

**PRELIMINARY OFFICIAL STATEMENT DATED MAY 29, 2025**

**NEW ISSUE - BOOK-ENTRY ONLY**

**RATING: See "RATING" herein**

*In the opinion of McManimon, Scotland & Baumann, LLC, Bond Counsel, assuming compliance by the Township (as defined herein) with certain tax covenants described herein, under existing law, interest on the Notes (as defined herein) is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Notes is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax; however, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to alternative minimum tax under Section 55 of the Code. Based upon existing law, interest on the Notes and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.*

**TOWNSHIP OF EAST HANOVER,  
IN THE COUNTY OF MORRIS, NEW JERSEY  
\$11,690,000 BOND ANTICIPATION NOTES, SERIES 2025A  
Interest Rate: \_\_\_\_ % Yield: \_\_\_\_ % CUSIP: \_\_\_\_\_**

**Dated: Date of Delivery**

**Due: June 16, 2026**

The \$11,690,000 Bond Anticipation Notes, Series 2025A (the "Notes") will be issued by the Township of East Hanover, in the County of Morris, New Jersey (the "Township"), as fully registered Notes in the form of one certificate for the aggregate principal amount of the Notes and, when issued, will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company ("DTC"), which will act as securities depository for the Notes. Purchases of the Notes will be made in book-entry-only form (without certificates) in denominations of \$5,000 or any integral multiple of \$1,000 in excess thereof. So long as DTC, or its nominee Cede & Co., is the registered owner of the Notes, payments of the principal of and interest on the Notes are to be made directly to Cede & Co., which is to remit such payments to DTC participants, which in turn is to remit such payments to be beneficial owners of the Notes (see "Book-Entry-Only System" herein). Interest on the Notes is payable at maturity. The Notes are not subject to redemption prior to their stated maturity date. See "THE NOTES – Redemption" herein.

The Notes constitute general obligations of the Township, and the full faith and credit and unlimited taxing power of the Township are pledged to the payment of the principal of and interest on the Notes. The Township shall be required to levy *ad valorem* taxes upon all taxable property within the Township for the payment of the principal of and interest on the Notes without limitation as to rate or amount.

The Notes are offered when, as and if issued by the Township and delivered to the Underwriter (as defined herein), subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by McManimon, Scotland & Baumann, LLC, Roseland, New Jersey, Bond Counsel, and other conditions described herein. NW Financial Group, LLC, Bloomfield, New Jersey, has served as municipal advisor in connection with the issuance of the Notes. It is expected that Notes will be available for delivery on or about June 17, 2025. The Notes are to be delivered through the facilities of DTC in Jersey City, New Jersey.

**ELECTRONIC PROPOSALS WILL BE RECEIVED FOR THE NOTES ON JUNE 5, 2025 UNTIL 11:30 AM. FOR MORE INFORMATION ON HOW TO BID, PLEASE REFER TO THE ENCLOSED NOTICE OF SALE.**

**TOWNSHIP OF EAST HANOVER,  
IN THE COUNTY OF MORRIS, NEW JERSEY**

**MAYOR**

Joseph Pannullo

**TOWNSHIP COUNCIL**

Brian Brokaw, Sr., President  
Michael Martorelli  
Carolyn Jandoli  
Frank DeMaio, Jr.

**TOWNSHIP ADMINISTRATOR**

Joseph Tempesta

**TOWNSHIP CLERK**

Nicolette J. Calabro, RMC

**CHIEF FINANCIAL OFFICER**

Kenneth Huelbig

**TOWNSHIP ATTORNEY**

M. Murphy Durkin, Esq.  
West Caldwell, New Jersey

**TOWNSHIP AUDITOR**

Wielkots & Company, LLC  
Pompton Lakes, New Jersey

**BOND COUNSEL**

McManimon, Scotland & Baumann, LLC  
Roseland, New Jersey

**FINANCIAL ADVISOR**

NW Financial Group, LLC  
Bloomfield, New Jersey

No dealer, broker, salesperson or other person has been authorized by the Township of East Hanover, in the County of Morris, New Jersey (the “Township”), to give any information or to make any representations with respect to the Notes (as defined herein) other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the Township and other sources deemed reliable; however, no representation or warranty is made as to its accuracy or completeness and such information is not construed as a representation or warranty by the Underwriter (as defined herein) or, as to information from sources other than itself, by the Township. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Notes hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Township since the date hereof or any earlier date as of which any information contained herein is given.

This Official Statement is submitted in connection with the sale of the Notes referred to herein and may not be used, in whole or in part, for any other purpose.

References in this Official Statement to laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein, and copies of which may be inspect at the officers of the Township during normal business hours.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or amended by the Township from time to time (collectively, the “Official Statement”), may be treated as a “Final Official Statement” with respect to the Notes described herein that is deemed final as of the date hereof (or of any such supplement or amendment) by the Township.

The Underwriter has reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF NOTES IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

Neither McManimon, Scotland & Baumann, LLC nor the Underwriter have participated in the preparation of the financial or statistical information contained in this Official Statement nor have they verified the accuracy or completeness thereof, and, accordingly, they express no opinion with respect thereto.

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**OFFICIAL STATEMENT**  
**OF THE**  
**TOWNSHIP OF EAST HANOVER, IN THE COUNTY OF MORRIS, NEW JERSEY**  
**\$11,690,000 BOND ANTICIPATION NOTES, SERIES 2025A**

**INTRODUCTION**

This Official Statement (the "Official Statement"), which includes the cover page and the appendices attached hereto, has been prepared by the Township of East Hanover (the "Township"), in the County of Morris (the "County"), State of New Jersey (the "State"), in connection with the sale and issuance of its \$11,690,000 Bond Anticipation Notes, Series 2025A (the "Notes"). This Official Statement has been executed by the Chief Financial Officer of the Township. This Official Statement is "deemed final", as of its date, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12").

**THE NOTES**

**General Description**

The Notes may be purchased in book-entry only form in the amount of \$5,000 or any integral multiple of \$1,000 in excess thereof through book entries made on the books and records of DTC and its participants. The Notes will be dated the date of delivery and will mature June 16, 2026.

So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner of the Notes, payments of the principal of and interest on the Notes, calculated on a 30 day month and 360 day year basis, will be made by the Township or its designated paying agent directly to Cede & Co. (or any successor or assign), as nominee for DTC. Interest on the Notes will be credited to the participants of DTC as listed on the records of DTC as of the close of business one business day prior to the maturity date.

**Book-Entry-Only System**

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interest in the Notes, payment of principal and interest and other payments on the Notes to Direct and Indirect Participants (defined below) or Beneficial Owners (defined below), confirmation and transfer of beneficial ownership interests in the Notes and other related transactions by and between DTC, Direct and Indirect Participants and Beneficial Owners, is based on certain information furnished by DTC to the Township. Accordingly, the Township does not make any representations as to the completeness or accuracy of such information.

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered notes registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued in the aggregate principal amount of the Notes and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers,

banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of the Notes ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy (the "Omnibus Proxy") to the Township as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Township or its paying agent, if any, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the paying agent, if any, or the Township, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Township or the paying agent, if any, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the Township or the paying agent, if any. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

The Township may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Township believes to be reliable, but the Township takes no responsibility for the accuracy thereof.

NEITHER THE TOWNSHIP NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE NOTES, AS NOMINEE FOR DTC, REFERENCES HEREIN TO THE HOLDERS OR REGISTERED OWNERS OF THE NOTES (OTHER THAN UNDER THE CAPTION "TAX MATTERS" AND "SECONDARY MARKET DISCLOSURE") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE NOTES.

## Discontinuation of Book-Entry Only System

If the Township, in its sole discretion, determines that DTC is not capable of discharging its duties, or if DTC discontinues providing its services with respect to the Notes at any time, the Township will attempt to locate another qualified securities depository. If the Township fails to find such securities depository, or if the Township determines, in its sole discretion, that it is in the best interest of the Township or that the interest of the Beneficial Owners might be adversely affected if the book-entry only system of transfer is continued (the Township undertakes no obligation to make an investigation to determine the occurrence of any events that would permit it to make such determination), the Township shall notify DTC of the termination of the book-entry only system.

## Security for the Notes

The Notes are general obligations of the Township, and the Township has pledged its full faith and credit for the payment of the principal of and the interest on the Notes. The Township is required by law to levy *ad valorem* taxes upon all the taxable property within the Township for the payment of the principal of and the interest on the Notes without limitation as to rate or amount.

## Redemption

The Notes are not subject to redemption prior to their stated maturity date.

## Authorization and Purpose of the Notes

The Notes have been authorized by and are to be issued pursuant to the Local Bond Law and the various bond ordinances (the “Ordinances”) of the Township set forth below. The Ordinances included in the sale of the Notes were published in full or in summary form after their adoption along with the statement that the twenty-day period of limitation within which a suit, action or proceeding questioning the validity of the Ordinances can be commenced began to run from the date of the first publication of such estoppel statement. The Local Bond Law provides that after issuance all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and any person shall be estopped from questioning the sale, execution or delivery of the Notes of the Township. Such estoppel period for the ordinances has concluded as of the date of this Official Statement.

The proceeds of the Notes will be used to (i) fund certain capital improvements; and (ii) pay certain costs and expenses incidental to the issuance and delivery of the Notes.

## General Improvement

<u>Ordinance Number</u>	<u>Description</u>	<u>New Money</u>	<u>Total Issue</u>
10-2024	Various Capital Improvements	\$8,500,000	\$8,500,000
6-2025	Acquisition of Various Properties	<u>2,610,000</u>	<u>2,610,000</u>
<b><u>Water/ Sewer Utility</u></b>			
5-2022	Various Improvements	280,000	280,000
4-2023	Various Improvements	160,000	160,000
11-2024	Various Improvements	<u>140,000</u>	<u>140,000</u>
		<u>\$11,690,000</u>	<u>\$11,690,000</u>



## **INFECTIOUS DISEASE OUTBREAK - COVID-19 PANDEMIC AND ONGOING CONCERNS**

In early March of 2020, the World Health Organization declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a newly discovered strain of coronavirus. On March 13, 2020, the President of the United States declared a national public health emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. The Governor of the State declared a state of emergency and a public health emergency on March 9, 2020. In response to the COVID-19 pandemic, federal and State legislation and executive orders were implemented to, among other things, provide relief to state and local governments, including the American Rescue Plan Act of 2021 (the "Plan"). The pandemic and certain mitigation measures, which altered the behavior of businesses and people, have had and may continue to have negative impacts on regional, State and local economies. The national public health emergency and the State public health emergency have since ended, while the state of emergency declared by the State and several executive orders signed by the Governor remain to manage COVID-19 on an endemic level.

To date, the overall finances and operations of the Township have not been materially adversely affected by the COVID-19 pandemic. Nonetheless, there can be no assurance regarding the extent to which the COVID-19 pandemic, or any other national health crisis or pandemic, may impact the national, State or local economies in the future, nor how any such event may materially adversely impact municipalities, including the Township. The Township cannot quantify any such impacts at this time.

The Plan, signed into law on March 12, 2021, provided \$1.9 trillion in relief designed to provide funding to address the COVID-19 pandemic and alleviate the economic and health effects of the COVID-19 pandemic. The Township has received \$1,143,085.28 from the Plan. The deadline to obligate the funds was December 31, 2024, and such funds can only be spent on certain allowable uses as set forth in the Plan.

### **PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT**

#### **Local Bond Law (N. J. S. A. 40A:2-1 et seq.)**

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes subject to a number of exceptions. All bonds and notes issued by the Township are general full faith and credit obligations.

The authorized bonded indebtedness of the Township for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3-1/2% of its average equalized valuation basis. The average for the last three years of the equalized value of all taxable property and improvements and certain Class II railroad property within the boundaries of the Township, as annually determined by the State Director of Taxation, is \$3,902,674,488.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit, including school bonds that do not exceed the school bond borrowing margin and certain debt that may be deemed self-liquidating.

The Township has not exceeded its statutory debt limit. As of December 31, 2024, the statutory net debt as a percentage of average equalized valuation was 1.402%. As noted below, the statutory limit is 3 1/2%.

The Township may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the Township may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Township or substantially reduce the ability of the Township to meet its obligations or to provide essential public improvements and services, or if it makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the Township to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

The Township may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. A local unit's bond anticipation notes must mature within one year, but may be renewed or rolled over. Bond anticipation notes, including renewals, must mature and be paid no later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes. For bond ordinances adopted on or after February 3, 2003, notes may only be renewed beyond the third anniversary date of the original notes if a minimum payment equal to the first year's required principal payment on the bonds is paid to retire a portion of the notes on or before each subsequent anniversary date from funds other than the proceeds of bonds or notes. For bond ordinances adopted prior

to February 3, 2003, the governing body may elect to make such minimum principal payment only when the notes are renewed beyond the third and fourth anniversary dates.

**Local Budget Law (N. J. S. A. 40A:4-1 et seq.)**

The foundation of the New Jersey local finance system is the annual cash basis budget. The Township, which operates on a calendar fiscal year (January 1 to December 31), must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the director of the Division (“Director”) prior to final adoption. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations.

The Township is authorized to issue emergency notes and special emergency notes pursuant to the Local Budget Law.

Tax Anticipation Notes are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units.

The cash basis budgets of local units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local unit’s expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year’s budget.

The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenues from any source may be included as any anticipated revenue in the budget in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director determines that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and certifies that determination to the local unit.

No budget or budget amendment may be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality’s calendar year. However, grant revenue is generally not realized until received in cash.

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also, the local unit is required to make an appropriation for a “reserve for uncollected taxes” in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by the last day of that fiscal year. The budget also must provide for any cash deficits of the prior year.

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body of the local unit. However, with minor exceptions, such appropriations must be included in full in the following year’s budget.

The exceptions are certain enumerated quasi-capital projects (“special emergencies”) such as ice, snow, and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, revaluation programs, revision and codification of ordinances, master plan preparation, drainage map preparation for flood control purposes and contractually obligated severance liabilities and payment of compensated absences, which may be amortized over five years. Of course, emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Under legislation recently enacted to address the COVID-19 pandemic, P.L. 2020, c. 74 (A4175), a municipality may adopt an emergency appropriation to fund certain deficits resulting from COVID-19 with approval of the Director of the Division of Local Government Services and may either fund it as a deferred charge or issue special emergency notes to fund it payable by 1/5 each year beginning in the year after the year in which the deferred charge appears in the financial statements so it is paid off no later than the last day of the sixth fiscal year following the end of the fiscal year in which the application is made. If there is a showing of fiscal distress, that may be extended to ten years. The Director may also promulgate guidelines modifying the standard for anticipated revenues when the amount realized in cash from the same source during the next preceding fiscal year experienced reductions due to COVID-19. Also, local units may be able to issue refunding bonds with Local Finance Board approval to repay a Federal Emergency Management Agency Community Disaster Loan for which it executed a promissory note in 2013.

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the year. Appropriation reserves may also be transferred during the first three months of the year to the previous year's budget. Both types of transfers require a 2/3 vote of the full membership of the governing body; however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to internal review and approval. In a "CAP" budget, no transfers may be made from excluded from "CAP" appropriations to within "CAP" appropriations nor can transfers be made between excluded from "CAP" appropriations.

A provision of law known as the New Jersey "Cap Law" (N.J.S.A. 40A:4-45.1 et seq.) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the "Index Rate" if the Index Rate is greater than 2.5%. The "Index Rate" is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior year's tax levy in years when the Index Rate is 2.5% or less.

Additionally, legislation constituting P.L. 2010, c. 44, limits tax levy increases for those local units to 2% with exceptions only for capital expenditures including debt service, increases in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare increases, extraordinary costs directly related to a declared emergency and amounts approved by a simple majority of voters voting at a special election.

Neither the tax levy limitation nor the "Cap Law" limits the obligation of the Township to levy *ad valorem* taxes upon all taxable property within the Township to pay debt service on its bonds or notes, including the Notes.

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures that the local unit may contemplate over the six years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the terms were detailed.

### **Tax Assessment and Collection Procedure**

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income, where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners, but it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values.

Upon the filing of certified adopted budgets by the Township's local school district, regional school district and the County, the tax rate is struck by the Morris County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, the levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4-1 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June by the Township's Tax Collector. The taxes are due August 1 and November 1, respectively, and are adjusted to reflect the current calendar year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding year, are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500 of the delinquency and 18% per annum on any amount in excess of \$1,500. These interest and penalties are the highest permitted under New Jersey statutes. If a delinquency is in excess of \$10,000 and remains in arrears after December 31st, an additional penalty of 6% shall be charged. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey statutes. A table detailing delinquent taxes and tax title liens is included in Appendix A.

## **Tax Appeals**

The New Jersey statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the Township must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the Morris County Board of Taxation on or before April 1 for review. The Morris County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the Morris County Board of Taxation, appeal may be made to the Tax Court of New Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations.

## **Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.)**

This law regulates the non-budgetary financial activities of local governments. The Chief Financial Officer of every local unit must file annually, with the Director, a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

An independent examination of each local unit's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the Director. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended December 31, 2023, is on file with the Township Clerk and is available for review during business hours.

