

Report of Audit
on the
Financial Statements
of the
Township of Hillsborough
in the
County of Somerset
New Jersey
for the
Year Ended
December 31, 2016

TOWNSHIP OF HILLSBOROUGH

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PART I

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YEAR ENDED DECEMBER 31, 2016 AND 2015



SUPLEE, CLOONEY & COMPANY

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the Township Committee
Township of Hillsborough
County of Somerset
Hillsborough, New Jersey 08844

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various individual funds and account group of the Township of Hillsborough, as of December 31, 2016 and 2015, 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 statement of expenditures - regulatory basis of the various individual funds for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Township's regulatory financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the various individual funds and account group of the Township of Hillsborough as of December 31, 2016 and 2015, or the results of its operations and changes in fund balance for the years then ended of the revenues or expenditures for the year ended December 31, 2016.

Opinion on Regulatory Basis of Accounting

In our opinion, the regulatory financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets of the various individual funds and account group as of December 31, 2016 and 2015, the regulatory basis statement of operations and changes in fund balance for the years then ended and the regulatory basis statement of revenues and expenditures and changes in fund balance for the year ended December 31, 2016 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.

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Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Hillsborough's regulatory financial statements. The supplementary information and data and schedules of federal awards and state financial assistance listed in the table of contents as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey are presented for purposes of additional analysis and are not a required part of the regulatory financial statements.

The supplemental information and schedules listed above and also listed in the table of contents are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the regulatory financial statements. Such information has been subjected to the auditing procedures applied in the audit of the regulatory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the regulatory financial statements or to the regulatory financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information and data listed in the table of contents, schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the regulatory financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2017 on our consideration of the Township of Hillsborough'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 Hillsborough's internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS


REGISTERED MUNICIPAL ACCOUNTANT NO. 439

June 26, 2017

CURRENT FUND

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2016</u>	<u>BALANCE DECEMBER 31, 2015</u>
Current Fund:			
Cash	A-4	\$ 7,028,377.16	\$ 6,083,927.23
Change Funds	A-6	575.00	575.00
Due State of New Jersey-Senior Citizens and Veterans Deductions	A-8		1,621.23
		<u>\$ 7,028,952.16</u>	<u>\$ 6,086,123.46</u>
Receivables with Full Reserves:			
Delinquent Property Taxes Receivable	A-9	\$ 862,566.93	\$ 839,479.19
Tax Title Liens Receivable	A-10	212,820.03	191,231.62
Property Acquired for Taxes - Assessed Valuation	A-11	1,642,200.00	1,642,200.00
Revenue Accounts Receivable	A-12	43,674.38	34,070.22
Refunds Receivable	A-15	103,982.79	130,462.82
Interfunds Receivable	A-13	969,591.80	736,172.47
	A	<u>\$ 3,834,835.93</u>	<u>\$ 3,573,616.32</u>
		<u>\$ 10,863,788.09</u>	<u>\$ 9,659,739.78</u>
Grant Fund:			
Grants Receivable	A-7	\$ 766,339.91	\$ 829,795.74
Interfunds Receivable	A-30	673,528.31	821,701.17
		<u>\$ 1,439,868.22</u>	<u>\$ 1,651,496.91</u>
		<u>\$ 12,303,656.31</u>	<u>\$ 11,311,236.69</u>

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

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2016</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2015</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Current Fund:			
Liabilities:			
Appropriation Reserves	A-3:A-18	\$ 782,869.68	\$ 523,652.78
Encumbrances Payable	A-19	549,553.46	443,063.99
Due State of New Jersey-Senior Citizens and Veterans Deductions	A-8	541.78	
Tax Overpayments	A-16	7,278.44	11,334.24
Interfunds Payable	A-13	1,706,445.12	1,844,617.98
Prepaid Taxes	A-21	799,342.05	580,677.70
Local District School Tax Payable	A-23	416,412.98	
Reserve for Miscellaneous Deposits	A-14	229,643.69	229,643.69
Reserve for Tax Appeals	A-17	35,793.91	35,793.91
Due State of New Jersey-Construction Code Official	A-25	33,259.00	29,196.00
Due State of New Jersey-Registrar Licenses	A-26	975.00	900.00
		<u>\$ 4,562,115.11</u>	<u>\$ 3,698,880.29</u>
Reserve for Receivables	A	3,834,835.93	3,573,616.32
Fund Balance	A-1	<u>2,466,837.05</u>	<u>2,387,243.17</u>
		<u>\$ 10,863,788.09</u>	<u>\$ 9,659,739.78</u>
Grant Fund:			
Reserve for Grants-Appropriated	A-27	\$ 987,531.92	\$ 1,190,212.17
Reserve for Grants-Unappropriated	A-28	267,363.13	354,503.82
Encumbrances Payable	A-20	<u>184,973.17</u>	<u>106,780.92</u>
		<u>\$ 1,439,868.22</u>	<u>\$ 1,651,496.91</u>
		<u>\$ 12,303,656.31</u>	<u>\$ 11,311,236.69</u>

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

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

STATEMENTS OF OPERATIONS AND
CHANGE IN FUND BALANCE - REGULATORY BASIS

	REF.	YEAR ENDED DECEMBER 31, 2016	YEAR ENDED DECEMBER 31, 2015
<u>REVENUE AND OTHER INCOME</u>			
Fund Balance Utilized	A-1:A-2	\$ 1,900,000.00	\$ 2,000,000.00
Miscellaneous Revenues Anticipated	A-2	7,814,677.73	8,472,797.78
Receipts from Delinquent Taxes	A-2	818,159.34	730,720.70
Receipts from Current Taxes	A-2	136,282,686.48	131,459,149.23
Non-Budget Revenues	A-2	173,442.86	219,014.25
Other Credits to Income:			
Unexpended Balance of Appropriation Reserve	A-18	503,250.09	401,788.93
Encumbrances Canceled			39,417.35
Cancellation of Payable	A-8	250.00	
Refunds Receivable Collected	A-15	462,379.54	634,725.48
<u>Total Income</u>		<u>\$ 147,954,846.04</u>	<u>\$ 143,957,613.72</u>
<u>EXPENDITURES</u>			
Budget and Emergency Appropriations: within "CAPS":			
Operations including Contingent	A-3	\$ 22,235,177.00	\$ 21,854,981.00
Deferred Charges and Statutory			
Expenditures - Municipal	A-3	3,288,470.00	3,137,118.00
Excluded from "CAPS"			
Operations	A-3	450,255.42	705,259.52
Capital Improvement Fund	A-3	487,450.00	375,000.00
Municipal Debt Service	A-3	1,406,458.76	1,398,478.82
Deferred Charges and Judgments	A-3	10,000.00	10,000.00
County Tax	A-22	23,102,025.17	22,459,761.17
County Tax for Added and Omitted Taxes	A-22	237,507.36	133,378.93
Local District School Tax	A-23	90,119,521.00	87,276,267.00
Fire District Tax	A-29	2,352,672.00	1,997,691.00
Municipal Open Space Tax	A-24	1,590,740.71	1,553,970.44
Interfund Advances		233,419.33	725,836.59
Refund Receivable	A-15	435,899.51	412,307.61
Prepaid School Taxes			0.36
Senior Citizen Deductions Disallowed			4,750.00
Refund of Prior Years Revenues	A-4:A-19	25,655.90	3,423.38
<u>Total Expenditures</u>		<u>\$ 145,975,252.16</u>	<u>\$ 142,048,223.82</u>
Excess in Revenue		\$ 1,979,593.88	\$ 1,909,389.90
<u>Fund Balance</u>			
Balance, January 1	A	2,387,243.17	2,477,853.27
		<u>\$ 4,366,837.05</u>	<u>\$ 4,387,243.17</u>
Decreased by:			
Utilization as Anticipated Revenue	A-1:A-2	1,900,000.00	2,000,000.00
Balance, December 31	A	<u>\$ 2,466,837.05</u>	<u>\$ 2,387,243.17</u>

