE OF GENERAL CAPITAL CASH AND RECONCILIATION
PER N.J.S.40A:5-5-TREASURER
FOR THE YEAR ENDED DECEMBER 31, 2017**

Balance December 31, 2016		\$	819,299
Increased by Receipts:			
Grants Receivable	\$	284,110	
Reserve for Fire Equipment		30,000	
Due from Current Fund - Redemption of Bond Anticipation Notes		86,000	
Premium on Notes Issued		38,350	
Note Proceeds		6,028,750	
		<u>6,028,750</u>	6,467,210
Subtotal			<u>7,286,509</u>
Decreased by Disbursements:			
Notes		3,962,750	
Reserve for Premium on Notes		28,486	
Improvement Authorizations		2,272,227	
		<u>2,272,227</u>	6,263,463
Balance December 31, 2017		<u>\$</u>	<u>1,023,046</u>

**TOWNSHIP OF NORTH HANOVER
GENERAL CAPITAL FUND
ANALYSIS OF GENERAL CAPITAL CASH
FOR THE YEAR ENDED DECEMBER 31, 2017**

	RECEIPTS		DISBURSEMENTS			TRANSFERS		BALANCE DECEMBER 31, 2017
	BALANCE DECEMBER 31, 2016	BOND ANTICIPATION NOTES	MISCELLANEOUS	IMPROVEMENT AUTHORIZATIONS	MISCELLANEOUS	FROM	TO	
Capital Improvement Fund	\$ 56,061	\$ -	\$ -	\$ -	\$ -	\$ 9,500	\$ -	46,561
Premiums on Notes Issued - Reserve for Debt Service	28,486	-	-	-	28,486	-	-	-
Reserve for Acquisition of Land	500	-	-	-	-	-	-	500
Reserve for Fire Equipment	49,370	-	30,000	-	-	79,000	-	370
Capital Surplus	592	-	38,350	-	-	-	-	38,942
Due Current Fund	-	-	86,000	-	-	116,000	-	(30,000)
Due Federal & State Grant Fund	(18,811)	-	284,110	-	-	416,000	-	(52,342)
DOT Grant Receivable	44,025	-	-	-	-	44,025	119,164	(150,701)
Reserve for Encumbrance	(2,306)	-	-	-	-	-	-	119,164
Accounts Receivable	-	-	-	-	-	-	-	(2,306)
ORDINANCE NUMBER								
1997-16								
Feasibility Study for Improvement to Municipal Building and Replacement of Heating System	1,862	-	-	-	-	-	-	1,862
Various Capital Improvements	9,655	-	-	459	-	-	-	9,196
Capital Improvements & Purchase Equipment	2,594	-	-	-	-	-	-	2,594
Purchase of Public Safety Equipment	4,126	-	-	4,126	-	-	-	-
2003-08	13,890	-	-	-	-	-	-	13,890
Acquisition of Farms for Farmland Preservation	(19,214)	-	-	-	-	-	-	(19,214)
Acquisition of Farms for Farmland Preservation & Various Capital Improvements	3,200	-	-	-	-	-	-	3,200
Purchase of Validator/Postage Machine	16,344	-	-	-	152,000	-	19,000	16,344
2009-21	7,938	133,000	-	-	-	-	-	7,938
Acquisition & Installation of Solar Panels	1,567	108,375	-	-	135,450	-	27,075	1,567
2011-05	2,210	49,875	-	-	-	-	-	2,210
Acquisition of a Fire Vehicle & Installation of Equipment	540	13,300	-	-	57,000	45	7,125	540
2012-06	3,788	-	-	-	15,200	-	1,900	3,788
Acquisition & Installation of a Trash Compactor	689	218,400	-	-	245,700	-	27,300	689
2013-05	-	28,800	-	-	32,400	-	3,600	-
Acquisition of a Tanker Truck	1,490,325	3,325,000	-	127,531	3,325,000	-	1,264	1,364,058
2013-09	(821,889)	2,152,000	-	-	-	-	-	(136,433)
Improvements to Schoolhouse Road Park	(56,243)	-	-	1,506,815	-	2,490	42,761	(30,739)
2015-04	-	-	-	56,838	-	-	82,342	-
Township Road Improvement Program	-	-	-	140,863	-	14,629	7,800	(147,692)
2016-07	-	-	-	-	-	102,000	79,000	(23,000)
Road Improvement Program & Various Other Purposes	-	-	-	435,595	-	-	417,700	(17,895)
2016-09	-	-	-	-	-	-	-	-
Municipal Park Improvements	-	-	-	-	-	-	-	-
2017-04	-	-	-	-	-	-	-	-
Various Improvements or Purposes	-	-	-	-	-	-	-	-
2017-05	-	-	-	-	-	-	-	-
Acquisition of an Ambulance	-	-	-	-	-	-	-	-
2017-06	-	-	-	-	-	-	-	-
Road Improvements - DOT	-	-	-	-	-	-	-	-
Total	\$ 819,299	\$ 6,028,750	\$ 438,460	\$ 2,272,227	\$ 3,991,236	\$ 836,031	\$ 836,031	\$ 1,023,046