## **TAX MATTERS**

### **Exclusion of Interest on the Notes From Gross Income for Federal Tax Purposes**

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Notes in order to assure that interest on the Notes will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Failure of the Township to comply with such requirements may cause interest on the Notes to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Notes. The Township will make certain representations in its Arbitrage and Tax Certificate, which will be executed on the date of issuance of the Notes, as to various tax requirements. The Township has covenanted to comply with the provisions of the Code applicable to the Notes and has covenanted not to take any action or fail to take any action that would cause interest on the Notes to lose the exclusion from gross income under Section 103 of the Code. Bond Counsel (as defined herein) will rely upon the representations made in the Arbitrage and Tax Certificate and will assume continuing compliance by the Township with the above covenants in rendering its federal income tax opinions with respect to the exclusion of interest on the Notes from gross income for federal income tax purposes and with respect to the treatment of interest on the Notes for the purposes of alternative minimum tax.

Assuming the Township observes its covenants with respect to compliance with the Code, McManimon, Scotland & Baumann, LLC, Bond Counsel to the Township ("Bond Counsel"), is of the opinion that, under existing law, interest on the Notes is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, and interest on the Notes is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax; however, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to alternative minimum tax under Section 55 of the Code.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Notes from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and enforcement of the Code or those regulations by the IRS.

Bond Counsel's engagement with respect to the Notes ends with the issuance of the Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the Township or the owners of the Notes regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Notes, under current IRS procedures, the IRS will treat the Township as the taxpayer and the beneficial owners of the Notes will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including, but not limited to, selection of the Notes for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Notes.

Payments of interest on tax-exempt obligations, including the Notes, are generally subject to IRS Form 1099-INT information reporting requirements. If a Note owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

### **Original Issue Premium**

The Notes may be sold at an initial offering price in excess of the amount payable at the maturity date. The excess, if any, of the tax basis of the Notes to a purchaser (other than a purchaser who holds the Notes as inventory, as stock-in-trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is amortizable note premium, which is not deductible from gross income for federal income tax purposes. Amortizable note premium, as it amortizes, will reduce the owner's tax cost of the Notes used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Notes. Accordingly, an owner of a Note may have taxable gain from the disposition of the Note, even though the Note is sold, or disposed of, for a price equal to the owner's original cost of acquiring the Note. Note premium amortizes over the term of the Notes under the "constant yield method" described in regulations interpreting Section 1272 of the Code. Owners of the Notes should consult their own tax advisors with respect to the calculation of the amount of note premium that will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Notes.

### **Bank-Qualification**

The Notes **will not** be designated as qualified under Section 265 of the Code by the Township for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations.

The Code denies the interest deduction for certain indebtedness incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations. The denial to such institutions of 100% of the deduction for interest paid on funds allocable to tax-exempt obligations applies to those tax-exempt obligations acquired by such institutions after August 7, 1986. For certain issues that are eligible to be designated, and that are designated, by the issuer as qualified under Section 265 of the Code, 80% of such interest may be deducted as a business expense by such institutions.

### **Additional Federal Income Tax Consequences of Holding the Notes**

Prospective purchasers of the Notes should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Notes, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations.

Bond Counsel expresses no opinion regarding any federal tax consequences other than its opinion with regard to the exclusion of interest on the Notes from gross income pursuant to Section 103 of the Code and interest on the Notes not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Notes should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Notes.

### **Changes in Federal Tax Law Regarding the Notes**

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State of New Jersey. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Notes. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Notes will not have an adverse effect on the tax status of interest on the Notes or the market value or marketability of the Notes. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax) or repeal (or reduction in the benefit) of the exclusion of interest on the Notes from gross income for federal or state income tax purposes for all or certain taxpayers.

### **State Taxation**

Bond Counsel is of the opinion that, based upon existing law, interest on the Notes and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

THE OPINIONS EXPRESSED BY BOND COUNSEL WITH RESPECT TO THE NOTES ARE BASED UPON EXISTING LAWS AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL DECISIONS AND REGULATORY CHANGES AS OF THE DATE OF ISSUANCE OF THE NOTES, AND BOND COUNSEL HAS EXPRESSED NO OPINION WITH RESPECT TO ANY LEGISLATION, REGULATORY CHANGES OR LITIGATION ENACTED, ADOPTED OR DECIDED SUBSEQUENT THERETO. PROSPECTIVE PURCHASERS OF THE NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE POTENTIAL IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION.

### **LITIGATION**

To the best of the knowledge of the Township Attorney, M. Murphy Durkin, Esq., West Caldwell, New Jersey, there is no litigation of any nature, now pending or threatened, restraining or enjoining the issuance or the delivery of the Notes, or the levy or the collection of any taxes to pay the principal of or the interest on the Notes, or in any manner questioning the authority of the proceedings for the issuance of the Notes or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Township or the title of any of the present officers. Moreover, to the best of the knowledge of the Township Attorney, no litigation is presently pending or threatened that, in the opinion of the Township Attorney, would have a material adverse impact on the financial condition of the Township if adversely decided.

### **MUNICIPAL BANKRUPTCY**

The undertakings of the Township should be considered with reference to Chapter 9 of the Bankruptcy Act, 11 U.S.C. Section 401, et seq., as amended by Public Law 94-260, approved April 8, 1976, and as further amended on November 6, 1978 by the Bankruptcy Reform Act of 1978, effective October 1, 1979, as further amended by Public Law 100-597, effective November 3, 1988, and as further amended and other bankruptcy laws affecting creditor's rights and municipalities in general. The amendments of P.L. 94-260 replace former Chapter IX and permit the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under such chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to debt owed for services or material actually provided within three months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount or more than one-half in number of the listed creditors. The 1976 Amendments were incorporated into the Bankruptcy Reform Act of 1978 with only minor changes.

Reference should also be made to N.J.S.A. 52:27-40 et seq., which provides that a municipality has the power to file a petition in bankruptcy provided the approval of the Municipal Finance Commission has been obtained. The powers of the Municipal Finance Commission have been vested in the Local Finance Board. The Bankruptcy Act specifically provides that Chapter 9 does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Act.

### **PREPARATION OF OFFICIAL STATEMENT**

The Township hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material respects, and it will confirm to the Underwriter by a certificate signed by the Mayor and the Chief Financial Officer of the Township that, to their knowledge, such descriptions and statements, as of the date of this Official Statement, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

Wielkottz & Company, LLC assisted in the preparation of information contained in this Official Statement and takes responsibility for the audited financial statements to the extent specified in their Independent Auditor's Report.

All other information has been obtained from sources which the Township considers to be reliable, and it makes no warranty, guaranty or other representation with respect to the accuracy and completeness of such information.

NW Financial Group, LLC has not participated in the preparation of the financial or statistical information in this Official Statement, nor has it verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

McManimon, Scotland & Baumann, LLC has not participated in the preparation of the financial or statistical information contained in this Official Statement nor has it verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

## FINANCIAL STATEMENTS

Excerpts from audited financial statements for the year ended December 31, 2023 and selected financial information for the year ended December 31, 2024 are presented in Appendix "C" to this Official Statement. The financial statements referred to above have been audited by Wielkotz & Company, LLC, Pompton Lakes, New Jersey.

## SECONDARY MARKET DISCLOSURE

The Township has covenanted for the benefit of the holders and beneficial owners of the Notes to provide certain secondary market disclosure information pursuant to Rule 15c2-12 of the Securities and Exchange Commission, as amended and interpreted from time to time (the "*Rule*"). Specifically, for so long as the Notes remain outstanding (unless the Notes have been wholly defeased), the Township will provide electronically to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("*EMMA*") system or such other repository designated by the Securities and Exchange Commission to be an authorized repository for filing secondary market disclosure information, if any, in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Notes:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes;
- (7) Modifications to the rights of holders of the Notes, if material;
- (8) Note calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the Notes, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Township;
- (13) The consummation of a merger, consolidation or acquisition involving the Township or the sale of all or substantially all of the assets of the Township, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the Township, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation of the Township, any of which affect holders of the Notes, if material; and
- (16) Default, event of acceleration, termination event, modification of terms or other similar events under a Financial Obligation of the Township, if any such event reflects financial difficulties.

The term "*Financial Obligation*" as used in subparagraphs (15) and (16) above means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation or (iii) guarantee of (i) or (ii); *provided, however*, that the term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

If all or any part of the Rule ceases to be in effect or is not in effect for any reason, then the information required to be provided, insofar as the provisions of the Rule not or no longer in effect required the provision of such information, shall not or no longer will be required to be provided.

The Chief Financial Officer shall determine, in consultation with Bond Counsel, the application of the Rule or the exemption from the Rule for each issue of obligations of the Township prior to their offering. Such officer is authorized to enter into additional

written contracts or undertakings to implement the Rule and is further authorized to amend such contracts or undertakings, provided such amendment is, in the opinion of nationally recognized bond counsel, in compliance with the Rule.

In the event that the Township fails to comply with the above-described undertaking and covenants, the Township shall not be liable for any monetary damages, remedy of the beneficial owners of the Notes being specifically limited in the undertaking to specific performance of the covenants.

The undertaking may be amended by the Township from time to time, without the consent of the holders or beneficial owners of the Notes, in order to make modifications required in connection with a change in legal requirements or change in law, which in the opinion of nationally recognized bond counsel complies with the Rule.

The Township has previously entered into continuing disclosure undertakings under the Rule. The Township appointed NW Financial Group, LLC, Bloomfield, New Jersey, to act as Continuing Disclosure Agent to assist in the filing of certain information on EMMA as required under its obligations.

### **APPROVAL OF LEGAL PROCEEDINGS**

All legal matters incident to the authorization, issuance, sale and delivery of the Notes are subject to the approval of Bond Counsel to the Township, whose approving legal opinion will be delivered with the Notes substantially in the form set forth as Appendix "D" hereto. Certain legal matters will be passed on for the Township by its Counsel, M. Murphy Durkin, Esq., West Caldwell, New Jersey.

### **MUNICIPAL ADVISOR**

NW Financial Group, LLC, Bloomfield, New Jersey, has served as Municipal Advisor to the Township with respect to the issuance of the Notes (the "Municipal Advisor"). The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement and the Appendices hereto. The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

### **UNDERWRITING**

The Notes are being purchased by \_\_\_\_\_ (the "Underwriter"), at a purchase price of \$ \_\_\_\_\_. The purchase price reflects the principal amount of the Notes, plus original issue premium in the amount of \$ \_\_\_\_\_, less Underwriter's discount in the amount of \$ \_\_\_\_\_. The Underwriter is obligated to purchase all of the Notes if any Notes are purchased.

The Notes are being offered to the public at the yield set forth on the cover page of this Official Statement, which yield may be changed from time to time by the Underwriter without notice. The Underwriter may offer and sell the Notes to certain dealers (including dealers depositing the Notes into investment trusts) and others at yields higher than the offering yield set forth on the cover page.

### **RATING**

Moody's Ratings has assigned a rating of "MIG 1" to the Notes.

An explanation of the significance of such rating may be obtained from Moody's at 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. The rating is not a recommendation to buy, sell or hold the Notes and there is no assurance that such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by Moody's if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating by Moody's may have an adverse effect on the market price or marketability of the Notes.

### **ADDITIONAL INFORMATION**

Additional information may be obtained from the Township, 411 Ridgedale Avenue, East Hanover, New Jersey 07936, attention Kenneth Huelbig, Chief Financial Officer, telephone number (973) 888-6004, and Wielkottz & Company, LLC, 401 Wanaque Avenue, Pompton Lakes, New Jersey 07442, telephone number (973) 835-7900.



## **MISCELLANEOUS**

All summaries and explanations of provisions of laws, statutes or documents herein do not purport to summarize or describe all of the provisions thereof, and reference is made to said laws, statutes or documents for further information.

The economic data, debt and other summaries which appear in Appendix A attached hereto have been prepared from publicly available sources of information described in said Appendix.

This Official Statement is not to be construed as a contract or agreement among the Township, the Underwriter or the holders of the Notes. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs (financial or otherwise) of the Township since the date hereof. The information contained in this Official Statement is not guaranteed as to accuracy or completeness.

This Official Statement has been duly executed and delivered on behalf of the Township by the Chief Financial Officer.

### **TOWNSHIP OF EAST HANOVER, IN THE COUNTY OF MORRIS, NEW JERSEY**

By: \_\_\_\_\_  
Kenneth Huelbig,  
Chief Financial Officer

Dated: June 5, 2025

**APPENDIX A**

**DESCRIPTION OF  
THE TOWNSHIP OF EAST HANOVER  
TOGETHER WITH  
CERTAIN ECONOMIC AND DEBT INFORMATION**

## APPENDIX A

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## **GENERAL INFORMATION REGARDING THE TOWNSHIP OF EAST HANOVER**

The following material presents certain updated general, economic and demographic information on the Township of East Hanover (the "Township" or "East Hanover"). The Township's financial statements are included in Appendix A, and such information is derived from certified audits and financial documents and should be used in conjunction with the audit from which they are derived. Unless otherwise stated, all information is from the Township.

The financial statements have been prepared in conformance with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. These practices differ in certain respects, which in some instances may be material, from generally accepted accounting principles applicable to local government units.

### **General**

The Township comprises an area of 8.2 square miles and is located on the eastern border of Morris County, abutting Essex County. It is 30 miles west of New York City, 15 miles west of Newark and 6 miles east of Morristown. State Highway 10 and Interstate Highway 280 traverse the Township and provide the principal connections to Newark and New York.

East Hanover has for many years worked to develop a strong, balanced tax base. Its ratables continue to be almost evenly divided between residential and nonresidential, although because of the one-family nature of the residential, the 25 largest taxpayers are overwhelmingly commercial and industrial ratables.

The Township's proximity to the Metropolitan Area has made it very desirable for national and international, as well as regional, business concerns. Typical of these is Novartis which has had its major United States facility within the Township for more than twenty years and has had a presence in East Hanover for almost seventy years. Sandoz and Ciba-Geigy merged and became Novartis which concentrated its research and development, sales, services, and support activities in the Township. Another major corporate citizen is Mondelez Global LLC, in conjunction with Kraft, which has had its Nabisco Foods Group headquartered in the Township for more than twenty years. Givaudan also has a major presence in the Township with two locations, one of which is used for Research and Development and the other for manufacturing of flavors and fragrances.

### **Transportation**

East Hanover is accessible to Routes 24, 46, 80 and 287 which are only minutes away, to complement Routes 10 and 280 in the Township. Public transportation is also available within or near the Township.

The following means of transportation link East Hanover to the New York-New Jersey Metropolitan Region and beyond:

New Jersey Transit bus service to Newark and New York as well as Morristown is available at Mount Pleasant Avenue and River Road.

New Jersey Transit rail service to Newark and New York is available through nearby stations in Mount Tabor, Morristown, Madison, Chatham, Convent Station and Dover.

The Township operates an intra municipal paratransit service for senior and handicapped citizens, transportation for shopping, medical appointments, recreational and employment destinations.

Morristown Airport provides a base for a wide range of general aviation including many corporate jets.

By private car or livery, New York is 45 minutes away via Route 80 to the George Washington Bridge, or Route 46 to Route 3 and the Lincoln Tunnel.

Newark is a 30-minute drive via Route 280 and may also be accessed via Route 10 or South Orange Avenue. Newark Airport may be reached in 30 minutes via Route 24.

For recreation, the North Jersey Highlands with its lakes and mountains is a half-hour away via Routes 280, 80, 46 and 15. The Jersey Shore is accessible via Route 280 to the Garden State Parkway, and the New Jersey Turnpike may also be reached via Route 280.

## **Municipal Government**

The Township is governed under the Small Municipality Plan which provides for four council members to be elected to staggered three-year terms and the Mayor to be directly elected for a four-year term. The Mayor is the executive head of the government and also sits as a voting member of the Council.

Administration of Township affairs is the responsibility of a professional staff comprising a Township Administrator, Township Clerk, Treasurer/Chief Financial Officer, Tax Collector, Superintendent of Public Works, Superintendent of Public Utilities, Superintendent of Recreation, Construction Official, Police Chief and Fire/ EMS Chief.

## **Township Officials and Departments**

The Township Administrator is the chief operating officer and serves at the pleasure of the governing body. He is selected by the Council based upon training and qualifications and is charged with carrying out the policies established by the Mayor and Council. His responsibility includes the financial operation of the Township.

The Township Clerk's statutory duties include serving as secretary to the governing body, secretary to the municipality and as the Township's election official.

The Treasurer/Chief Financial Officer directs the Department of Finance in handling all financial matters of the Township including payroll, accounts payable and receivable, and municipal debt service. The Treasurer/Chief Financial Officer reports to the Township Administrator who is primarily responsible for the development of financial policy and the annual operating and capital budgets.

The Office of the Tax Collector performs all duties related to billing and collecting municipal taxes. Within the office is the Water and Sewer Collector who bills and collects all water and sewer fees.

The Department of Public Works is responsible for road maintenance and repair, snow removal, street lighting, maintenance of public buildings and grounds and vehicle and fleet operations. Under the aegis of the Department, the Water and Sewer Utility supplies water and sewer service to 4,223 residential customers and approximately 350 industrial and commercial users.