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

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

STATEMENT OF REVENUES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

		ANTICIPATED			
	REF.	BUDGET	SPECIAL N.J.S. 40A:4-87	REALIZED	EXCESS OR (DEFICIT)
Fund Balance Anticipated	A-1	\$ 1,900,000.00		\$ 1,900,000.00	
Miscellaneous Revenues:					
Alcoholic Beverage Licenses	A-12	\$ 42,000.00	\$	\$ 37,688.00	\$ (4,312.00)
Other Licenses	A-2	30,000.00		33,525.00	3,525.00
Construction Code Official -					
Fees and Permits	A-2	1,900,000.00		1,594,300.16	(305,699.84)
Other Fees and Permits	A-2	220,000.00		237,786.00	17,786.00
Fines and Costs - Municipal Court	A-12	450,000.00		363,569.93	(86,430.07)
Interest and Costs on Taxes	A-12	185,000.00		177,219.66	(7,780.34)
Energy Receipts Tax	A-12	3,252,088.00		3,252,088.00	
Garden State Preservation Trust Fund	A-12	13,576.00		13,576.00	
Interest on Investments and Deposits	A-12	24,000.00		60,532.34	36,532.34
Cable TV Franchise Fees	A-12	50,000.00		50,746.77	746.77
Health Officer - Borough of Millstone	A-12	18,000.00		25,500.00	7,500.00
Shared Service - Municipal Court - Montgomery	A-12	144,000.00		132,630.85	(11,369.15)
Shared Service - Municipal Court - Manville	A-12	120,000.00		110,000.00	(10,000.00)
Open Space Trust Fund	A-12	751,940.00		751,940.00	
Cell Tower Lease	A-12	72,000.00		77,187.31	5,187.31
Contribution from Somerville Business Park	A-12	200,000.00		532,343.17	332,343.17
Operating Contribution - Hillsborough Promenade	A-12	42,356.00		42,356.12	0.12
Somerset County Library System	A-12	44,779.00		44,779.00	
Municipal Alliance Drug Program	A-7	28,436.00		28,436.00	
Body Armor Replacement Fund	A-7		4,670.33	4,670.33	
Clean Communities Program	A-7	106,817.64		106,817.64	
Safe and Secure Communities	A-7	60,000.00		60,000.00	
Click it or Ticket	A-7		4,160.76	4,160.76	
Sustainable New Jersey - Small Grant NJLM	A-7	10,000.00		10,000.00	
Safe Corridors	A-7		52,075.69	52,075.69	
Youth Services	A-7	6,492.00		6,492.00	
Recycling Tonnage Grant	A-7	4,257.00		4,257.00	
	A-1	\$ 7,775,741.64	\$ 60,906.78	\$ 7,814,677.73	\$ (21,970.69)
Receipts From Delinquent Taxes	A-2	\$ 700,000.00	\$	\$ 818,159.34	\$ 118,159.34
Amount to be Raised by Taxes for Support of Municipal Budget	A-9:A-2	\$ 18,566,229.00		\$ 20,005,220.24	\$ 1,438,991.24
Budget Totals		\$ 28,941,970.64	\$ 60,906.78	\$ 30,538,057.31	\$ 1,535,179.89
Non-Budget Revenues	A-2			173,442.86	173,442.86
		\$ 28,941,970.64	\$ 60,906.78	\$ 30,711,500.17	\$ 1,708,622.75
	REF.	A-3	A-3		

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

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

STATEMENT OF REVENUES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	<u>REF.</u>	
Allocations of Current Tax Collections:		
Revenues from Collections	A-9	\$ 136,282,686.48
Allocated to:		
School and County Taxes		\$ 113,459,053.53
Fire District Tax		2,352,672.00
Township Open Space Tax		<u>1,590,740.71</u>
		<u>117,402,466.24</u>
Balance for Support of Municipal Appropriations		\$ 18,880,220.24
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>1,125,000.00</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 20,005,220.24</u>

ANALYSIS OF REALIZED REVENUES

Receipts from Delinquent Taxes:		
Delinquent Tax Collections	A-9	\$ <u>818,159.34</u>
	A-1:A-2	<u>\$ 818,159.34</u>
Licenses - Other:		
Clerk	A-12	\$ 11,935.00
Registrar of Vital Statistics	A-12	<u>21,590.00</u>
	A-2	<u>\$ 33,525.00</u>
Other Fees and Permits:		
Engineering Department	A-12	\$ 20,522.84
Planning Board/Board of Adjustment	A-12	69,866.25
Police Department	A-12	5,647.34
Registrar of Vital Statistics	A-12	9,740.00
Township Clerk	A-12	8,886.38
Tax Assessor	A-12	27.00
Miscellaneous Fees	A-12	113,129.86
Zoning Board	A-12	<u>9,966.33</u>
	A-2	<u>\$ 237,786.00</u>
Construction Code Fees	A-12	\$ 1,595,733.16
Less: Refunds	A-4	<u>1,433.00</u>
	A-2	<u>\$ 1,594,300.16</u>

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

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

STATEMENT OF REVENUES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

REF.

ANALYSIS OF NON-BUDGET REVENUE

Miscellaneous Revenue Not Anticipated:

Reimbursement of Costs	\$	3,692.42
Special Police		53,487.00
State Inspections		3,448.00
Interest on Delinquent Assessments		60,093.61
Health Clinics/NJDHHS		6,881.00
Auction Proceeds		24,957.80
Tax Collector		19,449.08
Miscellaneous		<u>1,433.95</u>
A-1:A-4	\$	<u><u>173,442.86</u></u>

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

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	APPROPRIATIONS		PAID OR CHARGED	RESERVED	UNEXPENDED BALANCE CANCELLED
	BUDGET	BUDGET AFTER MODIFICATION			
<u>OPERATIONS WITHIN "CAPS"</u>					
<u>GENERAL GOVERNMENT</u>					
Administrative and Executive:					
Salaries and Wages	\$ 186,284.00	\$ 186,284.00	\$ 186,182.95	\$ 101.05	\$
Other Expenses:					
Miscellaneous	7,000.00	7,000.00	4,437.10	2,562.90	
Postage	38,547.00	38,547.00	38,547.00		
Mayor and Committee:					
Salaries and Wages	18,000.00	18,000.00	18,000.00		
Other Expenses	16,568.00	16,568.00	16,535.70	32.30	
Clerk:					
Salaries and Wages	226,026.00	226,026.00	202,434.52	23,591.48	
Other Expenses	36,650.00	36,650.00	36,407.32	242.68	
Public Meeting Recording	14,000.00	14,000.00	8,250.00	5,750.00	
Elections:					
Other Expenses	12,000.00	12,000.00	11,989.11	10.89	
Central Purchasing:					
Other Expenses	5,500.00	5,500.00	5,170.29	329.71	
Financial Administration:					
Salaries and Wages	184,162.00	184,162.00	184,086.96	75.04	
Other Expenses	18,415.00	18,415.00	18,343.11	71.89	
Audit Services	85,500.00	85,500.00	83,825.00	1,675.00	
Assessment of Taxes:					
Salaries and Wages	330,488.00	330,488.00	318,467.33	12,020.67	
Other Expenses	72,495.00	72,495.00	72,495.00		
Revenue Administration (Collection of Taxes):					
Salaries and Wages	105,917.00	104,917.00	104,916.76	0.24	
Other Expenses	23,781.00	24,781.00	24,178.36	602.64	
Human Resources:					
Other Expenses	61,606.00	61,606.00	54,141.09	7,464.91	
Information Technology:					
Salaries and Wages	116,866.00	116,866.00	112,959.96	3,906.04	
Other Expenses	64,002.00	64,002.00	62,053.93	1,948.07	

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

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	<u>APPROPRIATIONS</u>		<u>PAID OR CHARGED</u>	<u>RESERVED</u>	<u>UNEXPENDED BALANCE CANCELLED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>			
<u>OPERATIONS WITHIN "CAPS"</u>					
Legal Services and Costs:					
Other Expenses:					
Outside Services	\$ 90,911.00	\$ 90,911.00	\$ 79,989.34	\$ 10,921.66	\$
Miscellaneous	151,000.00	151,000.00	127,161.46	23,838.54	
Engineering Services and Costs:					
Salaries and Wages	352,790.00	352,790.00	346,349.83	6,440.17	
Other Expenses	48,886.00	48,886.00	42,218.30	6,667.70	
Economic Development Committee:					
Salaries and Wages	66,550.00	66,550.00	62,668.78	3,881.22	
Other Expenses	5,365.00	5,365.00	3,035.02	2,329.98	
Municipal Land Use Law (N.J.S. 40:55D-1):					
Planning Board:					
Salaries and Wages	231,119.00	231,119.00	222,484.38	8,634.62	
Other Expenses	51,620.00	42,620.00	40,192.39	2,427.61	
Zoning Commission:					
Other Expenses	35,350.00	46,079.00	30,197.75	15,881.25	
Insurance:					
Unemployment Compensation	43,295.00	43,295.00	37,318.89	5,976.11	
General Liability	684,682.00	684,682.00	684,682.00		
Employee Group Health	2,748,012.00	2,748,012.00	2,747,945.19	66.81	
<u>PUBLIC SAFETY</u>					
Police:					
Salaries and Wages	6,806,359.00	6,806,359.00	6,768,264.92	38,094.08	
Other Expenses	377,533.00	377,533.00	349,453.06	28,079.94	
Municipal Prosecutor:					
Salaries and Wages	108,000.00	108,000.00	108,000.00		
First Aid Organization and Maintenance Contract:					
Contributions	105,000.00	105,000.00	105,000.00		
Other Expenses	75,000.00	75,000.00	74,583.74	416.26	
Emergency Management:					
Other Expenses	13,860.00	16,860.00	16,856.11	3.89	
Contribution to Fire District	15,000.00	15,000.00	15,000.00		
Fire Hydrant Service	885,000.00	898,000.00	897,674.00	326.00	