**TOWNSHIP OF NORTH HANOVER
GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION-FUNDED
FOR THE YEAR ENDED DECEMBER 31, 2017**

Balance December 31, 2016	\$ 525,000
Decreased by:	
2017 Budget Appropriation to Pay Debt:	
General Serial Bonds	<u>170,000</u>
Balance December 31, 2017	<u><u>\$ 355,000</u></u>

**TOWNSHIP OF NORTH HANOVER
GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED
FOR THE YEAR ENDED DECEMBER 31, 2017**

ORDINANCE NUMBER	IMPROVEMENT DESCRIPTION	BALANCE DECEMBER 31, 2016	INCREASED BY IMPROVEMENT AUTHORIZATIONS	NOTES PAID BY BUDGET AUTHORIZATIONS	GRANT RECEIPTS	BALANCE DECEMBER 31, 2017	ANALYSIS OF BALANCE		
							BOND ANTICIPATION NOTES	EXPENDED	UNEXPENDED IMPROVEMENT AUTHORIZATIONS
2006-06	Acquisition of Farms for Farmland Preservation & Various Capital Improvements	\$ 23,320	\$ -	\$ -	-	23,320	\$ -	19,214	\$ 4,106
2009-21	Acquisition & Installation of Solar Panels	152,000	-	19,000	-	133,000	133,000	-	-
2011-05	Acquisition of Certain Real Property	135,450	-	27,075	-	108,375	108,375	-	-
2012-01	Acquisition of a Fire Vehicle & Installation of Equipment	57,000	-	7,125	-	49,875	49,875	-	-
2012-06	Acquisition & Installation of a Trash Compactor	15,200	-	1,900	-	13,300	13,300	-	-
2012-08	Resurfacing of Jacobstown-Armytown Roads	9,500	-	-	-	9,500	-	-	9,500
2013-05	Acquisition of Tanker Truck	245,700	-	27,300	-	218,400	218,400	-	-
2013-09	Improvements to Schoolhouse Road Park	32,400	-	3,600	-	28,800	28,800	-	-
2015-04	Township Road Improvement Program	3,325,000	-	-	-	3,325,000	3,325,000	-	-
2016-07	Road Improvement Program & Various Other Purposes	2,527,000	-	-	-	2,527,000	2,152,000	136,433	238,567
2016-09	Municipal Park Improvements	114,000	-	-	82,342	31,658	-	30,739	919
2017-04	Various Improvements or Purposes	-	148,200	-	-	148,200	-	147,692	508
2017-05	Acquisition of Ambulance	-	23,000	-	-	23,000	-	23,000	-
2017-06	Road Improvements - DOT	-	32,300	-	-	32,300	-	17,895	14,405
Total		\$ 6,636,570	\$ 203,500	\$ 86,000	\$ 82,342	\$ 6,671,728	\$ 6,028,750	\$ 374,973	\$ 268,005

Improvement Authorizations - Unfunded		ORD. NO.	
Unexpended Proceeds of Bond Anticipation Notes	2009-21	\$	16,344
Unexpended Proceeds of Bond Anticipation Notes	2011-05		1,567
Unexpended Proceeds of Bond Anticipation Notes	2012-01		2,165
Unexpended Proceeds of Bond Anticipation Notes	2012-06		540
Unexpended Proceeds of Bond Anticipation Notes	2013-05		689
Unexpended Proceeds of Bond Anticipation Notes	2015-04		1,364,058
			1,385,363
			268,005