The Water and Sewer Utility operates three potable water wells and has an application pending with the Department of Environmental Protection concerning the development of a fourth well. The existing wells are located at Ridgedale Avenue, Melanie Lane and Homestead Avenue and produce approximately 1.8 million gallons a day on average. The Department also operates a water treatment facility which was rebuilt and upgraded in 2008.

In addition to the wells, the Water and Sewer Utility has an interconnection with New Jersey American Water Co., which is available to supplement well production during periods of peak demand or in emergency situations.

The Department of Public Works is responsible for road maintenance and repair, snow removal, street lighting, maintenance of public buildings and grounds and fleet operations. Under the aegis of the Department, the Water and Sewer Utility supplies water sewer service to 4,223 residential customers and approximately 350 industrial and commercial users.

The Water and Sewer Utility is self-liquidating for the purposes of N.J.S. 40A:2-45.

A full-service Police Department with 35 Police Officers (Arrest Power), four Dispatchers, four School Law Enforcement Officers, and four part-time personnel provides 24-hour-a-day coverage including patrol, traffic enforcement and investigative services. The Department is the central reception and dispatch location for all Township emergency needs, including fire, emergency medical and emergency management units. The recent completion of the installation of License Plate Reader (LPR) cameras has given the Police Department the ability to monitor all incoming and outgoing vehicle traffic located at the perimeter intersections of the Township which will potentially prevent crime and increase the peace and tranquility of our residents.

The Fire Department is manned by 40 volunteers under the direction of a part-time Fire Chief. In addition, the Fire Prevention Bureau is staffed by a part-time Fire Marshall and four part-time Fire Inspectors. The Township has implemented the position of Fire Director whose function is to oversee the Fire Prevention Bureau, Fire Department and Office of Emergency Management and First Aid. The Township will be hiring 4 full-time firefighters/ EMS starting in 2025 to help supplement the volunteer department. The Township plans to hire an additional 8-10 full-time firefighters/EMS. The Fire Department has six pieces of fire apparatus, including a new 85' Aerial Platform Ladder Truck, and various other advanced firefighting equipment and protective gear for its volunteers, which are housed in the Department's main facility on Ridgedale Avenue and at Firehouse 2 in the southern portion of the Township.

Recreation activities in the Township are under the direction of the Recreation Department and its professional staff, led by the Superintendent. The Township's more than 125 acres of recreational and open space includes two community parks (Lurker and Sommer), play fields, playgrounds, tennis courts, nature trails and a municipal swimming pool. The Township acquired the 6-acre Camp Hope tract which provides a summer recreational program for special persons under the aegis of the ARC of Essex County. The Township completed the construction of a new complex at the Camp Hope site which includes a new 6,000 square foot multi-purpose recreational building, parking lot and grass soccer field. The Department conducts extensive organized programs on a year-round basis, utilizing school facilities to supplement those of the Township, especially during the winter. Programs cover every age group from pre-school to senior citizens.

The Township has currently completed Phase 1 of our Lurker Park Redevelopment Project which includes installation of lighting, synthetic turf, and drainage for two multi-purpose sports fields. Phases II and III are in process and will include the installation of lighting, synthetic turf, drainage, parking, walking paths and additional recreational facilities and equipment.

The Department conducts extensive organized programs on a year-round basis, utilizing school facilities to supplement those of the Township, especially during the winter. Programs cover every age group from pre-school to senior citizens.

Health services are provided by the East Hanover Department of Health through its professional staff. The Department provides numerous health screenings and educational programs as well as conduction of all inspections and certifications of places and persons handling food. Animal control activities are also within the purview of the Department. For a number of years, the Department has provided basic municipal health services to the neighboring Borough of Roseland and Township of Parsippany-Troy Hills, both under interlocal services agreements.

### Community Planning

The Township has a single Land Use Board as provided for in New Jersey's Municipal Land Use Law (N.J.S.A. 40:55-D-1 et seq.). The Board's functions encompass both those of planning and zoning boards in larger communities.

The Township adopted its first Master Plan in 1965 and has periodically updated it. In 2005, it provided a complete overhaul of the Plan including the addition of new chapters dealing with current concerns such as recycling.

### Population Estimates

	<u>2020</u>	<u>2010</u>	<u>2000</u>	<u>1990</u>	<u>1980</u>
Township of East Hanover	11,105	11,157	11,393	9,926	9,319
Morris County	509,285	492,276	470,212	421,353	407,630
State of New Jersey	9,288,994	8,791,894	8,432,116	7,730,180	7,364,158

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Source: U.S. Census of Population

### Building Permits

<u>Year</u>	<u>Number of Permits</u>
2024	1,072
2023	881
2022	786
2021	893
2020	701

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Source: Township of East Hanover, Building Inspector

### Comparative Schedule of Fund Balance

	<u>Year</u>	<u>Fund Balance, December 31,</u>	<u>Utilized In Budget of Succeeding Year</u>
Current Fund	2024 (1)	\$8,244,409	\$3,000,000
	2023	8,080,057	2,750,000
	2022	6,455,774	2,100,000
	2021	5,335,020	1,500,000
	2020	3,687,996	1,350,000
Water/ Sewer Utility Operating Fund	2024 (1)	498,869	370,662
	2023	288,599	260,409
	2022	237,875	200,000
	2021	556,507	538,670
	2020	743,528	332,345

(1) Unaudited

### RETIREMENT SYSTEMS

The Township is enrolled in three retirement systems established by acts of the State Legislature. Benefits, contributions, means of funding and administration of the retirement systems are set by the State. The Division of Pensions within the Treasury Department of the State is the administrator of the systems with benefit and contribution levels set by the State. All full-time permanent or qualified employees who began employment after 1944 must enroll in one of two retirement systems, depending upon their employment status. Township employees, employed or retired, are enrolled in either the Public Employees' Retirement System ("PERS"), or the Police and Firemen's Retirement System ("PFRS"), or if retired in the Consolidated Police and Firemen's Pension Fund ("CPFPPF"). Employee rates for contribution are normally determined by the Division of Pensions. The Township is current in its payments to the retirement systems as well as the Federal Social Security System ("OASI").

### COLLECTIVE BARGAINING REPRESENTATION

Certain Township employees are a part of collective bargaining agreements whose termination dates of current contracts are shown below.

<u>Unit</u>	<u>Date</u>
Police Department	December 31, 2027
Department of Public Works	December 31, 2027
White Collar Employees	December 31, 2027

Source: The Township.

## TAX INFORMATION ON THE TOWNSHIP

### Tax Collection Procedures

Real property taxes are assessed locally, based upon an assessment at true value. The tax bill includes a levy for Local Municipal, County and School purposes. Tax bills are mailed annually in June. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15 to the County by the Township. Annually, the properties with unpaid taxes for the previous year are placed in a tax sale in accordance with the New Jersey Statutes. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Township.

### Tax Appeals

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. The taxpayer has a right to petition the Morris County Tax Board on or before the first day of April of the current tax year for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as cancelled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the State Department of Taxation, Division of Tax Appeal, for a further hearing. State tax appeals tend to take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations or with the permission of the Local Finance Board may be financed, generally, over a three to five year period.

### Tax Collection Experience

<u>Year</u>	<u>Tax Levy</u>	<u>Current Tax Levy Collected</u>	
		<u>Amount</u>	<u>Percent</u>
2024 (1)	\$67,506,249	\$65,935,498	97.67%
2023	63,365,272	62,959,437	99.35
2022	62,077,303	61,802,929	99.56
2021	61,626,703	61,404,875	99.64
2020	60,943,694	60,564,231	99.38

### Tax Title Liens and Delinquent Taxes

<u>Year</u>	<u>Delinquent Taxes</u>	<u>Tax Title Liens</u>	<u>Total Delinquent</u>	<u>Percent of Tax Levy</u>
2024 (1)	\$1,378,586	\$28,171	\$1,406,757	2.08%
2023	287,516	26,548	314,064	0.50
2022	222,712	25,458	248,170	0.40
2021	216,100	19,183	235,283	0.38
2020	336,682	20,502	357,184	0.59

(1) Unaudited



## Foreclosed Property

<b>Year</b>	<b>Balance December 31</b>
2024	\$1,518,500
2023	1,518,500
2022	1,518,500
2021	1,518,500
2020	1,518,500

Source: Township of East Hanover

## Major Real Property Taxpayers

The top largest commercial taxpayers in the Township and their 2025 assessed valuation are listed below:

<b>Taxpayer</b>	<b>2025 Assessed Valuation</b>
Novartis Pharmaceuticals Corp.	\$347,070,670
E Han LLC	53,120,000
Mondelez Global, LLC	36,967,100
11 Mt Pleasant JV LLC	29,510,000
Hanover Owner LLC	27,720,500
Givaudan Fragrances Corp.	21,400,000
UE New Hanover Public Warehousing	20,500,000
Castle Ridge Plaza LLC	18,500,000
Givaudan Flavors Corp. - Tax	16,000,000
Costco Wholesale	13,920,000

Source: The Township's Assessor and the Township's tax duplicates for 2025.

## Major Employers

The largest employers in the Township of East Hanover, based upon their estimate of full-time employees, are listed below:

Mondelez Global (Kraft and Nabisco)  
Novartis  
Givaudan

Ranking Source: Morris County Planning Board

**Net Assessed and Equalized Property Valuations**  
**Real Property Net Assessed Valuation by Classification**

<b>Classification</b>	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Industrial and Commercial	\$1,031,053,270	\$1,009,270,270	\$972,726,570	\$1,026,945,200	\$1,013,570,900
Residential	1,507,961,000	1,492,124,000	1,458,905,900	1,458,839,000	1,456,093,400
Vacant Land	<u>51,960,200</u>	<u>20,914,400</u>	<u>65,101,000</u>	<u>40,920,100</u>	<u>45,596,600</u>
Subtotal	2,590,974,470	2,522,308,670	2,496,733,470	2,526,704,300	2,515,260,900
Public Utilities	<u>7,669</u>	<u>7,669</u>	<u>7,669</u>	<u>7,669</u>	<u>7,669</u>
Total	<u><u>\$2,590,982,139</u></u>	<u><u>\$2,522,316,339</u></u>	<u><u>\$2,496,741,139</u></u>	<u><u>\$2,526,711,969</u></u>	<u><u>\$2,515,268,569</u></u>

**Net Assessed and Equalized Property Valuations**

Net Assessed Valuation:					
Real Property	\$2,590,974,470	\$2,522,308,670	\$2,496,733,470	\$2,526,704,300	\$2,515,260,900
Personal Tangible Property	<u>7,669</u>	<u>7,669</u>	<u>7,669</u>	<u>7,669</u>	<u>7,669</u>
Total Net Assessed Valuation	<u><u>\$2,590,982,139</u></u>	<u><u>\$2,522,316,339</u></u>	<u><u>\$2,496,741,139</u></u>	<u><u>\$2,526,711,969</u></u>	<u><u>\$2,515,268,569</u></u>

**Components of Real Estate Tax Rate**  
**(per \$100 of Assessment)**

<b>Year</b>	<b>East Hanover Township*</b>	<b>East Hanover School District</b>	<b>Hanover Park Regional</b>	<b>Morris County</b>	<b>Tax Rate</b>
2024	0.823	0.965	0.417	0.389	2.594
2023	0.795	0.917	0.426	0.357	2.495
2022	0.773	0.870	0.452	0.351	2.446
2021	0.753	0.858	0.475	0.351	2.437
2020	0.739	0.830	0.485	0.336	2.390

\*Includes Open Space Tax as approved by referendum and minimum library tax.

## DEBT INFORMATION ON THE TOWNSHIP

### Debt Statements

The Township must report all new authorizations of debt or changes in previously authorized debt to the Division. The Supplemental Debt Statement, as this report is known, must be submitted to the Division before final passage of any debt authorization. Before January 31, of each year, the Township must file an Annual Debt Statement with the Division. This report is made under oath and states the authorized, issued and unissued debt of the Township as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing.

### Debt Incurring Capacity as of December 31, 2024

Municipal:	
Equalized Valuations (last 3 years average)	<u>\$3,902,674,488</u>
3 1/2% Borrowing Margin	136,593,607
Net Debt Issued, Outstanding and Authorized	<u>52,098,798</u>
Remaining Municipal Borrowing Capacity	<u><u>\$84,494,809</u></u>
School:	
4% Borrowing Margin	156,106,980
Debt Issued, Outstanding and Authorized	<u>11,205,163</u>
Remaining School Borrowing Capacity	<u><u>\$144,901,817</u></u>

### Gross and Statutory Net Debt (Exclusive of Overlapping Debt) as of December 31,

#### TREND OF STATUTORY REMAINING BORROWING POWER FOR YEARS ENDING DECEMBER 31, 2024-2020

<u>Year</u>	<u>Gross Debt Amount</u>	<u>Statutory Net Debt</u>	
		<u>Amount</u>	<u>Percentage</u>
2024	\$83,667,682	\$52,098,798	1.335%
2023	73,647,623	40,356,662	1.115
2022	71,618,305	36,024,297	1.043
2021	41,420,723	38,033,773	1.128
2020	39,214,288	32,279,538	.962

Source: The Township's audited financial statements for years shown.

**TOWNSHIP OF EAST HANOVER**  
**STATUTORY DEBT INFORMATION**  
**As of December 31, 2024**

School Purpose:	
Bonds Issued	\$24,190,721
Notes Issued	-
Authorized/ Unissued Debt	<u>163</u>
Total Gross Debt	24,190,884
Deductions	<u>24,190,884</u>
Net Debt for School Purposes	<u>-</u>
Self-Liquidating Purpose:	
Bonds Issued	6,625,000
Notes Issued	-
Authorized/ Unissued Debt	<u>753,000</u>
Total Gross Debt	7,378,000
Deduction	<u>7,378,000</u>
Self-Liquidating Purpose	<u>-</u>
Municipal Purpose:	
Bonds Issued	37,345,000
Notes Issued	-
Authorized/ Unissued Debt	<u>14,753,798</u>
Total Gross Debt	52,098,798
Deduction	<u>-</u>
Net Debt for Municipal Purpose	<u>52,098,798</u>
Total Gross Statutory Debt	83,667,682
Total Statutory Deductions	<u>31,568,884</u>
Total Net Statutory Debt	<u><u>\$52,098,798</u></u>

**TOWNSHIP OF EAST HANOVER**  
**STATEMENT OF INDEBTEDNESS**  
**AS OF DECEMBER 31, 2024**

<b>GROSS MUNICIPAL DEBT</b>	
Per Capita (2020 Census - 11,105)	\$7,534
Percent of Average Equalized Value (2024 - \$3,902,674,488)	2.144%
<b>NET MUNICIPAL DEBT</b>	
Per Capita (2020 Census - 11,105)	\$4,691
Percent of Average Equalized Value (2024 - \$3,902,674,488)	1.335%

**APPENDIX B**

**TOWNSHIP OF EAST HANOVER**  
**SUMMARY OF**  
**2025 INTRODUCED BUDGET**

**TOWNSHIP OF EAST HANOVER  
SUMMARY OF  
2025 INTRODUCED BUDGET**

Summary of General Revenues Anticipated:

Surplus	<u>\$3,000,000</u>
Miscellaneous Revenues:	
Local Revenues	469,000
State Aid Without Offsetting Appropriations	2,853,603
Dedicated Uniform Construction Code Fees	
Offset Without Appropriations	600,000
Interlocal Agreements	384,829
Special Items of General Revenue Anticipated	
With Prior Consent of Director of	
Local Government Services:	
Public and Private Revenues	20,112
Other Special Items	<u>792,250</u>
Total Miscellaneous Revenues	<u>5,119,794</u>
Delinquent Taxes Receipts	<u>285,000</u>
Sub-total General Revenues	8,404,794
Amount to be Raised for Support of Municipal Budget,	
Including Reserve for Uncollected Taxes	20,671,035
Municipal Library Tax	<u>1,420,220</u>
 Total General Revenues	 <u><u>\$30,496,049</u></u>

Summary of General Appropriations:

Within "CAPS":

Operations:

Salaries and Wages	11,299,470
Other Expenses	<u>8,534,943</u>
Sub-total	19,834,413

Deferred Charges, Statutory Expenditures and Judgments	<u>2,918,102</u>
Total Operations Within "CAPS"	<u>22,752,515</u>

Excluded From "CAPS":

Operations:

Salaries and Wages	-
Other Expenses	<u>1,995,888</u>
Sub-total	1,995,888

Capital Improvements	475,000
Municipal Debt Service	4,205,000
Deferred Charges	<u>157,646</u>

Total General Appropriations Excluded From "CAPS"	<u>6,833,534</u>
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Sub-total General Appropriations	29,586,049
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Reserve for Uncollected Taxes	<u>910,000</u>
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Total General Appropriations	<u><u>\$30,496,049</u></u>
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Source: The Township's 2025 Introduced Budget.