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

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	<u>APPROPRIATIONS</u>		<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>RESERVED</u>	<u>UNEXPENDED BALANCE CANCELLED</u>
	<u>BUDGET</u>					
<u>OPERATIONS WITHIN "CAPS"</u>						
<u>PUBLIC WORKS</u>						
Road Repairs and Maintenance:						
Salaries and Wages	\$ 1,628,008.00	\$	1,628,008.00	\$ 1,615,236.99	\$ 12,771.01	\$
Other Expenses	543,047.00		578,047.00	554,815.22	23,231.78	
Snow Removal:						
Salaries and Wages	100,000.00		100,000.00	84,494.62	15,505.38	
Other Expenses	350,000.00		350,000.00	307,207.20	42,792.80	
Public Buildings and Grounds:						
Other Expenses	191,800.00		209,800.00	209,785.45	14.55	
Solid Waste Flow (Recycling):						
Other Expenses	344,000.00		344,000.00	259,003.44	84,996.56	
Solid Waste Collection (Annual Clean-Up):						
Salaries and Wages	30,000.00		30,000.00	29,787.08	212.92	
Other Expenses	111,000.00		71,000.00	61,776.64	9,223.36	
Sanitary Landfill:						
Other Expenses	7,560.00		7,560.00	7,180.00	380.00	
Municipal Condo Service Act	31,000.00		21,000.00	17,449.94	3,550.06	
<u>HEALTH AND WELFARE</u>						
Board of Health:						
Salaries and Wages	424,211.00		424,211.00	423,603.99	607.01	
Other Expenses	60,113.00		60,113.00	56,218.60	3,894.40	
Animal Control Regulation:						
Salaries and Wages	7,500.00		1,500.00	490.00	1,010.00	
Other Expenses	95,525.00		95,525.00	94,616.25	908.75	
Social Services:						
Salaries and Wages	219,768.00		219,768.00	207,678.59	12,089.41	
Other Expenses	28,108.00		28,108.00	27,578.46	529.54	
Contribution to Senior Citizens' Organization	28,000.00		28,000.00	28,000.00		
Environmental Commission (R.S. 40:56A-1, et. seq.):						
Other Expenses	2,139.00		410.00	410.00		
Wildlife Management:						
Other Expenses	8,000.00		8,000.00	5,721.00	2,279.00	

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

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	<u>APPROPRIATIONS</u>		<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>RESERVED</u>	<u>UNEXPENDED BALANCE CANCELLED</u>
	<u>BUDGET</u>					
<u>RECREATION AND EDUCATION</u>						
Parks and Playgrounds						
Salaries and Wages	\$ 539,337.00	\$	539,337.00	\$ 509,611.82	\$ 29,725.18	\$
Other Expenses	167,125.00		167,125.00	166,274.65	850.35	
Board of Recreation Commissioners (R.S.40:12-1):						
Other Expenses	7,740.00		7,740.00	7,740.00		
Cultural and Arts Commission:						
Other Expenses	8,500.00		8,500.00	2,417.53	6,082.47	
Celebration of Public Events	28,000.00		28,000.00	27,307.39	692.61	
<u>MUNICIPAL COURT</u>						
Municipal Court:						
Salaries and Wages	322,411.00		334,411.00	333,104.77	1,306.23	
Other Expenses	61,485.00		61,485.00	61,485.00		
Court Security	20,000.00		20,000.00	20,000.00		
<u>UNIFORM CONSTRUCTION CODE</u>						
Inspection of Buildings:						
Salaries and Wages	1,114,961.00		1,114,961.00	1,045,246.81	69,714.19	
Other Expenses	47,000.00		47,000.00	47,000.00		
<u>UNCLASSIFIED</u>						
Utilities:						
Gasoline	150,000.00		130,000.00	84,798.43	45,201.57	
Street Lighting	375,000.00		375,000.00	349,077.59	25,922.41	
Electricity	370,000.00		345,000.00	328,982.07	16,017.93	
Natural Gas	45,000.00		45,000.00	26,990.26	18,009.74	
Telephones	98,000.00		98,000.00	85,332.20	12,667.80	
Sewer	4,200.00		4,200.00	4,200.00		
Diesel Fuel	80,000.00		70,000.00	43,966.01	26,033.99	
Water	65,000.00		95,000.00	94,940.14	59.86	
Sick and Vacation Reserve	2,500.00		2,500.00		2,500.00	
TOTAL OPERATIONS WITHIN "CAPS"	\$ 22,235,177.00	\$	22,235,177.00	\$ 21,552,024.79	\$ 683,152.21	\$

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

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	APPROPRIATIONS		PAID OR CHARGED	RESERVED	UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION			
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	\$ 22,235,177.00	\$ 22,235,177.00	\$ 21,552,024.79	\$ 683,152.21	\$
DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"					
Statutory Expenditures:					
Contribution to:					
Police and Firemen's Retirement System of NJ	\$ 1,498,212.00	\$ 1,498,212.00	\$ 1,498,212.00	\$	\$
Public Employees' Retirement System	781,840.00	781,840.00	781,840.00		
Social Security System	978,418.00	978,418.00	952,922.91	25,495.09	
Defined Contribution Retirement Program	30,000.00	30,000.00	12,399.50	17,600.50	
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"	\$ 3,288,470.00	\$ 3,288,470.00	\$ 3,245,374.41	\$ 43,095.59	\$
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	\$ 25,523,647.00	\$ 25,523,647.00	\$ 24,797,399.20	\$ 726,247.80	\$
MANDATED EXPENDITURES PER N.J.S. 40A:4-45.3g EXCLUDED FROM "CAPS"					
Employee Group Health	\$ 22,758.00	\$ 22,758.00	\$ 22,758.00	\$	\$
Public Works (Stormwater):					
Salaries and Wages	76,962.00	76,962.00	23,786.06	53,175.94	
Other Expenses	25,200.00	25,200.00	24,601.06	598.94	
Stormwater Engineering:					
Other Expenses	12,000.00	12,000.00	9,243.00	2,757.00	
Health Officer - Borough of Millstone	18,000.00	18,000.00	18,000.00		

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

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	APPROPRIATIONS		PAID OR CHARGED	RESERVED	UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION			
STATE AND FEDERAL PROGRAMS OFF-SET BY REVENUES					
Clean Communities Program	\$ 106,817.64	\$ 106,817.64	\$ 106,817.64	\$	\$
Municipal Alliance Fund:					
County	28,436.00	28,436.00	28,436.00		
Local Match	7,109.00	7,109.00	7,109.00		
Youth Services Program - Unappropriated	6,492.00	6,492.00	6,492.00		
Click it or Ticket (N.J.S.A. 40A:4-87 + \$4,160.76)		4,160.76	4,160.76		
Safe and Secure Communities	60,000.00	60,000.00	60,000.00		
SFSP Fire District Payment	11,317.00	11,317.00	11,317.00		
Body Armor Fund (N.J.S.A. 40A:4-87 +\$4,670.33)	4,257.00	4,670.33	4,670.33		
Recycling Tonnage Grant	10,000.00	10,000.00	10,000.00		
Sustainable NJ - Small Grant		52,075.69	52,075.69		
Safe Corridors Grant (N.J.S.A. 40A:4-87 +\$52,075.69)					
TOTAL OPERATIONS - EXCLUDED FROM "CAPS"	\$ 389,348.64	\$ 450,255.42	\$ 393,723.54	\$ 56,531.88	\$
CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"					
Capital Improvement Fund	\$ 475,000.00	\$ 475,000.00	\$ 475,000.00	\$	\$
Docking Station For Portable Generator	12,450.00	12,450.00	12,360.00	90.00	
TOTAL CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"	\$ 487,450.00	\$ 487,450.00	\$ 487,360.00	\$ 90.00	\$