TOWNSHIP OF NORTH HANOVER
 GENERAL CAPITAL FUND
 SCHEDULE OF IMPROVEMENT AUTHORIZATION
 FOR THE YEAR ENDED DECEMBER 31, 2017

IMPROVEMENT DESCRIPTION	NUMBER	ORDINANCE DATE	AMOUNT	BALANCE DECEMBER 31, 2016		RESERVES OR CAPITAL IMPROVEMENT FUND	CHARGES TO FUTURE TAXATION UNFUNDED	NEW JERSEY DEPARTMENT OF TRANSPORTATION	TRANSFER FROM ENCUMBRANCES	TRANSFER TO ENCUMBRANCES	BALANCE DECEMBER 31, 2017	
				FUNDED	UNFUNDED						FUNDED	UNFUNDED
General Improvements:												
Feasibility Study for Improvement to Municipal & Replacement of Heating System	1997-16	8/28/1997	\$ 35,000	\$ 1,862	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,862	\$ -
Various Capital Improvements	1999-04	3/20/1999	1,590,000	9,655	-	-	-	-	-	459	9,196	-
Capital Improvements & Purchase Equipment	2001-03	5/10/2001	120,000	2,594	-	-	-	-	-	-	2,594	-
Purchase of Public Safety Equipment	2003-06	9/18/2003	147,500	4,126	-	-	-	-	-	4,126	-	-
Acquisition of Furnis for Farmland Preservation	2003-08	11/13/2003	320,000	13,890	-	-	-	-	-	-	13,890	-
Acquisition of Furnis for Farmland Preservation & Various Capital Improvements	2006-06	5/28/2006	445,600	4,106	-	-	-	-	-	-	-	4,106
Purchase of Validator Postage Machine	2006-10	8/24/2006	3,200	3,200	-	-	-	-	-	-	3,200	-
Acquisition & Installation of Solar Panels	2009-21	12/17/2009	200,000	16,344	-	-	-	-	-	-	16,344	-
Reconstruction of Schoolhouse Road Phase III	2009-22	12/17/2009	17,000	7,938	-	-	-	-	-	-	7,938	-
Acquisition of Certain Real Property	2011-05	11/15/2011	285,000	1,567	-	-	-	-	-	-	-	1,567
Acquisition of a Fire Vehicle & Installation of Equipment	2012-01	3/1/2012	75,000	2,210	-	-	-	-	45	-	-	2,165
Acquisition & Installation of a Trash Compactor	2012-06	7/16/2012	20,000	540	-	-	-	-	-	-	-	540
Resurfacing of Jacobstown-Armytown Roads	2012-08	12/6/2012	210,000	3,788	9,500	-	-	-	-	-	3,788	9,500
Acquisition of Fire Tanker Truck	2013-05	7/18/2013	287,500	689	-	-	-	-	-	-	-	689
Townshipwide Road Improvement Program	2015-04	7/2/2015	3,500,000	1,490,325	-	-	-	-	1,264	-	127,531	1,364,058
Road Improvement Program & Various Other Purposes	2016-07	5/5/2016	2,660,000	1,705,111	-	-	-	-	42,761	2,490	1,506,815	238,567
Municipal Park Improvements	2016-09	8/18/2016	120,000	57,757	-	-	-	-	-	-	56,838	919
Various Improvements or Purposes	2017-04	5/18/2017	156,000	-	7,800	-	148,200	-	-	14,629	140,863	508
Acquisition of Ambulance	2017-05	5/18/2017	102,000	-	79,000	-	23,000	-	-	102,000	-	-
Road Improvements - DOT	2017-06	5/18/2017	450,000	-	1,700	-	32,300	-	-	-	435,595	14,405
Total			\$ 47,053	\$ 3,288,149	\$ 88,500	\$ 203,500	\$ 416,000	\$ 44,025	\$ 119,164	\$ 2,272,227	\$ 42,468	\$ 1,653,368