**APPENDIX C**

**EXCERPTS FROM AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023  
AND SELECTED FINANCIAL INFORMATION  
FOR THE YEARS ENDED DECEMBER 31, 2020-2024**



# WIELKOTZ & COMPANY <sup>LLC</sup>

CERTIFIED PUBLIC ACCOUNTANTS

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MATTHEW B. WIELKOTZ, CPA, PSA  
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## **INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and  
Members of the Township Council  
Township of East Hanover  
East Hanover, NJ 07936

### **Report on the Financial Statements**

#### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

We have audited the accompanying balance sheets – regulatory basis of the various funds and account group of the Township of East Hanover, as of December 31, 2023 and 2022, the related statements of operations and changes in fund balance – regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and the statement of expenditures – regulatory basis of the various funds for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

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 accompanying financial statements referred to above do not present fairly the financial position of each fund of the Township of East Hanover as of December 31, 2023 and 2022, or changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") and Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Township of East Hanover, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.





As described in Note 1 of the financial statements, the financial statements are prepared by the Township of East Hanover on the basis of the financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of New Jersey.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Basis for Qualified Opinion on Regulatory Basis Accounting Principles***

As described in Note 10 of the financial statement, the Township of East Hanover participates in a Length of Service Award Program for its volunteer fire and rescue personnel. The amount reflected in the trust fund statements of \$982,729 and \$918,011 for 2023 and 2022, respectively, were not audited and, therefore, we express no opinion on the LOSAP program.

***Qualified Opinion on Regulatory Basis of Accounting***

In our opinion, except for the effects of the matter described in the “*Basis for Qualified Opinion on Regulatory Basis Accounting Principles*” paragraph, the financial statements referred to above, present fairly, in all material respects, the regulatory basis balances sheets and account group as of December 31, 2023 and 2022, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2023 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township of East Hanover’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Township's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## ***Other Matters***

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of East Hanover's basic financial statements. The supplementary information listed in the table of contents and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the schedule of expenditures of state financial assistance as required by NJ OMB 15-08 and the letter of comments and recommendations section are presented for purposes of additional analysis and are not required part of the basic financial statements.

The supplementary information listed in the table of contents and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulation Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information listed in the table of contents and schedule of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Honorable Mayor and  
Members of the Township Council  
Page 5.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2024 on our consideration of the Township of East Hanover's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of East Hanover's internal control over financial reporting and compliance.

*Steven D. Wielkocz*

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

*Wielkocz & Company, LLC*

WIELKOTZ & COMPANY, LLC  
Certified Public Accountants  
Pompton Lakes, New Jersey

June 26, 2024

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

**Current Fund**

**December 31, 2023 and 2022**

	<u>Ref.</u>	<u>2023</u>	<u>2022</u>
<u>Assets</u>			
Current Fund:			
Cash	A-4	\$ 10,842,943	8,825,962
Change Fund	A-5	<u>200</u>	<u>200</u>
		<u>10,843,143</u>	<u>8,826,162</u>
Receivables and Other Assets with Full Reserves:			
Municipal Liens Receivable	A-8	26,549	25,458
Delinquent Taxes Receivable	A-9	287,552	222,712
Property Acquired for Taxes - Assessed Valuation	A-10	1,641,900	1,631,500
Revenue Accounts Receivable	A-11	6,061	5,508
Interfund Accounts Receivable	A-12	<u>408,781</u>	<u>208,963</u>
		<u>2,370,843</u>	<u>2,094,141</u>
Deferred Charges:			
Deferred Charges	A-13		269,044
Special Emergency Authorizations	A-14	<u>209,446</u>	<u>279,262</u>
		<u>209,446</u>	<u>279,262</u>
		<u>13,423,432</u>	<u>11,199,565</u>
Federal and State Grant Fund:			
Grants Receivable	A-25	<u>1,764,301</u>	<u>1,292,292</u>
		<u>1,764,301</u>	<u>1,292,292</u>
		<u>\$ 15,187,733</u>	<u>12,491,857</u>

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

**Current Fund**

**December 31, 2023 and 2022**

	<u>Ref.</u>	<u>2023</u>	<u>2022</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Current Fund:			
Appropriation Reserves	A-3/A-15	\$ 1,250,990	1,414,464
Encumbrances Payable	A-3/A-16	381,834	231,929
Reserve for Other Expenditures	A-17	870,738	785,853
Due to State of New Jersey:			
Senior Citizens and Veterans Deductions	A-7	12,636	11,886
Construction Training Fees	A-18	55,255	11,877
Marriage License Fees	A-18	200	
Burial Permit Fees	A-18		10
Tax Overpayments	A-19	18,529	68,759
County Taxes Payable	A-22	6,405	1,785
Prepaid Taxes	A-24	1,157,653	392,131
		<u>3,754,240</u>	<u>2,918,694</u>
Reserve for Receivables	Contra	2,370,843	2,094,141
Fund Balance	A-1	<u>7,298,349</u>	<u>6,455,774</u>
		<u>13,423,432</u>	<u>11,468,609</u>
Federal and State Grant Fund:			
Interfunds Payable	A-26	506,394	208,963
Appropriated Reserve for Grants	A-27	716,661	998,528
Encumbrances Payable	A-28	537,802	52,260
Unappropriated Reserve for Grants	A-29	<u>3,444</u>	<u>32,541</u>
		<u>1,764,301</u>	<u>1,292,292</u>
		<u>\$ 15,187,733</u>	<u>12,760,901</u>

See accompanying notes to financial statements.

## TOWNSHIP OF EAST HANOVER, N.J.

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

## Current Fund

## Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Revenues and Other Income:		
Fund Balance Utilized	2,100,000	1,500,000
Miscellaneous Revenue Anticipated	7,681,593	5,794,056
Receipts from Delinquent Taxes	221,179	205,174
Receipts from Current Taxes	62,272,870	61,802,929
Non-Budget Revenue	438,560	528,827
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	558,438	967,660
Interfunds Returned		18,878
Cancelled Tax Overpayments	1,597	
Total Revenues and Other Income	<u>73,274,237</u>	<u>70,817,524</u>
Expenditures:		
Budget and Emergency Appropriations:		
Operations:		
Salaries and Wages	9,935,872	9,628,880
Other Expenses	10,630,049	9,636,574
Capital Improvement Fund	200,000	350,000
Municipal Debt Service	3,534,935	3,362,051
Deferred Charges and Statutory Expenditures -		
Municipal	2,943,137	2,619,237
Local District School Tax	22,875,990	21,976,598
Regional High School Taxes	10,618,752	11,396,352
County Taxes Including Added Taxes	8,895,037	8,855,932
Local Open Space Taxes	249,854	252,671
Special District Taxes	248,218	261,492
Overexpenditure of Appropriation Reserves		623
Interfunds Advanced	199,818	125,404
Total Expenditures	<u>70,331,662</u>	<u>68,465,814</u>
Excess (Deficit) Revenue Over Expenditures	<u>2,942,575</u>	<u>2,351,710</u>

## TOWNSHIP OF EAST HANOVER, N.J.

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

## Current Fund

## Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Adjustments to Income before Surplus:		
Expenditures included above which are by Statute Deferred		
Charges to Budget of Succeeding Year:		
Emergency Appropriation		250,000
Overexpenditure of Current Appropriations		18,421
Overexpenditure of Appropriation Reserves		623
		<hr/>
Total Adjustments to Income before Surplus		269,044
Statutory Excess to Surplus	2,942,575	2,620,754
Fund Balance, January 1,	<u>6,455,774</u>	<u>5,335,020</u>
	9,398,349	7,955,774
Decreased by:		
Fund Balance Utilized as Budget Revenue	<u>2,100,000</u>	<u>1,500,000</u>
Fund Balance, December 31,	\$ <u><u>7,298,349</u></u>	<u><u>6,455,774</u></u>

See accompanying notes to the financial statements.



## TOWNSHIP OF EAST HANOVER, N.J.

## Statement of Revenues - Regulatory Basis

## Current Fund

Year Ended December 31, 2023

	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	\$ 2,100,000	2,100,000	
Miscellaneous Revenues:			
Licenses:			
Alcoholic Beverages	25,000	30,188	5,188
Fees and Permits	150,000	223,558	73,558
Fines and Costs:			
Municipal Court	72,000	75,958	3,958
Interest and Costs on Taxes	70,000	70,824	824
Interest on Investments and Deposits	70,000	366,526	296,526
Energy Receipts Tax	2,839,469	2,839,469	
Reserve for Municipal Relief	147,101	147,101	
Uniform Construction Code Fees	450,000	1,520,334	1,070,334
Interlocal Service Agreements:			
Borough of Roseland (Board of Health)	87,357	87,358	1
East Hanover School District	90,972	97,488	6,516
Hanover Park Regional Board of Education	38,430	40,248	1,818
Borough of Parsippany (Board of Health)	89,470	89,470	
Cable Television Fees	175,908	175,909	1
Uniform Fire Safety Act	59,000	82,851	23,851
Open Space Trust Fund - Share of Debt Service	250,000	250,000	
Capital Surplus	300,000	300,000	
Public and Private Programs Offset by Revenue:			
Municipal Alliance Program	5,595	5,595	
Clean Communities Grant (N.J.S.A. 13:1e-99.2)	27,695	27,695	
Alcohol Education and Rehabilitation Grant	779	779	
Recycling Tonnage Grant	30,857	30,857	
Body Armor Replacement Fund	2,326	2,326	
FY23 NJDOT Various Roadways	174,840	174,840	
NJACCHO Enhancing Local Public Health Infrastructure	967,067	967,067	
Stormwater Assistance Grant 2023	15,000	15,000	
Bullet Proof Vest Partnership	1,851	1,851	
Opioid Settlement Grant	48,301	48,301	
Emergency Management Assistance 2022	10,000	10,000	
Total Miscellaneous Revenues	6,199,018	7,681,593	1,482,575
Receipts from Delinquent Taxes	220,000	221,179	1,179
Subtotal General Revenues	8,519,018	10,002,772	1,483,754

## TOWNSHIP OF EAST HANOVER, N.J.

## Statement of Revenues - Regulatory Basis

## Current Fund

## Year Ended December 31, 2023

Amount to be Raised by Taxes for Support of Municipal Budget - Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	19,635,840	20,295,019	659,179
Budget Totals	28,154,858	30,297,791	2,142,933
Non-Budget Revenue		438,560	438,560
	<u>\$ 28,154,858</u>	<u>30,736,351</u>	<u>2,581,493</u>

Analysis of Realized Revenues

Revenue from Current Tax Collections	\$ 62,272,870
Allocated to Municipal Open Space	249,854
Allocated to Special District Taxes	248,218
Allocated to County and Local and Regional School Taxes	<u>42,389,779</u>
Balance for Support of Municipal Budget Appropriations	19,385,019
Add : Appropriation - Reserve for Uncollected Taxes	<u>910,000</u>
Amount for Support of Municipal Budget Appropriations	<u>\$ 20,295,019</u>
Receipts from Delinquent Taxes:	
Delinquent Taxes	<u>221,179</u>
	<u>\$ 221,179</u>

Analysis of Non-budget Revenues

Miscellaneous	\$ 74,608
Donations - Bins	3,144
Returned Check Fees	380
AT&T Mobile Lease	42,597
T-Mobile Lease	46,995
Police Outside Detail Administration Fees	30,493
LEA Rebates	70,279
Hotel Fees	169,664
DMV Fines	<u>400</u>
	<u>\$ 438,560</u>

See accompanying notes to the financial statements.

## TOWNSHIP OF EAST HANOVER, N.J.

## Statement of Expenditures - Regulatory Basis

## Current Fund

Year Ended December 31, 2023

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
General Government:					
Administration:					
Salaries and Wages	\$ 181,930	181,930	181,924	6	
Other Expenses	16,350	16,350	12,089	4,261	
Mayor and Council:					
Salaries and Wages	105,000	105,000	104,999	1	
Other Expenses	14,575	14,575	12,225	2,350	
Municipal Clerk:					
Salaries and Wages	194,150	172,650	170,296	2,354	
Other Expenses	39,050	39,050	38,353	697	
Financial Administration:					
Salaries and Wages	200,800	300,800	300,699	101	
Other Expenses	29,400	29,400	27,704	1,696	
Audit Services	100,000	120,000	16,800	103,200	
Computer Data Processing:					
Salaries and Wages	63,000	83,000	78,028	4,972	
Other Expenses	126,850	226,850	219,746	7,104	
Collection of Taxes:					
Salaries and Wages	30,000	32,000	30,922	1,078	
Other Expenses	10,500	10,500	10,118	382	
Assessment of Taxes:					
Salaries and Wages	35,000	35,000	35,000		
Other Expenses	11,825	11,825	9,932	1,893	
Legal Services and Cost:					
Other Expenses	290,000	240,000	182,038	57,962	
Engineering Services and Costs:					
Other Expenses	300,000	250,000	206,025	43,975	

## TOWNSHIP OF EAST HANOVER, N.J.

## Statement of Expenditures - Regulatory Basis

## Current Fund

Year Ended December 31, 2023

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
Municipal Land Use Law (N.J.S.A. 40:55D-1 et seq.)					
Planning Board:					
Salaries and Wages	73,450	73,450	60,630	12,820	
Other Expenses	11,200	11,200	10,220	980	
Insurance:					
General Liability	315,520	320,500	318,525	1,975	
Workers Compensation	269,100	269,100	269,082	18	
Employee Group Health	2,934,880	2,634,900	2,612,000	22,900	
Employee Group Health - Waiver	50,000	50,000	35,494	14,506	
Public Safety:					
Police:					
Salaries and Wages	5,245,600	5,270,600	5,253,096	17,504	
Other Expenses	213,550	188,550	179,379	9,171	
Emergency Management:					
Salaries and Wages	50,000	50,000	50,000		
Other Expenses	32,500	33,500	33,333	167	
First Aid Organization - Contribution:					
Other Expenses	35,000	35,000	35,000		
Fire Suppression:					
Salaries and Wages	138,500	143,500	142,597	903	
Other Expenses	118,100	118,100	116,110	1,990	
Fire Prevention:					
Salaries and Wages	165,000	153,000	147,908	5,092	
Other Expenses	22,900	22,900	21,534	1,366	
Municipal Prosecutor:					
Salaries and Wages	25,001	25,001	25,000	1	
Other Expenses	3,500	3,500	700	2,800	

## TOWNSHIP OF EAST HANOVER, N.J.

## Statement of Expenditures - Regulatory Basis

## Current Fund

Year Ended December 31, 2023

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
Municipal Court					
Salaries and Wages	40,001	40,001	40,000	1	
Other Expenses	150,000	150,000	145,160	4,840	
Public Defender:					
Other Expenses	5,000	5,000	4,550	450	
Public Works:					
Road Repairs and Maintenance:					
Salaries and Wages	575,000	575,000	567,036	7,964	
Other Expenses	591,000	466,000	329,396	136,604	
Other Public Works Functions					
Salaries and Wages	229,750	231,750	231,320	430	
Other Expenses	19,250	19,250	14,459	4,791	
Solid Waste Collection					
Salaries and Wages	37,500	39,500	39,302	198	
Other Expenses	407,000	407,000	386,517	20,483	
Buildings and Grounds:					
Salaries and Wages	80,600	80,600	77,964	2,636	
Other Expenses	157,000	177,000	164,268	12,732	
Vehicle Maintenance:					
Salaries and Wages	260,000	263,000	262,545	455	
Other Expenses	129,000	154,000	129,647	24,353	
Community Services Act:					
Other Expenses	15,000	15,000	14,035	965	

## TOWNSHIP OF EAST HANOVER, N.J.

## Statement of Expenditures - Regulatory Basis

## Current Fund

Year Ended December 31, 2023

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
Health and Welfare:					
Public Health Services:					
Salaries and Wages	195,400	185,400	184,639	761	
Other Expenses	38,300	53,300	49,264	4,036	
Animal Control					
Other Expenses	25,000	80,000	54,505	25,495	
Parks and Recreation:					
Recreation Services and Programs:					
Salaries and Wages	363,400	389,400	388,608	792	
Other Expenses	31,475	31,475	27,086	4,389	
Maintenance of Parks:					
Salaries and Wages	772,000	772,000	723,107	48,893	
Other Expenses	86,100	86,100	62,798	23,302	
Celebration of Public Events:					
Other Expenses	10,000	20,000	9,730	10,270	
Senior Citizen's:					
Salaries and Wages	70,000	70,000	66,291	3,709	
Other Expenses	35,000	35,000	28,141	6,859	
Utility Expenses and Bulk Purchases					
Gasoline	222,525	222,525	174,415	48,110	
Electric and Gas	155,000	175,000	164,729	10,271	
Telephone	110,000	120,000	112,393	7,607	
Natural Gas	45,000	65,000	53,909	11,091	
Street Lighting	160,000	160,000	150,751	9,249	
Accumulated Leave Compensation:					
Other Expenses	280,000	280,000	145,758	134,242	