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

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	APPROPRIATIONS		PAID OR CHARGED	RESERVED	UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION			
MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"					
Payment of Bond Principal	\$ 710,000.00	\$ 710,000.00	\$ 710,000.00	\$	
Payment of Bond Anticipation Notes and Capital Notes	350,000.00	350,000.00	350,000.00		
Interest on Bonds	156,588.00	156,588.00	156,572.17		15.83
Interest on Notes	16,985.00	16,985.00	16,934.59		50.41
NJ Environmental Infrastructure Loan	102,894.00	102,894.00	102,894.00		
Somerset County Improvement Authority Lease Payments	70,058.00	70,058.00	70,058.00		
TOTAL MUNICIPAL DEBT SERVICE EXCLUDED FROM "CAPS"	\$ 1,406,525.00	\$ 1,406,525.00	\$ 1,406,458.76	\$	66.24
DEFERRED CHARGES-EXCLUDED FROM "CAPS"					
Deferred Charges Unfunded:					
Ordinance 96-10	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$	
TOTAL DEFERRED CHARGES-EXCLUDED FROM "CAPS"	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$	
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	\$ 2,293,323.64	\$ 2,354,230.42	\$ 2,297,542.30	\$ 56,621.88	66.24
SUB-TOTAL GENERAL APPROPRIATIONS	\$ 27,816,970.64	\$ 27,877,877.42	\$ 27,094,941.50	\$ 782,869.68	66.24
RESERVE FOR UNCOLLECTED TAXES	1,125,000.00	1,125,000.00	1,125,000.00		
TOTAL GENERAL APPROPRIATIONS	\$ 28,941,970.64	\$ 29,002,877.42	\$ 28,219,941.50	\$ 782,869.68	66.24
REF.	A-2		A-1	A-A-1	

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

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	<u>APPROPRIATIONS</u>		<u>PAID OR CHARGED</u>	<u>RESERVED</u>	<u>UNEXPENDED BALANCE CANCELED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>			
Appropriation by 40A:4-87					
Budget	A-2	\$ 60,906.78			
	A-2	<u>28,941,970.64</u>			
		<u>\$ 29,002,877.42</u>			
Cash Disbursements	A-4		\$ 27,311,706.38		
Reserve for Encumbrances	A-19		523,876.33		
Reserve for Grants Appropriated	A-27		295,335.42		
Reserve for Uncollected Taxes	A-2		<u>1,125,000.00</u>		
			\$ 29,255,918.13		
Less: Refunds Cash	A-4		<u>1,035,976.63</u>		
			<u>\$ 28,219,941.50</u>		

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

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TRUST FUND

TOWNSHIP OF HILLSBOROUGH
TRUST FUND
BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2016</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2015</u>
<u>ASSETS</u>			
Assessment Fund:			
Cash	B-2:B-3	\$ 1,409,403.26	\$ 1,165,501.81
Assessments Receivable	B-4	3,298,370.55	3,591,059.66
Amount to be Raised by Taxation	B-5	27,601.79	27,601.79
Prospective Assessments		<u>1,267,410.08</u>	<u> </u>
		\$ <u>6,002,785.68</u>	\$ <u>4,784,163.26</u>
Animal Control Fund:			
Cash	B-2	\$ <u>60,139.90</u>	\$ <u>44,177.75</u>
		\$ <u>60,139.90</u>	\$ <u>44,177.75</u>
Other Funds:			
Cash	B-2	\$ <u>30,417,245.00</u>	\$ <u>29,955,689.13</u>
		\$ <u>30,417,245.00</u>	\$ <u>29,955,689.13</u>
		\$ <u><u>36,480,170.58</u></u>	\$ <u><u>34,784,030.14</u></u>

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

TOWNSHIP OF HILLSBOROUGH

TRUST FUND

BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2016</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2015</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Assessment Fund:			
Interfunds Payable	B-7	\$ 918,634.88	\$ 673,328.19
Assessment Serial Bonds	B-9	365,300.00	393,400.00
Assessment Loans	B-10	4,313,514.86	3,410,147.23
Assessment Loans Interest	B-8	399,689.94	301,641.84
Reserve for Assessment Liens	B-6	3,387.60	4,516.80
Fund Balance	B-1	2,258.40	1,129.20
		<u>\$ 6,002,785.68</u>	<u>\$ 4,784,163.26</u>
Animal Control Fund:			
Interfunds Payable	B-11	\$ 9,938.00	\$ 9,938.00
Due State of New Jersey	B-12	27.60	
Encumbrances Payable	B-13		1,062.50
Reserve for Animal Control Expenditures	B-13	50,174.30	33,177.25
		<u>\$ 60,139.90</u>	<u>\$ 44,177.75</u>
Other Funds:			
Encumbrances Payable	B-14	\$ 9,327,977.40	\$ 9,284,431.02
Interfunds Payable	B-15	643,190.93	655,078.29
Reserve For:			
Recreation Commission Expenditures	B-18	321,215.32	166,947.28
Various Trust Deposits	B-19	8,874,338.16	8,969,838.22
Sanitary Landfill	B-16	10,854.59	10,853.51
Township Open Space	B-17	11,239,668.60	10,868,540.81
		<u>\$ 30,417,245.00</u>	<u>\$ 29,955,689.13</u>
		<u>\$ 36,480,170.58</u>	<u>\$ 34,784,030.14</u>

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

TOWNSHIP OF HILLSBOROUGH

TRUST FUND

STATEMENT OF ASSESSMENT TRUST FUND BALANCE - REGULATORY BASIS

	<u>REF.</u>	
Balance, December 31, 2015	B	\$ 1,129.20
Increased by:		
Collection of Unpledged Assessments and Liens	B-6	<u>1,129.20</u>
Balance, December 31, 2016	B	<u>\$ 2,258.40</u>

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

GENERAL CAPITAL FUND

"C"

TOWNSHIP OF HILLSBOROUGH

GENERAL CAPITAL FUND

BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2016</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2015</u>
<u>ASSETS</u>			
Cash	C-2:C-3	\$ 1,148,191.34	\$ 2,201,951.91
Deferred Charges to Future Taxation - Funded	C-4	4,685,088.64	5,483,136.37
Deferred Charges to Future Taxation - Unfunded	C-5	8,653,467.33	10,144,450.33
Interfunds Receivable	C-10	1,635,088.82	1,625,088.82
Accounts Receivable	C-11	500,433.00	514,321.88
N.J.E.I.T. Loan Receivable	C-16	302,161.00	
		<u>\$ 16,924,430.13</u>	<u>\$ 19,968,949.31</u>

LIABILITIES, RESERVES AND FUND BALANCE

Serial Bonds Payable	C-13	\$ 3,454,000.00	\$ 4,164,000.00
Bond Anticipation Notes	C-14	3,252,149.00	2,177,149.00
N.J.E.I.T. Loan Payable	C-12	1,231,088.64	1,319,136.37
Improvement Authorizations:			
Funded	C-7	1,680,671.88	1,968,884.41
Unfunded	C-7	3,646,260.63	5,095,209.16
Reserve for:			
Contracts Payable	C-6	907,201.01	2,357,807.92
Various Reserves	C-15	98,994.41	88,667.41
Developers Contribution Deposits	C-9	2,375,612.27	2,361,059.75
Capital Improvement Fund	C-8	243,772.13	402,355.13
Fund Balance	C-1	34,680.16	34,680.16
		<u>\$ 16,924,430.13</u>	<u>\$ 19,968,949.31</u>

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

TOWNSHIP OF HILLSBOROUGH

GENERAL CAPITAL FUND

STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>REF.</u>		
Balance, December 31, 2015	C	\$	34,680.16
Balance, December 31, 2016	C	\$	<u>34,680.16</u>

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

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GENERAL FIXED ASSET ACCOUNT GROUP

TOWNSHIP OF HILLSBOROUGH
GENERAL FIXED ASSETS ACCOUNT GROUP
BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2016</u>	BALANCE DECEMBER <u>31, 2015</u>
Fixed Assets:		
Land	\$ 62,450,200.00	\$ 62,450,200.00
Buildings	22,052,000.00	22,052,000.00
Machinery and Equipment	<u>12,004,089.00</u>	<u>12,004,089.00</u>
<u>Total Fixed Assets</u>	<u>\$ 96,506,289.00</u>	<u>\$ 96,506,289.00</u>
Reserve:		
Investments in General Fixed Assets	<u>\$ 96,506,289.00</u>	<u>\$ 96,506,289.00</u>

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

NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF HILLSBOROUGH

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016 AND 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Township of Hillsborough is an instrumentality of the State of New Jersey, established to function as a municipality. The Township Committee consists of elected officials and is responsible for the fiscal control of the Township.