Capital Improvement Fund \$ 9,500
 Contribution from Fire Company 30,000
 Reserve for Fire Equipment 49,000
\$ 88,500

**TOWNSHIP OF NORTH HANOVER
GENERAL CAPITAL FUND
STATEMENT OF CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

Balance December 31, 2016	\$ 56,061
Decreased by:	
Funded Portion of 2017 Improvement Authorizations Issued	<u>9,500</u>
Balance December 31, 2017	<u><u>\$ 46,561</u></u>

**TOWNSHIP OF NORTH HANOVER
GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES
FOR THE YEAR ENDED DECEMBER 31, 2017**

ORDINANCE NUMBER	IMPROVEMENT DESCRIPTION	DATE OF ORIGINAL NOTES	DATE OF ISSUE	DATE OF MATURITY	INTEREST RATE	BALANCE DECEMBER 31, 2016	INCREASE	DECREASE	BALANCE DECEMBER 31, 2017
2009-21	Acquisition & Installation of Solar Panels	5/3/2012	4/27/2016 4/25/2017	4/26/2017 4/24/2018	2.00% 2.25%	\$ 152,000 -	- 133,000	\$ 152,000 -	- 133,000
2011-05	Acquisition of Certain Real Property	12/15/2011	4/27/2016 4/25/2017	4/26/2017 4/24/2018	2.00% 2.25%	135,450 -	- 108,375	135,450 -	- 108,375
2012-01	Acquisition of a Fire Vehicle & Installation of Equipment	5/3/2012	4/27/2016 4/25/2017	4/26/2017 4/24/2018	2.00% 2.25%	57,000 -	- 49,875	57,000 -	- 49,875
2012-06	Acquisition & Installation of a Trash Compactor	12/15/2012	4/27/2016 4/25/2017	4/26/2017 4/24/2018	2.00% 2.25%	15,200 -	- 13,300	15,200 -	- 13,300
2013-05	Acquisition of a Tanker Truck	9/4/2013	4/27/2016 4/25/2017	4/26/2017 4/24/2018	2.00% 2.25%	245,700 -	- 218,400	245,700 -	- 218,400
2013-09	Improvements to Schoolhouse Road Park	12/30/2013	4/27/2016 4/25/2017	4/26/2017 4/24/2018	2.00% 2.25%	32,400 -	- 28,800	32,400 -	- 28,800
2015-4	Township Road Improvement Program	10/28/2015	4/27/2016 4/25/2017	4/26/2017 4/24/2018	2.00% 2.25%	3,325,000 -	- 3,325,000	3,325,000 -	- 3,325,000
2016-07	Road Improvement Program & Various Purposes	4/25/2017	4/25/2017	4/24/2018	2.25%	-	2,152,000	-	2,152,000
Total						\$ 3,962,750	\$ 6,028,750	\$ 3,962,750	\$ 6,028,750
						Renewals	\$ 3,876,750	\$ 3,876,750	
						Issued for Cash	2,152,000	-	
						Paid by Budget	-	86,000	
						\$ 3,962,750	\$ 6,028,750	\$ 3,962,750	\$ 6,028,750

**TOWNSHIP OF NORTH HANOVER
GENERAL CAPITAL FUND
SCHEDULE OF GENERAL SERIAL BONDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

PURPOSE	DATE OF ISSUE	ORIGINAL ISSUE	OUTSTANDING December 31, 2017		INTEREST RATE	BALANCE DECEMBER 31, 2016	PAID BY BUDGET APPROPRIATION	BALANCE DECEMBER 31, 2017
			DATE	AMOUNT				
General Bonds of 1999	6/15/99	\$ 2,520,000	6/15/18	175,000	5.20%	\$ 525,000	\$ 170,000	\$ 355,000
			6/15/19	180,000				
Total						<u>\$ 525,000</u>	<u>\$ 170,000</u>	<u>\$ 355,000</u>

**TOWNSHIP OF NORTH HANOVER
GENERAL CAPITAL FUND
STATEMENT OF BURLINGTON COUNTY PARKS GRANT RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2017**

Balance December 31, 2016	\$ 105,000
Decreased by:	
Received	<u>82,342</u>
Balance December 31, 2017	<u><u>\$ 22,658</u></u>