## TOWNSHIP OF EAST HANOVER, N.J.

## Statement of Expenditures - Regulatory Basis

## Current Fund

Year Ended December 31, 2023

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
Uniform Construction Code: Construction Code Official: Salaries and Wages Other Expenses	375,790 21,450	383,290 121,450	381,841 89,242	1,449 32,208	
Total Operations within "CAPS"	17,144,772	17,144,772	16,220,912	923,860	
B. Contingent	1,000	1,000		1,000	
Total Operations Including Contingent-within "CAPS"	17,145,772	17,145,772	16,220,912	924,860	
Detail:					
Salaries & Wages	9,786,872	9,935,872	9,689,510	246,362	
Other Expenses (Including Contingent)	7,358,900	7,209,900	6,531,402	678,498	
(E) Deferred Charges and Statutory Expenditures- Municipal within "CAPS"					
(1) DEFERRED CHARGES	623	623	623		
Overexpenditure of Appropriation Reserves					
Overexpenditure of Appropriations	18,421	18,421	18,421		
(2) STATUTORY EXPENDITURES:					
Contribution to:					
Public Employees' Retirement System	604,845	604,845	604,844	1	
Social Security System (O.A.S.I.)	450,000	450,000	403,071	46,929	
Police and Firemen's Retirement System of NJ	1,529,432	1,529,432	1,529,432		
Defined Contribution Pension Plan	20,000	20,000	19,985	15	
Total Deferred Charged and Statutory Expenditures-Municipal within "CAPS"	2,623,321	2,623,321	2,576,376	46,945	

## TOWNSHIP OF EAST HANOVER, N.J.

## Statement of Expenditures - Regulatory Basis

## Current Fund

Year Ended December 31, 2023

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
Total General Appropriations for Municipal Purposes within "CAPS"	19,769,093	19,769,093	18,797,288	971,805	
Operations - Excluded from "CAPS": Maintenance of Free Public Library	1,172,867	1,172,867	1,018,682	154,185	
LOSAP Program Contribution	50,000	50,000		50,000	
Tax Appeals	75,000	75,000		75,000	
Health Insurance	365,120	365,120	365,120		
PFRS Contribution	131,389	131,389	131,389		
PERS Contribution	27,459	27,459	27,459		
Gasoline	2,475	2,475	2,475		
Worker's Compensation Insurance	3,900	3,900	3,900		
Total Other Operations - Excluded from "CAPS"	1,828,210	1,828,210	1,549,025	279,185	
Interlocal Municipal Service Agreements: Borough of Roseland (Board of Health)	87,357	87,357	87,357		
Township of Parsippany (Board of Health)	89,470	89,470	89,470		
East Hanover School District	90,972	90,972	90,972		
Hanover Park Regional Board of Education	38,430	38,430	38,430		
Total Interlocal Municipal Service Agreements	306,229	306,229	306,229		



## TOWNSHIP OF EAST HANOVER, N.J.

## Statement of Expenditures - Regulatory Basis

## Current Fund

Year Ended December 31, 2023

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
Public and Private Programs Offset by Revenues					
Municipal Alliance Against Alcohol and Drug Abuse					
Other Expenses	5,595	5,595	5,595		
Local Match	1,399	1,399	1,399		
Clean Communities Grant (N.J.S.A. 13:1e-99.2)	27,695	27,695	27,695		
Alcohol Education and Rehabilitation Grant	779	779	779		
Recycling Tonnage Grant	30,857	30,857	30,857		
Body Armor Replacement Fund	2,326	2,326	2,326		
FY23 NJDOT Various Roadways	174,840	174,840	174,840		
Bullet Proof Vest Grant 2022	1,851	1,851	1,851		
Emergency Management Assistance - 2022	10,000	10,000	10,000		
NJACCHO Enhancing Local Public Health Infrastructure	483,845	483,845	483,845		
NJACCHO Enhancing Local Public Health Infrastructure	483,222	483,222	483,222		
Stormwater Assistance Grant 2023	15,000	15,000	15,000		
Opioid Settlement Fund - 2022	31,324	31,324	31,324		
Opioid Settlement Fund - 2023	16,977	16,977	16,977		
Total Public and Private Programs Offset by Revenues	1,285,710	1,285,710	1,285,710		
Total Operations-Excluded from "CAPS"	3,420,149	3,420,149	3,140,964	279,185	
Detail:					
Other Expenses	3,420,149	3,420,149	3,140,964	279,185	

## TOWNSHIP OF EAST HANOVER, N.J.

## Statement of Expenditures - Regulatory Basis

## Current Fund

Year Ended December 31, 2023

	<u>Budget</u>	<u>Budget after Modification and Transfer</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Canceled</u>
Capital Improvements - Excluded from "CAPS"					
Capital Improvement Fund	200,000	200,000	200,000		
Total Capital Improvements Excluded from "CAPS"	200,000	200,000	200,000		
Municipal Debt Service - Excluded from "CAPS"					
Payment of Bond Principal	1,770,000	1,770,000	1,770,000		865
Payment of BANs and Capital Notes	615,000	615,000	614,135		
Interest on Bonds	454,800	454,800	454,800		
Interest on Notes	696,000	696,000	696,000		
Total Municipal Debt Service-Excluded from "CAPS"	3,535,800	3,535,800	3,534,935		865
Deferred Charges and Statutory Expenditures- Municipal excluded from "CAPS"					
(1) DEFERRED CHARGES:					
Special Emergency Authorization -	69,816	69,816	69,816		
5 Years (N.J.S. 40A:4-55)	250,000	250,000	250,000		
Emergency Authorizations					
Total Deferred Charged and Statutory Expenditures-Municipal excluded from "CAPS"	319,816	319,816	319,816		
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	7,475,765	7,475,765	7,195,715	279,185	865
Subtotal General Appropriations	27,244,858	27,244,858	25,993,003	1,250,990	865

TOWNSHIP OF EAST HANOVER, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2023

	<u>Budget</u>	Budget after Modification and Transfer	Paid or Charged	Reserved	Unexpended Balance <u>Canceled</u>
Reserve for Uncollected Taxes	910,000	910,000	910,000		
Total General Appropriations	<u>\$ 28,154,858</u>	<u>28,154,858</u>	<u>26,903,003</u>	<u>1,250,990</u>	<u>865</u>
Appropriation by 40:A4-87 \$		555,524			
Adopted Budget		<u>27,599,334</u>			
	\$	<u>28,154,858</u>			
Reserve for Uncollected Taxes \$			910,000		
Capital Improvement Fund			200,000		
Federal and State Grants			1,285,710		
Deferred Charges			338,860		
Encumbrances			381,834		
Cash			23,786,599		
	\$		<u>26,903,003</u>		

See accompanying notes to the financial statements.

## TOWNSHIP OF EAST HANOVER

## Comparative Balance Sheet - Regulatory Basis

## Trust Funds

December 31, 2023 and 2022

	<u>Assets</u>	<u>Ref.</u>	<u>2023</u>	<u>2022</u>
Animal Trust Fund:				
Cash		B-1	\$ <u>3,413</u>	<u>8,776</u>
			<u>3,413</u>	<u>8,776</u>
Other Trust Fund:				
Cash		B-1	<u>9,045,864</u>	<u>8,992,890</u>
			<u>9,045,864</u>	<u>8,992,890</u>
Open Space Trust Fund:				
Cash		B-1	<u>39,501</u>	<u>42,257</u>
			<u>39,501</u>	<u>42,257</u>
Emergency Services Volunteer Length of Services Award Program (Unaudited):				
Cash in Plan		B-1	959,179	882,411
Service Award Contributions Receivable		B-9	<u>23,550</u>	<u>35,600</u>
			<u>982,729</u>	<u>918,011</u>
			\$ <u><u>10,071,507</u></u>	<u><u>9,961,934</u></u>

## TOWNSHIP OF EAST HANOVER

## Comparative Balance Sheet - Regulatory Basis

## Trust Funds

December 31, 2023 and 2022

	<u>Ref.</u>	<u>2023</u>	<u>2022</u>
<u>Liabilities, Reserves &amp; Fund Balance</u>			
Animal Trust Fund:			
Due to State of New Jersey	B-2	\$ 164	129
Reserve for Animal Trust Fund Expenditures	B-6	<u>3,249</u>	<u>8,647</u>
		<u>3,413</u>	<u>8,776</u>
Other Trust Fund:			
Reserve for Various Deposits	B-4	8,826,741	8,761,614
Reserve for Payroll Deductions Payable	B-5	2,784	11,660
Reserve for Unemployment Expenditures	B-7	208,164	219,616
Interfund	B-3	<u>8,175</u>	
		<u>9,045,864</u>	<u>8,992,890</u>
Open Space Trust Fund:			
Reserve for Expenditures	B-8	<u>39,501</u>	<u>42,257</u>
		<u>39,501</u>	<u>42,257</u>
Emergency Services Volunteer Length of Services Award Program (Unaudited):			
Net Assets Available for Benefits	B-10	<u>982,729</u>	<u>918,011</u>
		<u>\$ 10,071,507</u>	<u>9,961,934</u>

See accompanying notes to financial statements.

## TOWNSHIP OF EAST HANOVER, N.J.

## Comparative Balance Sheet - Regulatory Basis

## General Capital Fund

December 31, 2023 and 2022

	<u>Ref.</u>	<u>2023</u>	<u>2022</u>
<u>Assets</u>			
Cash	C-2/C-3	\$ 2,883,398	5,972,789
Interfunds Receivable:			
Federal and State Grant Fund	C-4	97,613	
Water Utility Operating Fund	C-4		14,442
Deferred Charges to Future Taxation:			
Funded	C-5	10,515,000	12,285,000
Unfunded	C-6	29,841,662	23,739,297
		<u>\$ 43,337,673</u>	<u>42,011,528</u>
<u>Liabilities, Reserves and Fund Balance</u>			
General Serial Bonds	C-7	\$ 10,515,000	12,285,000
Bond Anticipation Notes Payable	C-8	24,114,014	19,862,442
Improvement Authorizations:			
Funded	C-9		8,000
Unfunded	C-9	4,864,243	3,945,010
Reserve for Encumbrances	C-10	2,939,237	3,930,171
Reserve for Future Improvements	C-11	585,000	350,000
Capital Improvement Fund	C-12	29,408	182,908
Reserve for Coronavirus Fiscal Recovery	C-13		1,143,086
Fund Balance	C-1	290,771	304,911
		<u>\$ 43,337,673</u>	<u>42,011,528</u>

There were \$5,727,648 and \$3,876,855 of Bonds and Notes Authorized But Not Issued on December 31, 2023 and 2022 respectively (Exhibit C-14).

See accompanying notes to the financial statements.

**TOWNSHIP OF EAST HANOVER, N.J.**

**Comparative Statement of Changes in Fund Balance - Regulatory Basis**

**General Capital Fund**

**For the Years Ended December 31,**

	<u>2023</u>	<u>2022</u>
Balance - December 31,	\$ 304,911	194,687
Increased By:		
Premium on Bond Anticipation Note Sale	<u>285,860</u>	<u>304,910</u>
	285,860	304,910
Decreased By:		
Interfund	<u>300,000</u>	<u>194,686</u>
Balance - December 31,	\$ <u><u>290,771</u></u>	<u><u>304,911</u></u>

See accompanying notes to the financial statements.

## TOWNSHIP OF EAST HANOVER

## Comparative Balance Sheet - Regulatory Basis

## Water and Sewer Utility Fund

December 31, 2023 and 2022

<u>Assets</u>	<u>Ref.</u>	<u>2023</u>	<u>2022</u>
Water Utility Operating Fund:			
Cash - Treasurer	D-5	\$ 459,944	517,220
		<u>459,944</u>	<u>517,220</u>
Interfunds Accounts Receivable	D-7	<u>8,175</u>	
Receivables with Full Reserves:			
Municipal Liens	D-8	3,483	1,954
Consumers' Accounts Receivable	D-9	297,204	316,942
Inventory - Materials and Supplies	D-10	<u>205,912</u>	<u>217,063</u>
		<u>506,599</u>	<u>535,959</u>
Deferred Charges:			
Expenditure Without Appropriation	D-11		14,442
			<u>14,442</u>
Total Water Utility Operating Fund		<u>974,718</u>	<u>1,067,621</u>
Capital Fund:			
Cash - Treasurer	D-5,D-6	1,069,469	651,622
Fixed Capital	D-12	15,063,530	15,063,530
Fixed Capital Authorized and Uncompleted	D-13	<u>3,117,250</u>	<u>2,957,250</u>
Total Capital Fund		<u>19,250,249</u>	<u>18,672,402</u>
		<u>\$ 20,224,967</u>	<u>19,740,023</u>



**TOWNSHIP OF EAST HANOVER**  
**Comparative Balance Sheet - Regulatory Basis**  
**Water and Sewer Utility Fund**  
**December 31, 2023 and 2022**

	<u>Ref.</u>	<u>2023</u>	<u>2022</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Water Utility Operating Fund:			
Appropriation Reserves	D-4,D-14	\$ 14,526	16,817
Reserve for Encumbrances	D-4	58,778	109,359
Interfund Accounts Payable	D-7		14,442
Overpayments	D-15	24,160	16,874
Accrued Interest on Bonds	D-16	59,544	63,388
Accrued Interest on Notes	D-17	22,512	7,012
Reserve for Plant Expansion	D-18		65,895
		<u>179,520</u>	<u>293,787</u>
Reserve for Receivables	Contra	506,599	535,959
Fund Balance	D-1	<u>288,599</u>	<u>237,875</u>
Total Water Utility Operating Fund		<u>974,718</u>	<u>1,067,621</u>
Capital Fund:			
Serial Bonds Payable	D-20	4,440,000	4,710,000
Bond Anticipation Notes Payable	D-21	1,570,986	1,637,558
Improvement Authorization:			
Unfunded	D-22	1,087,900	1,692,707
Encumbrances Payable	D-23	327,636	120,316
Reserve for:			
Water System Development	D-24	1,143,086	
Amortization	D-25	10,661,794	10,325,222
Capital Improvement Fund	D-26	597	597
Fund Balance	D-2	<u>18,250</u>	<u>186,002</u>
Total Capital Fund		<u>19,250,249</u>	<u>18,672,402</u>
		<u>\$ 20,224,967</u>	<u>19,740,023</u>

There were \$1,508,000 and \$1,348,000 of Bonds and Notes Authorized But Not Issued on December 31, 2023 and 2022 respectively (Exhibit D-27).

See accompanying notes to financial statements.

## TOWNSHIP OF EAST HANOVER

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

## Water and Sewer Utility Operating Fund

For the Years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Revenue and Other Income:		
Fund Balance Utilized	\$ 200,000	538,670
Water/Sewer Rents	5,048,777	4,921,552
Miscellaneous Revenue	170,298	93,512
NYNEX Lease on Tower	54,435	54,485
Utility Capital Fund Balance	186,002	
Miscellaneous Revenue not Anticipated	43,805	26,002
Unexpended Balance Appropriation Reserve	466	18,257
	<u>5,703,783</u>	<u>5,652,478</u>
Total Revenue and Other Income		
Expenditures:		
Operating	4,687,225	4,467,711
Debt Service	573,572	471,100
Deferred Charges and Statutory Expenditures	192,262	493,629
Expenditure Without Appropriation		14,442
	<u>5,453,059</u>	<u>5,446,882</u>
Total Expenditures		
Excess(Deficit) in Revenues	250,724	205,596
Adjustments to Income before Surplus:		
Expenditures included above which are Statute Deferred		
Charges to Budget of Succeeding Year		
Expenditures without Appropriations		14,442
	<u>250,724</u>	<u>220,038</u>
Statutory Excess to Surplus		
Fund Balance, January 1	237,875	556,507
	488,599	776,545
Decreased by:		
Utilization by Water Operating Budget	200,000	538,670
	<u>288,599</u>	<u>237,875</u>
Balance, December 31	\$	

See accompanying notes to financial statements.

## TOWNSHIP OF EAST HANOVER

## Comparative Statement of Fund Balance - Regulatory Basis

## Water and Sewer Utility Capital Fund

For the Years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Balance - December 31,	\$ 186,002	\$ 160,887
Increased by:		
Premium on Bond Anticipation Note Sale	<u>18,250</u>	<u>25,115</u>
	204,252	186,002
Decreased by:		
Operating Fund Anticipated Revenue	<u>186,002</u>	<u>          </u>
Balance - December 31,	\$ <u><u>18,250</u></u>	\$ <u><u>186,002</u></u>

See accompanying notes to financial statements.

**TOWNSHIP OF EAST HANOVER**  
**Statement of Revenues - Regulatory Basis**  
**Water and Sewer Utility Operating Fund**  
**Year ended December 31, 2023**

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess (Deficit)</u>
Operating Surplus Anticipated	\$ 200,000	200,000	
Water/Sewer Rents	4,920,000	5,048,777	128,777
Miscellaneous	93,000	170,298	77,298
NYNEX Lease on Tower	54,485	54,435	(50)
Utility Capital Fund Balance	<u>186,002</u>	<u>186,002</u>	
	<u>5,453,487</u>	<u>5,659,512</u>	<u>206,025</u>
Miscellaneous Revenue not Anticipated		43,805	(43,805)
		<u>43,805</u>	<u>(43,805)</u>
	<u>\$ 5,453,487</u>	<u>5,703,317</u>	<u>162,220</u>

Analysis of Realized Revenue

	Rents \$	5,012,938
	Overpayments Applied	35,839
	NYNEX Lease on Tower	<u>54,435</u>
		<u>5,103,212</u>
	Interest on Investments	10,199
Due from Water Capital Fund - Interest on Investments		10,021
	Interest on Water Bills	21,463
	Water Connection Charges	92,850
	Other Miscellaneous	<u>35,765</u>
	\$	<u>170,298</u>
Miscellaneous Revenue not Anticipated:		
Additional Novartis Water Usage		<u>43,805</u>
		<u>43,805</u>

See accompanying notes to financial statements.