Except as noted below, the financial statements of the Township of Hillsborough include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township of Hillsborough, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Township of Hillsborough do not include the operations of the municipal library or the local school district, inasmuch as their activities are administered by separate boards.

B. Description of Funds

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. GASB codification establishes the presentation of basic financial statements into three fund types, the governmental, proprietary and fiduciary funds, as well as government-wide financial reporting that must be used by general purpose governmental units when reporting financial position and results of operations in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

The accounting policies of the Township of Hillsborough conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 financial transactions and accounts of the Township of Hillsborough are organized on the basis of funds and an account group which is different from the fund structure required by GAAP. A fund or account group is an accounting entity with a separate set of self-balancing accounts established to record the financial position and results of operation of a specific government activity. As required by the Division of Local Government Services the Township accounts for its financial transactions through the following individual funds and account group:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

Current Fund - resources and expenditures for governmental operations of a general nature, including federal and state grant funds

Trust Fund - receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created

General Capital Fund - receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund

General Fixed Assets Account Group - utilized to account for property, land, buildings and equipment that have been acquired by other governmental funds

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local governmental units. The more significant accounting policies and differences in the State of New Jersey are as follows:

A modified accrual basis of accounting is followed with minor exceptions.

Revenues - are recorded when received in cash except for certain amounts which are due from other governmental units. Operating grants are realized as revenue when anticipated in the Township's budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Township's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Township, which are susceptible to accrual, are also recorded as receivables with offsetting reserves and recorded as revenue when received. GAAP requires revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Expenditures - are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuances of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the Township's statutory Appropriation Reserve Balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year.

Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis.

Encumbrances - Contractual orders at December 31 are reported as expenditures through the establishment of encumbrances payable. Under GAAP, encumbrances outstanding at year end are reported as reservations of fund balance because they do not constitute expenditures or liabilities.

Foreclosed Property - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at its market value.

Sale of Municipal Assets - The proceeds from the sale of municipal assets can be held in a reserve until anticipated as a revenue in a future budget. GAAP requires such proceeds to be recorded as a revenue in the year of sale.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

General Fixed Assets - N.J.A.C. 5:30-5.6, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, requires the inclusion of a statement of general fixed assets of the Township as part of its basic financial statements. General fixed assets are defined as nonexpendable personal and real property having a physical existence, a useful life of more than one year and an acquisition cost of \$500.00 or more per unit. 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. General Fixed Assets that have been acquired and are utilized in a governmental fund operation are accounting for in the General Fixed Asset Account Group rather than in a governmental fund. No depreciation has been provided on general fixed assets or reported in the financial statements.

The Township has developed a fixed assets accounting and reporting system based on an inspection and valuation prepared by an independent appraisal firm. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

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

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

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires the cost of inventories to be reported as a current asset and equally offset by a fund balance reserve.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Accounting (Continued)

Accounting and Financial Reporting for Pensions - The Governmental Accounting Standards Board (GASB) approved Statement No. 68 Accounting and financial reporting for pensions administered by state and local government employers. This Statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirement of Statement No. 27, *Accounting for Pension by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This statement is effective for periods beginning after June 15, 2014.

GASB approved Statement 71, Pension Transition for Contributions made Subsequent to the Measurement Date - an amendment to GASB No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement 68 requires a state or local government employer (or non-employer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or non-employer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Accounting and Financial Reporting for Pensions (Continued)

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or non-employer contributing entity that arise from other types of events.

At transition to Statement 68, if it is not practical for an employer or non-employer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or non-employer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

Under GAAP, municipalities are required to recognize the pension liability in Statements of Revenues, Expenses, Changes in Net Position (balance sheets) and Notes to the Financial Statements in accordance with GASB 68. The liability required to be displayed by GASB 68 is displayed as a separate line item in the Unrestricted Net Position area of the balance sheet.

New Jersey's municipalities and counties do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the net pension liability as a liability on their balance sheets. However, N.J.A.C. 5:30 6.1(c)(2) requires municipalities to disclose GASB 68 information in the Notes to the Financial Statements. The disclosure must meet the requirements of GASB 68.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. 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 of the "Requirements of Audit and Accounting Revision of 1987" as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which differ from the financial statements required by GAAP.

NOTE 2: CASH AND CASH EQUIVALENTS

The Township considers petty cash, change funds, cash in banks, deposits in the New Jersey Cash Management Fund and certificates of deposit as cash and cash equivalents.

A. Deposits

New Jersey statutes permit the deposit of public funds in institutions which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA) or the State of New Jersey Cash Management Fund. GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation.

The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00.

The Township of Hillsborough had the following cash and cash equivalents at December 31, 2016:

<u>Fund Type:</u>	<u>Bank</u> <u>Balance</u>	<u>N.J. Cash</u> <u>Management</u>	<u>Reconciling Items</u>		<u>Reconciled</u> <u>Balance</u>
			<u>Additions</u>	<u>Deletions</u>	
Current Fund	\$ 6,232,588.60	\$ 197,465.22	\$ 948,074.30	\$ 349,175.96	\$ 7,028,952.16
Assessment Trust Fund	1,405,631.23		3,772.03		1,409,403.26
Animal Control Fund	60,324.90			185.00	60,139.90
Other Trust Fund	31,399,059.07		5,202.96	987,017.03	30,417,245.00
General Capital Fund	1,204,967.01	15,000.00		71,775.67	1,148,191.34
TOTAL DECEMBER 31, 2016	\$ 40,302,570.81	\$ 212,465.22	\$ 957,049.29	\$ 1,408,153.66	\$ 40,063,931.66

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

A. Deposits (Continued)

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Township does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2016, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank, \$1,512,606.91 was covered by Federal Depository Insurance and \$38,789,963.90 was covered under the provisions of NJGUDPA. The New Jersey Cash Management Fund is an investment pool and is not insured by either FDIC or GUDPA.

B. Investments

The purchase of investments by the Township is strictly limited by the express authority of the New Jersey Local Fiscal Affairs Law, N.J.S.A. 40A:5-15.1. Permitted investments include any of the following types of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. These funds are also required to be rated by a nationally recognized statistical rating organization.
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Local Government Services of the Department of Community Affairs for investment by Local Units;
6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to Section 1 of P.L. 1977, c.281 (C. 52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days;
 - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C. 17:19-41); and
 - e. a master repurchase agreement providing for the custody and security of collateral is executed.

As of December 31, 2016, the Township has \$212,465.22 on deposit with the New Jersey Cash Management Fund. Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices of the Investment Council of the New Jersey Cash Management Fund, the Township is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risks for its investments nor is it exposed to foreign currency risk for its deposits and investments.

NOTE 3: LONG-TERM DEBT

The Local Bond Law, Chapter 40A:2, governs the issuance of bonds to finance general municipal capital expenditures. All bonds are retired in annual installments within the statutory period of usefulness. All bonds issued by the Township are general obligation bonds, backed by the full faith and credit of the Township.

SUMMARY OF MUNICIPAL DEBT

	<u>YEAR 2016</u>	<u>YEAR 2015</u>	<u>YEAR 2014</u>
<u>Issued:</u>			
General:			
Bonds and Notes	\$6,706,149.00	\$6,341,149.00	\$7,363,149.00
Loans	1,231,088.64	1,319,136.37	1,405,789.45
Assessment:			
Bonds	365,300.00	393,400.00	421,500.00
Loans	<u>4,313,514.86</u>	<u>3,410,147.23</u>	<u>3,634,157.25</u>
<u>Net Debt Issued</u>	\$12,616,052.50	\$11,463,832.60	\$12,824,595.70
<u>Authorized But Not Issued:</u>			
General:			
Bonds and Notes	<u>5,401,318.33</u>	<u>7,967,301.33</u>	<u>7,977,301.33</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$18,017,370.83</u>	<u>\$19,431,133.93</u>	<u>\$20,801,897.03</u>

SUMMARY OF STATUTORY DEBT CONDITION (ANNUAL DEBT STATEMENT)

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .240%.