**TOWNSHIP OF NORTH HANOVER
GENERAL CAPITAL FUND
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED
FOR THE YEAR ENDED DECEMBER 31, 2017**

ORDINANCE NUMBER	IMPROVEMENT DESCRIPTION	BALANCE DECEMBER 31, 2016	IMPROVEMENT AUTHORIZATIONS	BOND ANTICIPATION NOTES ISSUED	FUNDED BY GRANT PROCEEDS	BALANCE DECEMBER 31, 2017
2006-06	Various Capital Improvements	\$ 23,320	\$ -	\$ -	-	\$ 23,320
2012-08	Resurfacing of Jacobstown-Armytown Roads	9,500	-	-	-	9,500
2016-07	Road Improvement Program and Various Other Purposes	2,527,000	-	2,152,000	-	375,000
2016-09	Municipal Park Improvements	114,000	-	-	82,342	31,658
2017-04	Various Improvements or Purposes	-	148,200	-	-	148,200
2017-05	Acquisition of Ambulance	-	23,000	-	-	23,000
2017-06	Road Improvement Program - DOT	-	32,300	-	-	32,300
Total		\$ 2,673,820	\$ 203,500	\$ 2,152,000	\$ 82,342	\$ 642,978

FIXED ASSETS

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**TOWNSHIP OF NORTH HANOVER
GENERAL FIXED ASSETS GROUP OF ACCOUNTS
STATEMENT OF GENERAL FIXED ASSET GROUP OF ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	BALANCE DECEMBER 31, 2016	ADDITIONS	DELETIONS	BALANCE DECEMBER 31, 2017
General Fixed Assets:				
Land & Land Improvements	\$ 2,422,656	\$ -	\$ -	\$ 2,422,656
Buildings	1,017,099	-	-	1,017,099
Vehicles	1,959,890	117,478	-	2,077,368
Machinery & Equipment	885,113	7,400	-	892,513
	<hr/>			
Total General Fixed Assets	\$ 6,284,758	\$ 124,878	\$ -	\$ 6,409,636
	<hr/> <hr/>			
 Total Investments in General Fixed Assets	 \$ 6,284,758	 \$ 124,878	 \$ -	 \$ 6,409,636
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TOWNSHIP OF NORTH HANOVER

PART II

**SCHEDULE OF FINANCIAL STATEMENT FINDINGS -
GOVERNMENT AUDITING STANDARDS**

FOR THE YEAR ENDED DECEMBER 31, 2017

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**TOWNSHIP OF NORTH HANOVER
SCHEDULE OF FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017**

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Finding 2017-001

Criteria or specific requirement:

N.J.A.C. 5:30-5.6 requires that municipalities maintain a fixed asset accounting system that shall include assets descriptions, estimated or historical costs and other such information as shall be required by the governing body and updated each year with any additions or deletions. Proper internal control practices also dictate that complete and accurate records should be maintained to ensure adequate control over the preparation of the financial statements including related footnotes.

Condition:

The Township did not maintain a fixed asset accounting system in accordance with N.J.A.C. 5:30:5.6.

Cause:

Internal control policies and procedures are not in place to properly maintain the fixed asset accounting system.

Effect or potential effect:

Non-compliance with N.J.A.C. 5:30-5.6.

Recommendation:

That internal control policies and procedures should be developed to properly maintain the general fixed assets accounting system in accordance with N.J.A.C. 5:30-5.6.

View of responsible official:

The responsible official agrees with this finding and will address the matter as part of their corrective action plan.

**TOWNSHIP OF NORTH HANOVER
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017**

This section identifies the status of prior year findings related to the financial statements, federal awards and state financial assistance that are required to be reported in accordance with *Government Auditing Standards*, Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and New Jersey OMB's Circular 15-08.

Financial Statement Findings

Finding No. 2016-001

Condition:

An analysis of fixed assets, additions and deletions, is not being maintained and updated on a yearly basis as required by Technical Accounting Directive 85-2.

Current Status:

This finding has not been corrected. See Finding 2017-001.

Finding No. 2016-002

Condition:

In review of the 2015 Appropriation Reserves, it was determined that nine line items were over-expended at year end totaling \$7,861.