## TOWNSHIP OF EAST HANOVER

## Statement of Expenditures - Regulatory Basis

## Water and Sewer Utility Operating Fund

Year ended December 31, 2023

	Appropriations				
	Budget	Budget after Modifi- cation	Paid or Charged	Reserved	Canceled
Operating:					
Salaries and Wages	\$ 810,400	842,900	842,647	253	
Other Expenses	1,086,600	1,069,100	1,055,044	14,056	
Purchase of Water	825,000	810,000	809,784	216	
Par-Troy Treatment Plant	1,950,000	1,950,000	1,950,000		
Florham Park Treatment Plant	15,225	15,225	15,224	1	
Total Operating	4,687,225	4,687,225	4,672,699	14,526	
Debt Service:					
Payment of Bond Principal	270,000	270,000	270,000		
Payment of Bond Anticipation and Capital Notes	67,000	67,000	66,572		428
Interest on Bonds	165,000	165,000	165,000		
Interest on Bond Anticipation Notes	72,000	72,000	72,000		
Total Debt Service	574,000	574,000	573,572		428
Deferred Charges and Statutory Expenditures:					
Deferred Charges:					
Expenditure Without Appropriation	14,442	14,442	14,442		
Statutory Expenditures - Contribution to:					
Public Employees' Retirement System	115,824	115,824	115,824		
Social Security System (O.A.S.I.)	50,243	50,243	50,243		
Medicare Tax	11,753	11,753	11,753		
Total Deferred Charges and Statutory Expenditures	192,262	192,262	192,262		
	\$ 5,453,487	5,453,487	5,438,533	14,526	428
Adopted Budget	\$ 5,453,487				
			Cash Disbursed \$ 5,128,313		
			Reserve for Encumbrances 58,778		
			Deferred Charges 14,442		
			Accrued Interest on Bonds 165,000		
			Accrued Interest on Notes 72,000		
			\$ 5,438,533		

See accompanying notes to financial statements.

**TOWNSHIP OF EAST HANOVER, N.J.**

**Comparative Statement of General Fixed Assets - Regulatory Basis**

**December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<u>General Fixed Assets:</u>		
Land	\$ 31,673,100	31,673,100
Buildings	36,093,943	36,093,943
Machinery and Equipment	<u>16,548,532</u>	<u>15,375,353</u>
	<u>\$ 84,315,575</u>	<u>83,142,396</u>
 Investment in Fixed Assets	 <u>\$ 84,315,575</u>	 <u>83,142,396</u>

See accompanying notes to financial statements.

**TOWNSHIP OF EAST HANOVER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2023 AND 2022**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The financial statements of the Township of East Hanover have been prepared in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Township accounts for its financial transactions through the following separate funds which differ from the fund structure required by GAAP.

**A. Reporting Entity**

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

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

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

**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

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

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

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

The Township has the following funds and account group:

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

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

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

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

Open Space Trust Fund - This fund is used to account for dedicated municipal funds resulting from the Open Space taxes.

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

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

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



**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

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

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

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

Basis of Accounting

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

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

**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

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

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

Basis of Accounting, (continued)

Water and Sewer Utility Revenues - Water and Sewer usage revenues are determined locally, based upon quarterly usage by property. The bills are mailed quarterly and are payable on March 1, June 1, September 1, and December 1. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. Additionally, a 6% penalty is assessed for balances over \$10,000 if not paid by the end of the calendar year. When unpaid bills or any municipal lien, or part thereof, on real property, remains in arrears, the collector in the municipality shall subject to the provisions of the New Jersey Statutes enforce the lien by placing the water and sewer collection on a lien sale. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent water and sewer billings are realized as revenue when collected. Since delinquent bills and liens are fully reserved, no provision has been made to estimate that portion of the receivable and liens that are uncollectible. GAAP requires water and sewer revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

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

Grant Revenues - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Township's budget. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

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

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

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

**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

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

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

Basis of Accounting, (continued)

The governing body shall introduce and approve the annual budget not later than March 31, of the fiscal year. The budget shall be adopted not later than April 28, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality.

During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level.

During the years ended December 31, 2023 and 2022, the Governing Body approved additional revenues and appropriations of \$555,524 and \$263,082, respectively, in accordance with N.J.S.A. 40A:4-87. The Governing Body also approved emergency appropriations of \$250,000 in 2022 for the Current Fund. In addition, several budget transfers were approved by the governing body in 2023 and 2022.

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

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

**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

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

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

Basis of Accounting, (continued)

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

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

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

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

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

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

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

**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

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

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

Basis of Accounting, (continued)

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

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

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

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

No depreciation has been provided for in the financial statements.

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

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

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

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

**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

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

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

Basis of Accounting, (continued)

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

Impact of Recently Issued Accounting Principles

The following GASB statements became effective for the fiscal year ended December 31, 2023:

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The Statement will become effective for the Township's year ending December 31, 2023. As a result of the regulatory basis of accounting previously described in note 1, this Statement will have no impact on the financial statements of the Township.

The Governmental Accounting Standards Board (GASB) has issued the following statements that have effective dates that may affect future financial presentations:

GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The Statement will become effective for the Township in the year ending December 31, 2024. As a result of the regulatory basis of accounting previously described in note 1, this Statement will have no impact on the financial statements of the Township, however, management is currently evaluating whether or not this Statement will have an impact on the financial statement disclosures of the Township.

**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

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

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

Impact of Recently Issued Accounting Principles (continued)

In December 2023, the Government Accounting Standards Board issued GASB Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. As a result of the regulatory basis of accounting previously described in note 1, this Statement will have no impact on the financial statements of the Township, however, management is currently evaluating whether or not this Statement will have an impact on the financial statement disclosures of the Township.

C. Basic Financial Statements

The GASB Codification also defines the financial statements of a governmental unit to be presented in the general purpose financial statements to be in accordance with GAAP. The Township presents the financial statements listed in the table of contents which are required by the Division and which differ from the financial statements required by GAAP. In addition, the Division requires the financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from GAAP.

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**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS**

**Cash**

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Township's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2023 and 2022, \$0- of the Township's bank balance of \$24,998,795 and \$25,579,825, respectively, were exposed to custodial credit risk.

**Investments**

**Investment Rate Risk**

The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

**Credit Risk**

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

**Concentration of Credit Risk**

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

**Unaudited Investments**

As more fully described in Note 10, the Township has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et. seq.



**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

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

except that all investments are retained in the name of the Township. All investments are valued at fair value. In accordance with NJAC 5:30-14.37, the investments are maintained by Lincoln Financial Group, which is an authorized provider approved by the Division of Local Government Services. The balance in the account on December 31, 2023 and 2022 amounted to \$959,179 and \$882,411, respectively.

The following investments represent 5% or more of the total invested with AIG on December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
LVIP S&P Index	\$254,995	\$201,529
Fixed	256,722	297,798
LVIP Baron Growth Opportunities	55,160	41,243
American Funds Growth	78,869	54,234
All Other	<u>313,433</u>	<u>287,607</u>
Total	<u>\$959,179</u>	<u>\$882,411</u>

**NOTE 3. MUNICIPAL DEBT**

Long-term debt as of December 31, 2023 and 2022 consisted of the following:

	<u>Balance</u> <u>Dec. 31, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Dec. 31, 2023</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Bonds Payable:					
General Obligation Debt	\$12,285,000	\$	\$1,770,000	\$10,515,000	\$1,760,000
Water and Sewer Utility Obligation Debt	<u>4,710,000</u>	<u>-</u>	<u>270,000</u>	<u>4,440,000</u>	<u>280,000</u>
Total Bonds Payable	<u>16,995,000</u>	<u>-</u>	<u>2,040,000</u>	<u>14,955,000</u>	<u>2,040,000</u>
Other Liabilities:					
Pension Deferral	102,547	36,940	(*) 66,915	72,572	72,572
Compensated Absences Payable	<u>2,946,876</u>	<u>232,507</u>	<u>108,869</u>	<u>3,070,514</u>	<u>-</u>
Total Other Liabilities	<u>3,049,423</u>	<u>269,447</u>	<u>175,784</u>	<u>3,143,086</u>	<u>72,572</u>
	<u>\$20,044,423</u>	<u>\$269,447</u>	<u>\$2,215,784</u>	<u>\$18,098,086</u>	<u>\$2,112,572</u>

\* - Adjustment was made to agree ending balance with billing amount from subsequent year. Additional adjustments will be needed in the future for additional amounts added by the State which are unknown at this time.

**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 3. MUNICIPAL DEBT, (continued)**

	Balance <u>Dec. 31, 2021</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>Dec. 31, 2022</u>	Amounts Due Within <u>One Year</u>
Bonds Payable:					
General Obligation Debt	\$14,415,000	\$	\$2,130,000	\$12,285,000	\$1,770,000
Water and Sewer Utility Obligation Debt	<u>4,980,000</u>	<u>          </u>	<u>270,000</u>	<u>4,710,000</u>	<u>270,000</u>
Total Bonds Payable	<u>19,395,000</u>	<u>          </u>	<u>2,400,000</u>	<u>16,995,000</u>	<u>2,040,000</u>
Other Liabilities:					
Pension Deferral	166,666		64,119	102,547	66,915
Compensated Absences Payable	<u>3,026,817</u>	<u>174,818</u>	<u>254,759</u>	<u>2,946,876</u>	<u>          </u>
Total Other Liabilities	<u>3,193,483</u>	<u>174,818</u>	<u>318,878</u>	<u>3,049,423</u>	<u>66,915</u>
	<u>\$22,588,483</u>	<u>\$174,818</u>	<u>\$2,718,878</u>	<u>\$20,044,423</u>	<u>\$2,106,915</u>

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

The Township's debt is summarized as follows:

**Summary of Municipal Debt (Excluding Current Operating Debt)**

	<u>Year 2023</u>	<u>Year 2022</u>	<u>Year 2021</u>
<u>Issued:</u>			
General - Bonds, Notes and Loans	\$34,629,014	\$32,147,442	\$29,994,708
Water and Sewer Utility - Bonds, Notes and Loans	<u>6,010,986</u>	<u>6,347,558</u>	<u>6,632,000</u>
	<u>40,640,000</u>	<u>38,495,000</u>	<u>36,626,708</u>
<u>Authorized But Not Issued</u>			
General - Bonds and Notes	5,727,648	3,876,855	3,726,265
Water and Sewer Utility - Bonds and Notes	<u>1,508,000</u>	<u>1,348,000</u>	<u>1,067,750</u>
	<u>7,235,648</u>	<u>5,224,855</u>	<u>4,794,015</u>
Total Bonds, Notes and Loans Issued and Authorized But Not Issued	47,875,648	43,719,855	41,420,723
Less: Deductions	<u>7,518,986</u>	<u>7,695,558</u>	<u>3,386,950</u>
Net Debt	<u>\$40,356,662</u>	<u>\$36,024,297</u>	<u>\$38,033,773</u>

**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 3. MUNICIPAL DEBT, (continued)**

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.115% for 2023.

	Gross Debt	Deductions	Net Debt
School District Debt	\$25,771,975	\$25,771,975	\$
Water and Sewer Utility	7,518,986	7,518,986	
General Debt	40,356,662		40,356,662
	<u>\$73,647,623</u>	<u>\$33,290,961</u>	<u>\$40,356,662</u>

Net debt of \$40,356,662 divided by equalized valuation basis per N.J.S.A. 40A:2-2 as amended of \$3,620,531,249 equals 1.115%.

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.043% for 2022.

	Gross Debt	Deductions	Net Debt
School District Debt	\$27,898,450	\$27,898,450	\$
Water and Sewer Utility	7,695,558	7,695,558	
General Debt	36,024,297		36,024,297
	<u>\$71,618,305</u>	<u>\$35,594,008</u>	<u>\$36,024,297</u>

Net debt of \$36,024,297 divided by equalized valuation basis per N.J.S.A. 40A:2-2 as amended of \$3,453,438,891 equals 1.043%.

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

	<u>2023</u>	<u>2022</u>
3 ½% of Equalized Valuation Basis (Municipal)	\$126,718,594	\$120,870,361
Net Debt	<u>40,356,662</u>	<u>32,279,538</u>
Remaining Borrowing Power	<u>\$86,361,932</u>	<u>\$88,590,823</u>

**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 3. MUNICIPAL DEBT, (continued)**

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

	<u>2023</u>	<u>2022</u>
Cash receipts from fees, rents or other charges for year	\$5,703,317	\$5,634,221
Deductions:		
Operating and Maintenance Cost	4,865,045	4,961,340
Debt Service per Water and Sewer Account	<u>573,572</u>	<u>471,100</u>
Total Deductions	<u>5,438,617</u>	<u>5,432,440</u>
Excess in Revenue - Self-Liquidating	<u>\$264,700</u>	<u>\$201,781</u>

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

The Township's long-term debt consisted of the following at December 31, 2023 and 2022:

Paid by Current Fund:

<u>General Serial Bonds:</u>	<u>2023</u>	<u>2022</u>
\$4,310,000 Refunding Bonds - with an interest rate of 1.50% to 3.00% issued March 28, 2012, due through November 1, 2024	\$385,000	\$775,000
\$5,030,000 Refunding Bonds - with an interest rate of 2.00% to 4.00% issued December 16, 2014, due through March 15, 2027	1,760,000	2,210,000
\$11,460,000 General Serial Bonds - with an interest rate of 3.00% to 5.00% issued August 16, 2018, due through August 1, 2032	<u>8,370,000</u>	<u>9,300,000</u>
Total General Serial Bonds	<u>\$10,515,000</u>	<u>\$12,285,000</u>

**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 3. MUNICIPAL DEBT, (continued)**

Paid by Water Utility Fund:	<u>2023</u>	<u>2022</u>
<u>Water and Sewer Utility Serial Bonds:</u>		
\$970,000 Refunding Bonds - with an interest rate of 4.00% issued May 11, 2017, due through October 15, 2028.	\$715,000	\$845,000
\$4,375,000 Water Utility Bonds - with an interest rate of 3.00% to 5.00% issued August 16, 2018, due through August 1, 2042	<u>3,725,000</u>	<u>3,865,000</u>
Total Water and Sewer Utility Bonds	<u>4,440,000</u>	<u>4,710,000</u>
Total Serial Bonds	<u>\$14,955,000</u>	<u>\$16,995,000</u>

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

Year	General Capital			Water and Sewer Utility		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$1,760,000	\$383,175	\$2,143,175	\$280,000	\$156,644	\$436,644
2025	1,370,000	311,850	1,681,850	290,000	143,994	433,994
2026	1,365,000	252,225	1,617,225	300,000	130,894	430,894
2027	1,370,000	192,600	1,562,600	305,000	117,344	422,344
2028	930,000	148,800	1,078,800	315,000	105,144	420,144
2029-2033	3,720,000	279,000	3,999,000	925,000	409,169	1,334,169
2034-2038				1,065,000	260,475	1,325,475
2039-2042				960,000	78,000	1,038,000
	<u>\$10,515,000</u>	<u>\$1,567,650</u>	<u>\$12,082,650</u>	<u>\$4,440,000</u>	<u>\$1,401,664</u>	<u>\$5,841,664</u>

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

**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 3. MUNICIPAL DEBT, (continued)**

At December 31, 2023 and 2022, the Township had authorized but not issued debt as follows:

	<u>2023</u>	<u>2022</u>
General Capital Fund	\$5,727,648	\$3,876,855
Water and Sewer Utility Capital Fund	1,508,000	1,348,000

**NOTE 4. BOND ANTICIPATION NOTES**

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

On December 31, 2023 and 2022, the Township had \$24,114,014 and \$19,862,442, respectively, in outstanding General Capital Bond Anticipation Notes. The Township also had \$1,570,986 and \$1,637,558, respectively, in outstanding Water and Sewer Utility Fund Bond Anticipation Notes.