	<u>GROSS DEBT</u>	<u>DEDUCTIONS</u>	<u>NET DEBT</u>
Local School Debt	\$12,520,000.00	\$12,520,000.00	
General Debt	<u>18,017,370.83</u>	<u>3,671,509.98</u>	<u>\$14,345,860.85</u>
	<u>\$30,537,370.83</u>	<u>\$16,191,509.98</u>	<u>\$14,345,860.85</u>

NET DEBT \$14,345,860.85 DIVIDED BY EQUALIZED VALUATION BASIS PER N.J.S.A. 40A:2-2 \$5,979,966,889.33 EQUALS .240%.

NOTE 3: LONG-TERM DEBT (CONTINUED)

BORROWING POWER UNDER N.J.S.A. 40A:2-6 AS AMENDED

Equalized Valuation Basis - December 31, 2016	<u>\$5,979,966,889.33</u>
3-1/2% of Equalized Valuation Basis	\$209,298,841.13
Net Debt	<u>14,345,860.85</u>
Remaining Borrowing Power at December 31, 2016	<u>\$194,952,980.28</u>

Equalized Valuation Basis is the average of the equalized valuation of real estate, including improvements, and the assessed valuation of Class II Railroad Property of the Township of Hillsborough for the last three (3) preceding years.

SCHOOL DEBT DEDUCTION

School debt is deductible up to the extent of 4% of the Average Equalized Assessed Valuation of real property for the Local School District.

Assessment Trust Fund

Assessment Serial Bonds:

\$562,000.00 of 2009 Assessment Bonds due in annual installments of \$28,100.00 through June 2029 at an interest rate of 5.00%.	\$	<u>365,300.00</u>
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Assessment Loans:

\$1,103,238.01 of 2010 New Jersey Environmental Infrastructure Trust Loans due in installments of \$39,658.88 to \$82,923.12 through August 2029 at an interest rates of 3% to 5%.	\$	879,706.12
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\$3,188,527.89 of 2010 New Jersey Environmental Infrastructure Fund Loans due in installments of \$177,140.43 through August 2029 at an interest rate 0%.		2,302,825.74
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\$275,000.00 of 2016 New Jersey Environmental Infrastructure Trust Loans due in installments of \$10,000.00 to \$20,000.00 through August 2036 at an interest rates of 3% to 5%.		275,000.00
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\$855,983.00 of 2016 New Jersey Environmental Infrastructure Fund Loans due in installments of \$43,524.55 through August 2036 at an interest rate 0%.		<u>855,983.00</u>
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	\$	<u>4,313,514.86</u>
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NOTE 3: LONG-TERM DEBT (CONTINUED)

General Capital Fund

General Serial Bonds:

\$5,683,000.00 of Refunding Open Space Bonds due in installments of \$605,000.00 to \$655,000.00 through August 2021 at interest rates of 3% to 4%. \$ 3,183,000.00

\$616,000.00 of Refunding General Improvement Bonds due in installments of \$85,000.00 to \$91,000.00 through August 2019 at an interest rate of 3% . 271,000.00

\$ 3,454,000.00

New Jersey Environmental Infrastructure Trust Loans:

\$426,761.99 of 2010 New Jersey Environmental Infrastructure Trust Loans due in installments of \$15,341.12 to \$32,076.88 through August 2029 at an interest rates of 3% to 5%. \$ 340,293.88

\$1,233,408.11 of 2010 New Jersey Environmental Infrastructure Trust Loans due in installments of \$68,522.67 through August 2029 at an interest rate 0%. 890,794.76

\$ 1,231,088.64

Bonds and Notes Authorized But Not Issued

At December 31, 2016, the Township has authorized but not issued bonds and notes as follows:

General Capital Fund \$5,401,318.33

NOTE 3: LONG-TERM DEBT (CONTINUED)

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST
FOR BONDED DEBT ISSUED AND OUTSTANDING

DECEMBER 31, 2016

CALENDER YEAR	GENERAL		ASSESSMENT		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2017	\$ 720,000.00	\$ 116,320.00	\$ 28,100.00	\$ 17,562.50	\$ 881,982.50
2018	730,000.00	94,720.00	28,100.00	16,157.50	868,977.50
2019	734,000.00	72,820.00	28,100.00	14,752.50	849,672.50
2020	650,000.00	50,800.00	28,100.00	13,347.50	742,247.50
2021	620,000.00	24,800.00	28,100.00	11,942.50	684,842.50
2022			28,100.00	10,537.50	38,637.50
2023			28,100.00	9,132.50	37,232.50
2024			28,100.00	7,727.50	35,827.50
2025			28,100.00	6,322.50	34,422.50
2026			28,100.00	4,917.50	33,017.50
2027			28,100.00	3,512.50	31,612.50
2028			28,100.00	2,107.50	30,207.50
2029			28,100.00	702.50	28,802.50
	<u>\$ 3,454,000.00</u>	<u>\$ 359,460.00</u>	<u>\$ 365,300.00</u>	<u>\$ 118,722.50</u>	<u>\$ 4,297,482.50</u>

NOTE 3: LONG-TERM DEBT (CONTINUED)

SCHEDULE OF ANNUAL DEBT SERVICE FOR NEW JERSEY
ENVIRONMENTAL INFRASTRUCTURE TRUST LOANS PAYABLE

DECEMBER 31, 2016

CALENDER YEAR	GENERAL		ASSESSMENT		TOTAL
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	
2017	\$ 88,047.73	\$ 13,869.76	\$ 256,631.74	\$ 43,982.32	\$ 402,531.55
2018	89,442.38	12,893.52	284,745.27	45,081.48	432,162.65
2019	90,837.02	11,847.52	288,350.63	42,077.48	433,112.65
2020	92,231.67	10,954.96	291,955.98	39,370.04	434,512.65
2021	92,231.67	9,769.50	291,955.98	35,805.50	429,762.65
2022	93,626.32	9,058.24	295,561.33	33,466.76	431,712.65
2023	95,020.96	8,054.08	299,166.69	30,370.92	432,612.65
2024	95,020.96	6,994.16	304,166.69	27,130.84	433,312.65
2025	96,415.61	5,934.22	307,772.04	23,640.78	433,762.65
2026	97,810.26	4,818.50	311,377.39	20,006.50	434,012.65
2027	99,204.91	3,793.44	314,982.74	16,606.56	434,587.65
2028	100,599.55	2,566.16	318,588.10	12,833.84	434,587.65
2029	100,599.60	1,283.08	318,588.25	8,916.92	429,387.85
2030			58,524.55	5,000.00	63,524.55
2031			58,524.55	4,400.00	62,924.55
2032			63,524.55	3,800.00	67,324.55
2033			63,524.55	3,000.00	66,524.55
2034			63,524.55	2,200.00	65,724.55
2035			63,524.55	1,400.00	64,924.55
2036			58,524.73	600.00	59,124.73
	<u>\$ 1,231,088.64</u>	<u>\$ 101,837.14</u>	<u>\$ 4,313,514.86</u>	<u>\$ 399,689.94</u>	<u>\$ 6,046,130.58</u>

NOTE 4: SHORT-TERM DEBT

In accordance with NJSA 40A:2-8.1, a local unit may, in anticipation of the issuance of bonds, borrow money and issue notes if the bond ordinance or subsequent resolution so provides. Any such note shall be designated as a "bond anticipation note" and shall be subject to the following provisions:

- (1) every note shall contain a recital that it is issued for a period not exceeding one year and may be renewed from time to time for additional periods, none of which shall exceed one year;
- (2) all such notes, including renewals, shall mature and be paid not 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; and
- (3) no such notes shall be renewed beyond the third anniversary date of the original notes unless an amount of such notes, at least equal to the first legally payable installment of the bonds in anticipation of which those notes are issued, is paid and retired on or before each subsequent anniversary date beyond which such notes are renewed from funds other than the proceeds of obligations.

Bond Anticipation Notes

Outstanding Bond Anticipation Notes are summarized as follows:

	<u>Interest</u> <u>Rate</u>	<u>Amount</u>	<u>Date of</u> <u>Issue</u>	<u>Date of</u> <u>Maturity</u>
2011-13	1.250%	\$ 1,316,272.00	12/08/16	12/08/17
2013-16	1.250%	510,877.00	12/08/16	12/08/17
2014-10	1.250%	<u>1,425,000.00</u>	12/08/16	12/08/17
		<u>\$ 3,252,149.00</u>		

NOTE 5: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2016 which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2017 were as follows:

Current Fund	\$2,000,000.00
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NOTE 6: PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied based on the final adoption of the current year municipal budget, and are payable in four installments on February 1, May 1, August 1 and November 1. The Township bills and collects its own property taxes and also the taxes for the County and the Local School District. The collections and remittance of county and school taxes are accounted for in the Current Fund. Township property tax revenues are recognized when collected in cash and any receivables are recorded with offsetting reserves on the balance sheet of the Township's Current Fund.