Current Status:

This finding has been corrected.

FEDERAL AWARDS

N/A – No Federal Single Audit in prior year.

STATE FINANCIAL ASSISTANCE

N/A – No State Single Audit in prior year.

TOWNSHIP OF NORTH HANOVER

PART III

LETTER OF COMMENTS AND RECOMMENDATIONS – REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2017

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OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office at December 31, 2017:

<u>Name</u>	<u>Title</u>
Louis DeLorenzo	Mayor
Ronald DeBaecke	Deputy Mayor
Christopher Doyle	Committeeperson
John Kocubinski	Committeeperson
Brendan O'Donnell	Committeeperson
John A. Bruno, Jr.	Chief Financial Officer
Joseph Greene	Treasurer
Maryalice Picariello	Tax Collector, Municipal Clerk
Lois F. Downey	Municipal Judge
Rita Williams	Court Administrator
Theodore B. Wells	Chief of Police
Donald Kosul	Tax Assessor

All listed employees are covered by a Blanket Bond of \$1,000,000 of which \$50,000 is provided as part of the Burlington County Municipal Joint Insurance Fund and \$950,000 through the Municipal Excess Liability Joint Insurance Fund.

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HOLMAN | FRENIA
ALLISON, P.C.
Certified Public Accountants & Consultants

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Honorable Mayor and Members
of the Township Committee
Township of North Hanover
County of Burlington
North Hanover, New Jersey

In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year ended December 31, 2017.

GENERAL COMMENTS:

Contracts and Agreements required to be advertised by (N.J.S.A.40A:11-4)

N.J.S.A.40A:11-4 states every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the Governing Body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the bid threshold, except by contract or agreement.

The bid threshold in accordance with N.J.S.A. 40A:11-4 was \$17,500 for the year ended December 31, 2017.

It is pointed out that the governing body of the municipality has the responsibility of determining whether the expenditures in any category will exceed the statutory minimum within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

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

Our examination of expenditures did not reveal any individual payments or contracts in excess of the bid threshold “for the performance of any work, or the furnishing of any materials, supplies or labor” 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

N.J.S.54:4-67, 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 5th, 2017 adopted the following resolution authorizing interest to be charged on delinquent taxes:

“NOW THEREFORE, BE IT RESOLVED by the Mayor and Township Committee of North Hanover Township, County of Burlington, State of New Jersey, as follows:

- 1. Designated Municipal Officials are hereby authorized and directed to charge 8% per annum on the first \$1,500.00 of taxes, assessments or other charges/fees becoming delinquent after the due date and 18% per annum on any amount of taxes in excess of \$1,500.00 becoming delinquent after the due date, and if a delinquency is in excess of \$10,000.00 and remains in arrears beyond December 31st, an additional penalty of 6% shall be charged against the delinquency.*
- 2. Effective January 1, 2017, there will be a ten (10) day grace period of quarterly tax payments made by cash, check, or money order.*
- 3. Any payments not made in accordance with paragraph two (2) of this resolution shall be charged interest from the due date as set forth in paragraph one (1) of this resolution.”*

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

OTHER COMMENTS (FINDINGS):

Finding 2017-001*: The Township did not maintain a fixed asset accounting system in accordance with N.J.A.C. 5:30:5.6.

Finding 2017-002: The Township did not file the annual Uniform Construction Code Report by the February 10th due date in accordance with N.J.A.C. 5:23-4.17(b).

*Denotes Prior Year Finding.

RECOMMENDATIONS:

Finding 2017-001*: That internal control policies and procedures should be developed to properly maintain the general fixed assets accounting system in accordance with N.J.A.C. 5:30-5.6.

Finding 2017-002: That the annual Uniform Construction Code Report be filed by the February 10th due date in accordance with N.J.A.C. 5:23-4.17(b).

Appreciation

We express our appreciation for the assistance and courtesies extended to the members of the audit team.

Respectfully submitted,

HOLMAN FRENIA ALLISON, P. C.

Michael Holt
Certified Public Accountant
Registered Municipal Accountant
RMA No. 473

Medford, New Jersey
June 14, 2018