The following activity related to bond anticipation notes occurred during the calendar years ended December 31, 2023 and 2022:

<u>2023</u>	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>
<u>General Capital Notes Payable:</u>				
Jefferies LLC	<u>\$19,862,442</u>	<u>\$24,114,014</u>	<u>\$19,862,442</u>	<u>\$24,114,014</u>
	<u>\$19,862,442</u>	<u>\$24,114,014</u>	<u>\$19,862,442</u>	<u>\$24,114,014</u>
<u>Water and Sewer Utility Capital Notes Payable:</u>				
Jefferies LLC	<u>\$1,637,558</u>	<u>\$1,570,986</u>	<u>\$1,637,558</u>	<u>\$1,570,986</u>
	<u>\$21,500,000</u>	<u>\$25,685,000</u>	<u>\$21,500,000</u>	<u>\$25,685,000</u>

**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 4. BOND ANTICIPATION NOTES, (continued)**

<u>2022</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<u>General Capital Notes Payable</u>				
Jefferies LLC	\$	\$19,862,442	\$	\$19,862,442
BNY Mellon Capital, LLC	<u>15,579,708</u>	<u>                    </u>	<u>15,579,708</u>	<u>0</u>
	<u>\$15,579,708</u>	<u>\$19,862,442</u>	<u>\$15,579,708</u>	<u>\$19,862,442</u>
<u>Water and Sewer Utility Capital Notes Payable</u>				
BNY Mellon Capital, LLC	\$1,652,000	\$	\$1,652,000	\$
Jefferies LLC	<u>                    </u>	<u>1,637,558</u>	<u>                    </u>	<u>1,637,558</u>
	<u>1,652,000</u>	<u>1,637,558</u>	<u>1,652,000</u>	<u>1,637,558</u>
	<u>\$17,231,708</u>	<u>\$21,500,000</u>	<u>\$17,231,708</u>	<u>\$21,500,000</u>

**NOTE 5. LOCAL DISTRICT SCHOOL TAXES AND REGIONAL HIGH SCHOOL TAXES**

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

**NOTE 6. PENSION PLANS**

Description of Plans:

Township employees participate in one of the two contributory, defined benefit public employee retirement systems: the State of New Jersey Public Employees' Retirement System (PERS) or the State of New Jersey Police and Firemen's Retirement System (PFRS); or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(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 the PERS, please refer to the Division's annual financial statements, which can be found at [www.state.nj.us/treasury/pensions/annual-reports.shtml](http://www.state.nj.us/treasury/pensions/annual-reports.shtml).

**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 6. PENSION PLANS, (continued)**

Benefits Provided

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 1/55<sup>th</sup> 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 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit 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.

*Police and Firemens' 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 the PFRS, please refer to the Division's annual financial statements, which can be found at [www.state.nj.us/treasury/pensions/annual-reports.shtml](http://www.state.nj.us/treasury/pensions/annual-reports.shtml).



**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 6. PENSION PLANS, (continued)**

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for disability benefits, which vest after 4 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

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 of 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.

Defined Contribution Retirement Program

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 6. PENSION PLANS, (continued)**

Significant Legislation

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

The Township of East Hanover opted for this deferral in the amount of \$571,584. The amount outstanding at December 31, 2023 was \$72,572.

Contribution Requirements

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

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**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 6. PENSION PLANS, (continued)**

Contribution Requirements, (continued)

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

<u>Year</u>	<u>PERS</u>	<u>PFRS</u>	<u>DCRP</u>
2023	\$835,735	\$1,660,821	\$19,985
2022	765,967	1,471,828	15,751
2021	832,167	1,440,871	13,686

Statement No's 68 and 71 require a state or local government employer to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. However, since the financial statements are prepared on another comprehensive basis of accounting, the net pension liability of the various pension systems is not recorded in the financial statements and is only required to be disclosed in the notes to the financial statements.

**Public Employees Retirement System (PERS)**

At December 31, 2023, the Township had a liability of \$8,938,026 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2023, the Township's proportion was 0.0617080568 percent, which was an increase/(decrease) of (0.0007507066) percent from its proportion measured as of June 30, 2022.

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**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 6. PENSION PLANS, (continued)**

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

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

For the year ended December 31, 2023, the Township recognized pension expense of \$835,735. At December 31, 2023, deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference in actual and expected experience	\$85,459	\$36,536
Changes of assumptions	19,635	541,683
Net difference between projected and actual earnings on pension plan investments	41,161	
Changes in proportion and differences between Township contributions and proportionate share of contributions	<u>152,197</u>	<u>884,661</u>
Total	<u>\$298,452</u>	<u>\$1,462,880</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2023) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended June 30:	
2024	\$(471,894)
2025	(263,393)
2026	368,075
2027	(65,871)
2028	1,119

**Changes in Proportion**

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.08, 5.04, 5.13, 5.16, 5.21 and 5.63 years for 2023, 2022, 2021, 2020, 2019 and 2018, respectively.

**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 6. PENSION PLANS, (continued)**

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

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

**Additional Information**

Local Group Collective balances net of nonemployer (State of New Jersey) balances at June 30, 2023 and June 30, 2022 are as follows:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Collective deferred outflows of resources	\$1,080,204,730	\$1,660,772,008
Collective deferred inflows of resources	1,780,216,457	3,236,303,935
Collective net pension liability	14,606,489,066	15,219,184,920
Township's Proportion	0.0617080568%	0.0624587634%

**Actuarial Assumptions**

The collective total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022, which rolled forward to June 30, 2023. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	2.75%-6.55% (based on years of service)
Investment Rate of Return	7.00 Percent

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021. 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.

**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 6. PENSION PLANS, (continued)**

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

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

**Mortality Rates**

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non- Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement based on Scale MP-2021.

**Long-Term Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2023) 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 real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2023 are summarized in the following table:

**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 6. PENSION PLANS, (continued)**

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

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

**Long-Term Rate of Return, (continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	28.00%	8.98%
Non-U.S. Developed Market Equity	12.75%	9.22%
International Small Cap Equity	5.50%	9.22%
Emerging Market Equity	1.25%	11.13%
Private Equity	13.00%	12.50%
Real Estate	8.00%	8.58%
Real Assets	3.00%	8.40%
High Yield	4.50%	6.97%
Private Credit	8.00%	9.20%
Investment Grade Credit	7.00%	5.19%
Cash Equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Risk Mitigation Strategies	3.00%	6.21%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023. 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 and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 6. PENSION PLANS, (continued)**

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

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

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

The following presents the collective net pension liability of the participating employers as of June 30, 2023, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1- percentage-point higher than the current rate:

	June 30, 2023		
	1%	At Current	1%
	Decrease	Discount Rate	Increase
	<u>6.00%</u>	<u>7.00%</u>	<u>8.00%</u>
Township's proportionate share of the pension liability	\$11,658,149	\$8,938,026	\$6,622,841

**Pension Plan Fiduciary Net Position**

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

**Police and Firemen's Retirement System (PFRS)**

At December 31, 2023, the Township had a liability of \$13,169,537 for its proportionate share of the, PFRS net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2023, the Township's proportion was 0.11919446 percent, which was a decrease of (0.0000384971) percent from its proportion measured as of June 30, 2022.



**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 6. PENSION PLANS, (continued)**

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

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

For the year ended December 31, 2023, the Township recognized pension expense of \$1,660,821. At December 31, 2023, 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>
Difference between expected and actual experience	\$563,893	\$628,070
Changes of assumptions	28,424	889,259
Net difference between projected and actual earnings on pension plan investments	670,700	
Changes in proportion and differences between Township's contributions and proportionate share of contributions	<u>244,293</u>	<u>618,504</u>
Total	<u>\$1,507,310</u>	<u>\$2,135,833</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2023) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended June 30:	
2024	\$(512,512)
2025	(491,846)
2026	791,331
2027	(68,061)
2028	24,293
Thereafter	2,483

**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 6. PENSION PLANS, (continued)**

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

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

**Changes in Proportion**

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 6.16, 6.22, 6.17, 5.90, 5.92, and 5.73 years for 2023, 2022, 2021, 2020, 2019 and 2018 amounts, respectively.

**Additional Information**

Local Group Collective balances net of nonemployer (State of New Jersey) balances at June 30, 2023 and June 30, 2022 are as follows:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Collective deferred outflows of resources	\$1,753,080,638	\$2,163,793,985
Collective deferred inflows of resources	1,966,439,601	2,805,919,493
Collective net pension liability	13,084,649,602	13,483,472,009
Township's Proportion	0.1191944600%	0.1230441700%

**Actuarial Assumptions**

The collective total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022, which rolled forward to June 30, 2023. This actuarial valuation used the following actuarial assumptions:

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through all Future Years	3.25%-16.25% (based on years of service)
Thereafter	Not Applicable
Investment Rate of Return	7.00%

**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 6. PENSION PLANS, (continued)**

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

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

**Mortality Rates**

Employee mortality rates were based on the PubS-2010 amount-weighted mortality table with a 105.6% adjustment for males and 102.5% adjustment for females. For healthy annuitants, mortality rates were based on the PubS-2010 amount-weighted mortality table with a 96.7% adjustment for males and a 96.0% adjustment for females. Disability rates were based on the PubS-2010 amount-weighted mortality table with a 152.0% adjustment for males and 109.3% adjustment for females. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2022 valuation were based on the results of the actuarial experience study for the period July 1, 2018 to June 30, 2021.

**Long-Term Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2023) 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 real rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2023 are summarized in the following table:

**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 7. PENSION PLANS, (continued)**

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	28.00%	8.98%
Non-U.S. Developed Market Equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging Market Equity	5.50%	11.13%
Private Equity	13.00%	12.50%
Real Estate	8.00%	8.58%
Real Assets	3.00%	8.40%
High Yield	4.50%	6.97%
Private Credit	8.00%	9.20%
Investment Grade Credit	7.00%	5.19%
Cash Equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Risk Mitigation Strategies	3.00%	6.21%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023. 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 and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 6. PENSION PLANS, (continued)**

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

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

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

The following presents the collective net pension liability of the participating employers as of June 30, 2023, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 - percentage point lower or 1- percentage-point higher than the current rate:

	June 30, 2023		
	1% Decrease <u>6.00%</u>	At Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Township's proportionate share of the pension liability	\$19,303,902	\$13,169,537	\$8,061,077

**Special Funding Situation - PFRS**

Under N.J.S.A. 43:16A-15, the Township is responsible for their own PFRS contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions 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 Township by the State 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 nonemployer contributing entity. Accordingly, the Township's proportionate share percentage of the net pension liability, deferred outflows and inflows determined under GASB Statement No. 68 is zero percent and the State's proportionate share is 100% for PFRS under this legislation.

**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 6. PENSION PLANS, (continued)**

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

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

At December 31, 2023 and 2022, the State proportionate share of the net pension liability attributable to the Township for the PFRS special funding situation is \$2,426,640 and \$2,506,552, respectively. For the years ended December 31, 2023 and 2022, the pension system has determined the State's proportionate share of the pension expense attributable to the Township for the PFRS special funding situation is \$276,025 and \$289,190, respectively, which is more than the actual contributions the State made on behalf of the Township of \$277,514 and \$312,054, respectively. The State's proportionate share attributable to the Township was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Township's financial statements.

**Pension Plan Fiduciary Net Position**

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

**NOTE 7. FUND BALANCE APPROPRIATED**

The fund balance at December 31, 2023 and 2022 which have been appropriated as revenue in the 2024 and 2023 budgets are as follows:

	<u>2024</u>	<u>2023</u>
Current Fund	\$2,750,000	\$2,100,000
Water and Sewer Utility Operating Fund	260,409	200,000

**NOTE 8. ACCRUED SICK AND VACATION BENEFITS**

The Township has permitted employees to accrue unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$3,070,514 as of December 31, 2023 and \$2,946,876 as of December 31, 2022. The amount is not reported either as an expenditure or liability.

**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 9. INTERFUND BALANCES AND ACTIVITY**

Balances due to/from other funds at December 31, 2023 consist of the following:

\$408,781	Due to the Current Fund from the Federal and State Grant Fund for reimbursement of expenditures paid.
97,613	Due to the General Capital Fund from the Federal and State Grant Fund for reimbursement of expenditures paid.
<u>8,175</u>	Due to the Water and Sewer Utility Operating Fund from the Payroll Agency (Other Trust Fund) for excess funds transferred.
<u>\$514,569</u>	

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

**NOTE 10. EMERGENCY SERVICES VOLUNTEER LENGTH OF SERVICE AWARD PLAN (LOSAP)**

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

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

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

**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 10. EMERGENCY SERVICES VOLUNTEER LENGTH OF SERVICE AWARD PLAN (LOSAP), (continued)**

We have reviewed the plan for the year ended December 31, 2023 in accordance with the American Institute of Certified Public Accountants (AICPA) Statement on Standards for Accounting and Review Services.

**NOTE 11. RISK MANAGEMENT**

The Township is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained insurance coverage to guard against these events which will provide minimum exposure to the Township should they occur. During the 2023 calendar year, the Township did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

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

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

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

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



**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 12. TAXES COLLECTED IN ADVANCE**

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

	<u>Balance</u> <u>Dec 31, 2023</u>	<u>Balance</u> <u>Dec 31, 2022</u>
Prepaid Taxes	<u>\$1,157,653</u>	<u>\$392,131</u>
Cash Liability for Taxes Collected in Advance	<u><u>\$1,157,653</u></u>	<u><u>\$392,131</u></u>

**NOTE 13. DEFERRED CHARGES**

Certain expenditures are required to be deferred to budgets of succeeding years. The following deferred charges are shown on the balance sheets of the Township of East Hanover:

	<u>Balance</u> <u>Dec. 31,</u>	<u>Subsequent</u> <u>Year Budget</u> <u>Appropriation</u>	<u>Balance to</u> <u>Succeeding</u> <u>Year Budget</u>
<u>2023</u>			
Current Fund:			
Special Emergency - N.J.S.A. 40A:4-55	<u>\$209,446</u>	<u>\$69,816</u>	<u>\$139,630</u>
Total Deferred Charges	<u><u>\$209,446</u></u>	<u><u>\$69,816</u></u>	<u><u>\$139,630</u></u>
	<u>Balance</u> <u>Dec. 31,</u>	<u>Subsequent</u> <u>Year Budget</u> <u>Appropriation</u>	<u>Balance to</u> <u>Succeeding</u> <u>Year Budget</u>
<u>2022</u>			
Current Fund:			
Overexpenditure of Appropriations	\$18,421	\$18,421	\$
Overexpenditure of Appropriation Reserves	623	623	
Emergency Authorization	250,000	250,000	
Special Emergency - N.J.S.A. 40A:4-55	279,262	69,816	209,446
Water Utility Fund:			
Expenditure Without Appropriation	<u>14,442</u>	<u>14,442</u>	<u>          </u>
Total Deferred Charges	<u><u>\$562,748</u></u>	<u><u>\$353,302</u></u>	<u><u>\$209,446</u></u>

**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 14. LITIGATION**

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

Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2023. The Township is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the Township does not recognize a liability, if any, until these cases have been adjudicated.

**NOTE 15. OTHER POST RETIREMENT BENEFITS (OPEB)**

In addition to the pension described in Note 7, the Township provides post-employment health care benefits as part of the State Health Benefits Local Government Retired Employments Plan.

**General Information about the OPEB Plan**

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pension and Benefits' (the Division) Annual Comprehensive Financial Report ACFR, which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The plan provides medical and prescription drugs to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1074 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of

**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 15. OTHER POST RETIREMENT BENEFITS (OPEB)**

**General Information about the OPEB Plan (continued)**

65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age of 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations' agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A.5:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

Pursuant to Chapter 78, P.L. 2011, the future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the costs of their health care coverage in retirement provided they retire with 25 years or more of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

**Total OPEB Liability**

The following other post employment benefit information is as of June 30, 2022 which is the latest information available. This information is eighteen months prior to December 31, 2023. GASB Statement No. 75 requires that the information be no more than twelve months prior to the employer's fiscal year end. No modification of the Independent Auditor's Report is being made in the Division of Local Government Services, Department of Community Affairs, State of New Jersey, is permitting the regulatory basis financial statements of Municipal, County and Library's to be issued with unmodified opinion's until such time current other postemployment benefit information is available.

At December 31, 2023, the Township has a liability of \$24,926,255 for its proportionate share of the non-special funding net OPEB liability. The net OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Township's proportion of the net OPEB liability was based on a projection of the Township's long-term share of

**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 15. OTHER POST RETIREMENT BENEFITS (OPEB), (continued)**

**Total OPEB Liability (continued)**

contributions to the OPEB plan relative to the projected contributions of all participating employees in the plan. At June 30, 2022, the Township's proportion was 0.1543460000 percent, which was an increase/(decrease) of 0.001810000 percent from its proportion measured as of June 30, 2021.

For the year ended December 31, 2023 the Township recognized OPEB expense of \$4,601,970. At December 31, 2023, deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$1,287,218	\$4,620,268
Changes of assumption	3,326,512	8,506,850
Net difference between projected and actual earnings on OPEB plan investments	6,562	
Changes in proportion	<u>23,052,243</u>	
Total	<u>\$27,672,535</u>	<u>\$13,127,118</u>

Amounts reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be reported as deferred outflows of resources and deferred inflows of resources related to OPEB (excluding changes in proportion) will be recognized in OPEB expense as follows:

Year ended June 30:	
2023	\$(2,258,669)
2024	(2,260,663)
2025	(1,785,212)
2026	(797,286)
2027	(178,749)
Thereafter	(1,226,246)

**Changes in Proportion**

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 7.82, 7.82, 7.87, 8.05, 8.14, and 8.04 years for the 2022, 2021, 2020, 2019, 2018 and 2017 amounts, respectively.