Taxes collected in advance - Taxes collected in advance and recorded as cash liabilities in the financial statements are as follows:

	BALANCE DECEMBER 31, 2016	BALANCE DECEMBER 31, 2015
Prepaid Taxes	<u>\$799,342.05</u>	<u>\$580,677.70</u>

NOTE 7: PENSION PLANS

Substantially all eligible employees participate in the Public Employees' Retirement System (PERS), or the Police, Firemen's Retirement System (PFRS) or the Defined Contribution Retirement System (DCRP), which have been established by state statute and are administered by the New Jersey Division of Pensions and Benefits. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System, Police and Fireman's Retirement System and Consolidated Police and Firemen's Pension Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625 or are available online at www.nj.gov/treasury/pensions/annrpts.shtml.

NOTE 7: PENSION PLANS (CONTINUED)

Plan Descriptions

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A, to provide retirement, death, disability and medical benefits to certain qualified members. The PERS is a cost-sharing multiple employer plan. Membership is mandatory for substantially, all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction's pension fund.

Police and Fireman's Retirement System (PFRS) - The Police and Fireman's Retirement System (PFRS) was established as of July 1, 1944, under the provisions of N.J.S.A. 43:16A, to provide retirement, death, and disability benefits to its members. The PFRS is a cost-sharing multiple-employer plan. Membership is mandatory for substantially, all full-time county and municipal police or firemen or officer employees with police powers appointed after June 30, 1944.

Defined Contribution Retirement Program (DCRP) - The Defined Contribution Retirement Program (DCRP) was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, and was expanded under the provisions of Chapter 89, P.L. 2009. The DCRP provides eligible employees and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance coverage and disability coverage.

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:36. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service. Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving ten years of service credit. In which case, benefits would begin the first day of the month after the member attains normal retirement age.

The vesting and benefit provisions for PFRS are set by N.J.S.A. 43:16A and 43:36. All benefits vest after ten years of service, except for disability benefits, which vest after four years of service. Retirement benefits for age and service are available at age 55. Members may seek special retirement after achieving 25 years of creditable service or they may elect deferred retirement after achieving ten years of service.

NOTE 7: PENSION PLANS (CONTINUED)

Vesting and Benefit Provisions (Continued)

Newly elected or appointed officials that have an existing DCRP account, or are a member of another State-administered retirement system are immediately invested in the DCRP. For newly elected or appointed officials that do not qualify for immediate vesting in the DCRP. Employee and employer contributions are held during the initial year of membership. Upon commencing the second year of DCRP membership, the member is fully invested. However, if a member is not eligible to continue in the DCRP for a second year of membership, the member may apply for a refund of the employee contributions from the DCRP, while the employer contributions will revert back to the employer. Employees are required to contribute 5.5% of their base salary and employers contribute 3.0%.

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan members and employer contributions may be amended by State of New Jersey legislation. During 2016, PERS provides for employee contributions of 7.2% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Plan member and employer contributions *may* be amended by State of New Jersey legislation. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits. During 2016, members contributed at a uniform rate of 10.00% of base salary.

All contributions were equal to the required contributions for each of the three years, respectively.

Certain Township employees are also covered by the Federal Insurance Contribution Act. The Township's share of pension costs, which is based upon the annual billings received from the State, amounted to \$2,280,052 for 2016, \$2,153,339 for 2015, and \$1,948,897 for 2014.

Certain Town employees are also covered by Federal Insurance Contribution Act.

NOTE 7: PENSION PLANS

Accounting and Financial Reporting for Pensions – GASB #68

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68 “Accounting and Financial Reporting for Public Employees Pensions” and is effective for fiscal years beginning after June 15, 2014. This statement requires the State of New Jersey to calculate and allocate, for note disclosure purposes only, the unfunded net pension liability of Public Employees Retirement System (PERS) and the Police and Firemen’s Retirement System (PFRS) of the participating municipality as of December 31, 2016. The statement does not alter the amounts of funds that must be budgeted for pension payments under existing state law.

Under accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, any unfunded net pension liability of the municipality, allocated by the State of New Jersey, is not required to be reported in the financial statements as presented and any pension contributions required to be paid are raised in that year’s budget and no liability is accrued at December 31, 2016.

Public Employees Retirement System (PERS)

At June 30, 2016, the State reported a net pension liability of \$27,556,110.00 for the Township of Hillsborough’s proportionate share of the total net pension liability. The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. 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 employers, actuarially determined. At June 30, 2016, the Township’s proportion was 0.093041179 percent, which was an increase of 0.0021011298 percent from its proportion measured as of June 30, 2015.

NOTE 7: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

For the year ended June 30, 2016, the State recognized an actuarially determined pension expense of \$2,817,747.00 for the Township of Hillsborough's proportionate share of the total pension expense. The pension expense recognized in the Township's financial statement based on the April 1, 2016 billing was \$781,840.00.

At June 30, 2016, the State reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience	-	\$512,460.00
Changes of assumptions		5,708,154.00
Net difference between projected and actual earnings on pension plan investments		1,050,740.00
Changes in proportion and differences between Township contributions and proportionate share of contributions	<u>\$270,445.00</u>	<u>977,717.00</u>
	<u><u>\$270,445.00</u></u>	<u><u>\$8,249,071.00</u></u>

Other local amounts reported by the State as the Township's proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the State's actuarially calculated pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2017	\$1,821,974.00
2018	1,821,974.00
2019	2,081,671.00
2020	1,697,059.00
2021	<u>555,948.00</u>
	<u><u>\$7,978,626.00</u></u>

NOTE 7: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which rolled forward to June 30, 2016. These actuarial valuations used the following assumptions:

	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Inflation	3.04 Percent	3.08 Percent
Salary Increases (based on age)		
Though 2026	2.15-4.40 Percent	1.65-4.15 Percent
Thereafter	3.15-5.40 Percent	2.65-5.15 Percent
Investment Rate of Return	7.90 Percent	7.65 percent

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

In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

NOTE 7: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>June 30, 2016</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Markets	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Returns	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%
	<u>100.00%</u>	

NOTE 7: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the collective net pension liability of the participating employers as of June 30, 2016 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2016		
	1% Decrease <u>2.98%</u>	At Current Discount Rate <u>3.98%</u>	1% Increase <u>4.98%</u>
Township's proportionate share of the pension liability	\$33,766,797.00	\$27,556,110.00	\$22,428,650.00

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 report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>

NOTE 7: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Police and Firemen's Retirement System (PFRS)

At June 30, 2016, the State reported a net pension liability of \$34,893,948.00 for the Township of Hillsborough's proportionate share of the total PFRS net pension liability. The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. 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 employers, actuarially determined. At June 30, 2016, the Township's proportion was 0.1826663621 percent, which was a decrease of 0.0016493720 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the State recognized an actuarially determined pension expense of \$3,851,416.00. The pension expense recognized in the Borough's financial statement based on the April 1, 2016 billing was \$1,498,212.00.

At June 30, 2016, the State reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Inflow of Resources	Deferred Outflow of Resources
Differences between expected and actual experience	\$228,735.00	
Changes of assumptions		\$4,833,098.00
Net difference between projected and actual earnings on pension plan investments		2,444,949.00
Changes in proportion and differences between the Township's contributions and proportionate share of contributions	<u>189,731.00</u>	<u>538,852.00</u>
	<u>\$418,466.00</u>	<u>\$7,816,899.00</u>

NOTE 7: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	
<u>June 30</u>	<u>Amount</u>
2017	\$1,809,504.00
2018	1,809,504.00
2019	2,388,530.00
2020	1,363,387.00
2021	27,508.00

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which rolled forward to June 30, 2016. This actuarial valuation used the following assumptions:

	<u>2016</u>	<u>2015</u>
Inflation	3.08 Percent	3.04 Percent
Salary Increases (based on age)		
Through 2026	2.10-8.98 Percent	2.60-9.48 Percent
Thereafter	3.10-9.98 Percent	3.60-10.48 Percent
Investment Rate of Return	7.65 Percent	7.90 Percent

Pre-retirement mortality rates were based on the RP-2000 Pre-Retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Post- retirement mortality rates for female service retirements and beneficiaries were based the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales.