**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 15. OTHER POST RETIREMENT BENEFITS (OPEB), (continued)**

**Actuarial Assumptions and Other Inputs**

The total OPEB liability for the June 30, 2022 was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate:

Salary Increases\*:

Public Employees' Retirement System (PERS)

Rate for all future years

2.75% to 6.55%  
based on years of service

Police and Fireman's Retirement System (PFRS)

Rate for all future years

3.25% to 16.25%  
based on years of service

Mortality:

PERS

PUB-2010 General Classification headcount weighted morality with fully generational mortality improvement projections from the central year using Scale MP-2021

PERS

PUB-2010 General Classification headcount weighted morality with fully generational mortality improvement projections from the central year using Scale MP-2021

\*Salary increased are based on years of service within the respective plan.

100% of active members are considered to participate in the Plan upon retirement.

**Discount Rate**

The discount rate for June 30, 2022 was 3.54%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 15. OTHER POST RETIREMENT BENEFITS (OPEB), (continued)**

**Sensitivity of Net OPEB Liability to Changes in the Discount Rate**

The following presents the collective net OPEB liability as of June 30, 2022, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2022		
	1% Decrease <u>2.54%</u>	At Current Discount Rate <u>3.54%</u>	1% Increase <u>4.54%</u>
Township's proportionate share of Net OPEB liability	\$28,894,547	\$24,926,255	\$21,733,392

**Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate**

The following presents the net OPEB liability as of June 30, 2022, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2022		
	1% Decrease <u>          </u>	Healthcare Cost Trend Rate <u>          </u>	1% Increase <u>          </u>
Township's proportionate share of Net OPEB liability	\$21,145,692	\$24,926,255	\$29,768,090

**Special Funding Situation PFRS**

The following pension information is as of June 30, 2022 which is the latest information available. This information is eighteen months prior to December 31, 2023. GASB Statement No. 68 requires that the information be no more than twelve months prior to the employer's fiscal year end. No modification of the Independent Auditor's Report is being made since the Division of Local Government Services, Department of Community Affairs, State of New Jersey, is permitting the regulatory basis statements of Municipal, County and Library's to be issued with unmodified opinion's until such time current pension information is available.

**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 15. OTHER POST RETIREMENT BENEFITS (OPEB), (continued)**

***Special Funding Situation PFRS, (continued)***

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation.

At December 31, 2023, the State's proportionate share of the net OPEB liability attributable to the Township for the PFRS special funding situation is \$205,229 and the State's proportionate share of the OPEB expense for the PFRS special funding situation is \$(33,662).

**NOTE 16. FIXED ASSETS**

The following is a summary of General Fixed Assets Account Group as of December 31, 2023 and 2022:

	Balance <u>Dec. 31, 2022</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2023</u>
Land	\$31,673,100	\$	\$	\$31,673,100
Buildings	36,093,943			36,093,943
Machinery and Equipment	<u>15,375,353</u>	<u>1,351,045</u>	<u>177,866</u>	<u>16,548,532</u>
	<u>\$83,142,396</u>	<u>\$1,351,045</u>	<u>\$177,866</u>	<u>\$84,315,575</u>

**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 16. FIXED ASSETS, (continued)**

	Balance <u>Dec. 31, 2021</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2022</u>
Land	\$31,673,100	\$	\$	\$31,673,100
Buildings	36,093,943			36,093,943
Machinery and Equipment	<u>13,888,700</u>	<u>2,376,306</u>	<u>889,653</u>	<u>15,375,353</u>
	<u>\$81,655,743</u>	<u>\$2,376,306</u>	<u>\$889,653</u>	<u>\$83,142,396</u>

**NOTE 17. LEASES**

Leases Receivable:

The Township, as a lessor, has entered into the following leases which meet the requirements of GASB 87:

Water Tower Licence Agreements -

The Township has entered into three (3) lease agreements with wireless communication providers for the placement of wireless communication antennae and supporting ground facilities on the Township's water storage facility. The lease with New York SMSA Limited Partnership d/b/a Verizon Wireless is for twenty five years, commenced on January 1, 2011. This lease extends through December 31, 2035. The lease with LIN Cellular Communication (NY), LLC d/b/a AT&T is for twenty five years, commenced on January 1, 2005. This lease extends through December 31, 2029. The lease with Omnipoint Communications, Inc d/b/a T-Mobile is for twenty five years, commenced on September 1, 2007. This lease extends through August 31, 2032. The terms of the leases include monthly payments with increase every five years over the life of the leases.

Under the provisions of GASB 87, as of December 31, 2023, the balances of the lease's receivable is \$1,166,279.

As a result of the regulatory basis of accounting previously described in Note 1, such balance is not recorded on the Statement of Assets, Liabilities, Reserves and Fund Balance - Regulatory Basis of the Current Fund.



**TOWNSHIP OF EAST HANOVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 17. LEASES, (continued)**

The following schedule represents the remaining rental payments to be received, through maturity, for the leases:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	87,744	56,321	144,065
2025	98,768	51,684	150,452
2026	110,790	46,472	157,262
2027	118,823	40,789	159,612
2028	129,750	34,561	164,311
2029-2032	294,008	69,513	363,521
2033-2035	<u>326,396</u>	<u>24,595</u>	<u>350,991</u>
	<u>\$1,166,279</u>	<u>\$323,935</u>	<u>\$1,490,214</u>

**NOTE 18. OTHER MATTERS**

On March 11, 2021, President Biden signed the American Rescue Plan Act of 2021 into effect. This plan, among other things, provides direct federal funding to aid county and municipal governments to help offset revenue losses and cover increased costs incurred during the coronavirus pandemic response and to make necessary investments in water, sewer or broadband infrastructure. The amount of federal aid available to the Township of East Hanover is \$1,143,086, which will be available for use until December 31, 2024.

**NOTE 19. SUBSEQUENT EVENTS**

The Township has evaluated subsequent events through June 26, 2024, the date which the financial statements were available to be issued and no other items were noted for disclosure.

**TOWNSHIP OF EAST HANOVER**  
**COMPARATIVE ASSETS, LIABILITIES, RESERVES AND FUND BALANCE**  
**CURRENT FUND**

<u>Assets</u>	<u>(Unaudited) December 31, 2024</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current Fund					
Cash	11,190,424	10,842,943	8,825,962	7,995,517	6,951,917
Cash - Change Fund	200	200	200	200	200
	<u>11,190,624</u>	<u>10,843,143</u>	<u>8,826,162</u>	<u>7,995,717</u>	<u>6,952,117</u>
Receivables and Other Assets with Full Reserves:					
Delinquent Property Taxes Receivable	1,378,586	287,552	222,712	216,100	336,682
Property Acquired for Taxes - Assessed Valuation	1,641,900	1,641,900	1,631,500	1,518,500	1,518,500
Tax Title Liens Receivable	28,171	26,549	25,458	19,183	20,502
Revenue Accounts Receivable	6,061	6,061	5,508	5,077	2,823
Interfund Accounts Receivable	75,146	408,781	208,963	102,437	21,579
Due From Special Improvement District				9,085	
	<u>3,129,864</u>	<u>2,370,843</u>	<u>2,094,141</u>	<u>1,870,382</u>	<u>1,900,086</u>
Deferred Charges:					
Special Emergency Authorizations	578,780	209,446	279,262	349,078	349,078
Emergency Authorizations			250,000		
Overexpenditures			19,044		
	<u>578,780</u>	<u>209,446</u>	<u>548,306</u>	<u>349,078</u>	<u>349,078</u>
	<u>14,899,268</u>	<u>13,423,432</u>	<u>11,468,609</u>	<u>10,215,177</u>	<u>9,201,281</u>
Federal and State Grant Fund:					
Cash				571,543	
Grants Receivable	2,551,346	1,764,301	1,292,292	1,174,063	698,751
Interfund Accounts Receivable	97,613				
	<u>2,648,959</u>	<u>1,764,301</u>	<u>1,292,292</u>	<u>1,745,606</u>	<u>698,751</u>
Total Assets	<u>17,548,227</u>	<u>15,187,733</u>	<u>12,760,901</u>	<u>11,960,783</u>	<u>9,900,032</u>

**TOWNSHIP OF EAST HANOVER**  
**COMPARATIVE ASSETS, LIABILITIES, RESERVES AND FUND BALANCE**  
**CURRENT FUND**

<u>Liabilities, Reserves and Fund Balance</u>	(Unaudited) December 31, 2024	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020
Appropriation Reserves	1,233,479	1,250,990	1,414,464	2,014,869	2,378,575
Encumbrances Payable	244,080	381,834	231,929	207,785	272,133
Prepaid Taxes	544,093	1,157,653	392,131	320,418	327,168
Tax Overpayments		18,529	68,759	2	
State Marriage License Fees Payable	6,815	200		400	400
State Burial Fees Payable	50		10	10	20
State Construction Fees Payable	375	55,255	11,877	10,636	8,271
Due to State Senior Citizen and Veterans Deductions	14,386	12,636	11,886	11,636	12,136
Reserve for Tax Appeals	195,876	175,877	55,405	38,159	
Reserve for Library	400,906	400,721	583,347	399,771	596,205
Reserve for Municipal Relief Fund		294,140	147,101		
Reserve for Reassessment	439,150				
Reserve for Accumulated Absences	134,242				
Due County for Added Taxes	311,543	6,405	1,785	6,089	18,291
	<u>3,524,995</u>	<u>3,754,240</u>	<u>2,918,694</u>	<u>3,009,775</u>	<u>3,613,199</u>
Reserve for Receivables and Other Assets	3,129,864	2,370,843	2,094,141	1,870,382	1,900,086
Fund Balance	<u>8,244,409</u>	<u>7,298,349</u>	<u>6,455,774</u>	<u>5,335,020</u>	<u>3,687,996</u>
	<u>14,899,268</u>	<u>13,423,432</u>	<u>11,468,609</u>	<u>10,215,177</u>	<u>9,201,281</u>
Federal and State Grant Fund:					
Appropriated Reserves	2,443,285	716,661	998,528	467,875	639,224
Unappropriated Reserves	2,782	3,444	32,541	572,311	768
Encumbrances Payable	127,746	537,802	52,260	621,861	39,041
Due to Current Fund	75,146	506,394	208,963	83,559	19,718
	<u>2,648,959</u>	<u>1,764,301</u>	<u>1,292,292</u>	<u>1,745,606</u>	<u>698,751</u>
Total Liabilities, Reserves and Fund Balance	<u>17,548,227</u>	<u>15,187,733</u>	<u>12,760,901</u>	<u>11,960,783</u>	<u>9,900,032</u>

**TOWNSHIP OF EAST HANOVER**  
**COMPARATIVE OPERATIONS AND CHANGES IN FUND BALANCE**  
**CURRENT FUND**

	(Unaudited) December 31, 2024	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020
Revenue and Other Income Realized:					
Fund Balance Utilized	2,750,000	2,100,000	1,500,000	1,350,000	1,450,000
Miscellaneous Revenue	8,210,699	7,681,593	5,794,056	5,860,147	4,934,844
Receipts from Delinquent Taxes	280,363	221,179	205,174	327,813	370,861
Receipts from Current Taxes	65,935,498	62,272,870	61,802,929	61,404,875	60,564,231
Non-Budget Revenue	404,508	438,560	528,827	494,783	205,894
Other Credits to Income:					
Unexpended Balance of Appropriation Reserves	375,149	558,438	967,660	1,395,740	181,675
Liabilities Canceled	12,220	1,597		291,700	
COVID-19 Special Emergency					349,078
Interfund Returned	343,634		18,878	1,861	592,785
	<u>78,312,071</u>	<u>73,274,237</u>	<u>70,817,524</u>	<u>71,126,919</u>	<u>68,649,368</u>
Expenditures - Budget Appropriations:					
Appropriations	29,598,379	27,243,993	25,596,742	24,856,983	24,093,254
County Taxes	10,115,515	8,895,037	8,855,932	8,849,425	8,500,393
Regional high School Taxes	10,509,190	10,618,752	11,396,352	11,944,337	12,303,892
Local District School Tax	24,321,810	22,875,990	21,976,598	21,584,257	21,020,466
Local Open Space Taxes	260,240	249,854	252,671	251,699	253,864
Special District Taxes	250,027	248,218	261,492	262,413	271,500
Overexpenditure of Appropriation Reserves			623		
Grant Receivables Canceled				291,700	
Interfund advances		199,818	125,404	73,604	21,579
Refunds				15,477	
	<u>75,055,161</u>	<u>70,331,662</u>	<u>68,465,814</u>	<u>68,129,895</u>	<u>66,464,948</u>
Excess/(Deficit) in Revenue	3,256,910	2,942,575	2,351,710	2,997,024	2,184,420
Adjustment to Income Before Fund Balance:					
Expenditures Included Above Which are by Statute					
Deferred Charges to Budget of Succeeding Years	439,150		269,044		
Statutory Excess to Fund Balance	3,696,060	2,942,575	2,620,754	2,997,024	2,184,420
Fund Balance, Beginning of Year	<u>7,298,349</u>	<u>6,455,774</u>	<u>5,335,020</u>	<u>3,687,996</u>	<u>2,953,576</u>
	10,994,409	9,398,349	7,955,774	6,685,020	5,137,996
Decreased by Utilization as Anticipated Revenue	<u>2,750,000</u>	<u>2,100,000</u>	<u>1,500,000</u>	<u>1,350,000</u>	<u>1,450,000</u>
Fund Balance, End of Year	<u><u>8,244,409</u></u>	<u><u>7,298,349</u></u>	<u><u>6,455,774</u></u>	<u><u>5,335,020</u></u>	<u><u>3,687,996</u></u>

**TOWNSHIP OF EAST HANOVER**  
**COMPARATIVE ASSETS, LIABILITIES, RESERVES AND FUND BALANCE**  
**GENERAL CAPITAL FUND**

<u>Assets</u>	(Unaudited) December 31, 2024	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020
Cash	2,696,261	2,883,398	5,972,789	3,859,208	2,629,250
Deferred Charges to Future Taxation:					
Funded	37,345,000	10,515,000	12,285,000	14,415,000	16,470,000
Unfunded	14,753,798	29,841,662	23,739,297	19,305,973	15,809,538
Interfund Receivable	455,700	97,613	14,442		
Accounts Receivable	2,500,000				
	<u>57,750,759</u>	<u>43,337,673</u>	<u>42,011,528</u>	<u>37,580,181</u>	<u>34,908,788</u>
 <u>Liabilities, Reserves and Fund Balance</u>					
General Serial Bonds	37,345,000	10,515,000	12,285,000	14,415,000	16,470,000
Bond Anticipation Notes		24,114,014	19,862,442	15,579,708	12,344,523
Reserve for Encumbrances	7,099,285	2,939,237	3,930,171	2,443,429	902,107
Improvement Authorizations:					
Funded	2,500,000		8,000	81,837	71,587
Unfunded	8,438,573	4,864,243	3,945,010	4,498,137	4,975,161
Capital Improvement Fund	18,558	29,408	182,908	167,383	22,958
Interfund Payable	97,613				
Reserve for Future Improvements	835,000	585,000	350,000	200,000	
Reserve for Coronavirus Fiscal Recovery			1,143,086		
Fund Balance	<u>1,416,730</u>	<u>290,771</u>	<u>304,911</u>	<u>194,687</u>	<u>122,452</u>
	<u>57,750,759</u>	<u>43,337,673</u>	<u>42,011,528</u>	<u>37,580,181</u>	<u>34,908,788</u>

**APPENDIX D**

**FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL  
FOR THE NOTES**

\_\_\_\_\_, 2025

Township Council of the  
Township of East Hanover, in the  
County of Morris, New Jersey

Dear Council Members:

We have acted as bond counsel to the Township of East Hanover, in the County of Morris, New Jersey (the "Township"), in connection with the issuance by the Township of its \$11,690,000 Bond Anticipation Notes, Series 2025A (the "Notes"), dated the date hereof. In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to our satisfaction and have undertaken such research and analyses as we have deemed necessary.

The Notes are issued pursuant to the Local Bond Law of the State of New Jersey and the bond ordinances of the Township listed in the Certificate of Determination and Award prepared in connection with this issue, each in all respects duly approved and published as required by law. The Notes are temporary obligations issued in anticipation of the issuance of bonds.

In our opinion, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws or application by a court of competent jurisdiction of legal or equitable principles relating to the enforcement of creditors' rights, the Notes are valid and legally binding obligations of the Township, payable in the first instance from the proceeds of the sale of the bonds in anticipation of which the Notes are issued, but, if not so paid, payable ultimately from *ad valorem* taxes that may be levied upon all the taxable property within the Township without limitation as to rate or amount.

On the date hereof, the Township has covenanted in its Arbitrage and Tax Certificate (the "Certificate") to comply with certain continuing requirements that must be satisfied subsequent to the issuance of the Notes in order to preserve the tax-exempt status of the Notes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 103 of the Code, failure to comply with these requirements could cause interest on the Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. In the event that the Township continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the Township in the Certificate, it is our opinion that, under existing law, interest on the Notes is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, and interest on the Notes is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax; however, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to alternative minimum tax under Section 55 of the Code. We express no opinion regarding other federal tax consequences arising with respect to the Notes. Further, in our opinion, based upon existing law, interest on the Notes and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. These opinions are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

This opinion is issued as of the date hereof. We assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law or interpretations thereof that may occur after the date of this opinion or for any reason whatsoever.

Very truly yours,