NOTE 7: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

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

Actuarial Assumptions (Continued)

Disability mortality rates were based on special mortality tables used for the period after disability retirement.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>June 30, 2016</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
US Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%
	<u>100.00%</u>	

NOTE 7: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 5.55% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond

Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2050. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2050, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the collective net pension liability of the participating employers as of June 30, 2016 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2016		
	1% Decrease <u>4.55%</u>	At Current Discount Rate <u>5.55%</u>	1% Increase <u>6.55%</u>
Township's proportionate share of the PFRS pension liability	\$44,993,187.00	\$34,893,948.00	\$26,658,626.00

NOTE 7: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

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

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 report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>

Special Funding Situation

In accordance with N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.c. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.c. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed by the State on behalf of the Township 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. Since the Township does not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to disclose in the notes to the financial statements of the Township related to this legislation.

At December 31, 2016 and 2015, the State's proportionate share of the net pension liability attributable to the Township for the PFRS special funding situation is \$2,930,226.00 and \$2,692,338.00 respectively.

At December 31, 2016, the Township's and State of New Jersey's proportionate share of the PFRS net pension liability were as follows:

Township's Proportionate Share of Net Pension Liability	\$34,893,948.00
State of New Jersey Proportionate Share of Net Pension Liability Associated with the Township	<u>2,930,226.00</u>
	<u>\$37,824,174.00</u>

NOTE 8: COMPENSATED ABSENCES

Under the existing personnel policies of the Township, and in accordance with union contracts, employees are allowed to accumulate unused vacation and sick pay over the life of their working careers which may be taken as time off or paid at a later date. The Township's management has estimated the liability to be \$824,032.85 at December 31, 2016. The Township has established a Trust Fund Reserve which has accumulated \$3,015.98 for this purpose.

NOTE 9: LITIGATION

The Township Attorney's letter did not indicate any litigation, claims or contingent liabilities which would have a material financial impact on the Township.

NOTE 10: TAX APPEALS

There are a number of tax appeals filed with the State Tax Court of New Jersey requesting a reduction of assessments for 2016. Any reduction in assessed valuation will result in a refund of prior years' taxes in the year of settlement, which may be funded from tax revenues through the establishment of a reserve or by the issuance of refunding bonds per N.J.S.A. 40A:2-51. The balance in reserve at December 31, 2015 is \$35,793.91.

NOTE 11: DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all Township employees, permits them to defer a portion of their salaries until future years. The Township does not make any contribution to the Plan. The deferred compensation is not available to employees until retirement, death, disability, termination or financial hardships.

In accordance with the requirements of the Small Business Job Protection Act of 1996 and the funding requirements of Internal Revenue Code Section 457(g), the Township's Plan was amended to require that all amounts of compensation deferred under the Plan are held for the exclusive benefits of plan participants and beneficiaries. All assets and income under the Plan are held in trust, in annuity contracts or custodial accounts.

The Plan is administered by the Equitable Company or the Valic Company.

The accompanying financial statements do not include the Township's Deferred Compensation Plan activities.

NOTE 12: RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The Township maintains commercial insurance coverage through the Central Jersey Joint Insurance Fund covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this coverage in any of the past three fiscal years.

NOTE 13: CONTINGENT LIABILITIES

The Township participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreement and applicable regulations, including the expenditure of funds for eligible purposes. Findings and questioned costs, if any, relative to federal and state financial assistance programs will be discussed in detail in Part II, Single Audit Section, of the 2016 audit. In addition, these programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2016 the Township does not believe that any material liabilities will result from such audits.

NOTE 14: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheets at December 31, 2016:

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
Current	\$969,591.80	\$1,706,445.12
Grant	673,528.31	
Assessment Trust		918,634.88
Animal Control		9,938.00
Trust Other		643,190.93
General Capital	<u>1,635,088.82</u>	
TOTAL	<u>\$3,278,208.93</u>	<u>\$3,278,208.93</u>

All balances resulted from the time lag between dates that short-term loans were disbursed and payments between funds were made.

NOTE 15: LEASE PURCHASES

During 2008, the Township entered into an agreement with the Somerset County Improvement Authority to lease purchase vehicles for \$575,700.00. In accordance with the lease agreement, the Township will be obligated to make the following rental payments:

<u>DATE</u>	<u>TOTAL PAYMENT</u>	<u>PRINCIPAL COMPONENT</u>	<u>INTEREST COMPONENT</u>
1/1/2017	\$ 35,029.14	\$ 31,859.50	\$ 3,169.64
7/1/2017	35,029.14	32,469.61	2,559.53
1/1/2018	35,029.14	33,091.40	1,937.74
7/1/2018	35,029.14	33,725.10	1,304.04
1/1/2019	<u>35,029.14</u>	<u>34,370.94</u>	<u>658.20</u>
<u>TOTAL</u>	<u>\$ 175,145.70</u>	<u>\$ 165,516.55</u>	<u>\$ 9,629.15</u>

NOTE 16: GASB 45: OTHER POST-EMPLOYMENT BENEFITS

The Township is required to implement the note disclosure provision of GASB Statement 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pension." This statement which was adopted during 2004 by the Government Accounting Standard Board (GASB) requires the Township to disclose in the notes of the financial statements the future cost of the other post employment benefits (OPEB) on a present value basis instead of the present pay as you go method. OPEB obligations are non-pension benefits that the Township has contractually agreed to provide employees once they have retired. The Township does not provide post retirement benefits other than pension to its employees which is provided through the New Jersey pension system.

NOTE 17: SUBSEQUENT EVENTS

The Township has evaluated subsequent events occurring after the financial statement date through June 26, 2017 which is the date the financial statements were available to be issued. Based upon this evaluation, the Township has determined that there are no subsequent events needed to be disclosed.

TOWNSHIP OF HILLSBOROUGH
SUPPLEMENTARY SCHEDULES
YEAR ENDED DECEMBER 31, 2016

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

SCHEDULE OF CASH - TREASURER

	REF.	CURRENT FUND	GRANT FUND
Balance, December 31, 2015	A	\$ 6,083,927.23	\$
Increased by Receipts:			
Property Taxes Receivable	A-9	\$ 136,332,856.39	\$
Tax Overpayments	A-16	281,244.06	
Prepaid Taxes	A-21	795,342.05	
Revenue Accounts Receivable	A-12	7,539,201.31	
Miscellaneous Revenue Not Anticipated	A-2	173,442.86	
Reserve for Miscellaneous Deposits	A-14	178,198.60	
State of N.J. - Senior Citizens and Veterans Deductions	A-8	184,621.23	
Senior Citizens Disallowed	A-8	4,250.00	
Interfunds	A-13-A-30	1,460,472.93	513,822.93
Petty Cash Fund	A-5	550.00	
Grants Receivable	A-7		340,365.25
Reserve for Grants-Unappropriated	A-28		6,858.82
2016 Appropriation-Refunds	A-3	1,035,976.63	
2015 Appropriation Reserve - Refunds	A-18	43,943.38	
Refund Receivable	A-15	462,379.54	
Due State of New Jersey-Construction Code Official	A-25	89,921.00	
Due State of New Jersey-Registrar Licenses	A-26	4,400.00	
		148,590,799.98	861,047.00
		\$ 154,674,727.21	\$ 861,047.00
Decreased by Disbursements:			
2016 Appropriations	A-3	\$ 27,311,706.38	\$
2015 Appropriation Reserves	A-18	485,108.33	
Local District School Tax	A-23	89,703,108.02	
County Taxes Payable	A-22	23,339,532.53	
Fire District Tax	A-29	2,352,672.00	
Refund of Tax Overpayments	A-16	284,446.35	
Reserve for Grants-Appropriated	A-27		419,823.42
Reserve for Grants-Unappropriated	A-28		93,999.51
Petty Cash Fund	A-5	550.00	
Interfunds	A-13-A-30	1,850,491.12	
Municipal Open Space Tax	A-24	1,590,740.71	
Reserve for Miscellaneous Deposits	A-14	178,198.60	
Refund of Prior Year Revenue	A-1	20,579.10	
Refund of Current Year Revenue	A-2	1,433.00	
Refund Receivable	A-15	435,899.51	
Reserve for Encumbrances Payable	A-19	1,701.40	
Due State of New Jersey-Construction Code Official	A-25	85,858.00	
Due State of New Jersey-Registrar Licenses	A-26	4,325.00	
		147,646,350.05	\$ 861,047.00
Balance, December 31, 2016	A	\$ 7,028,377.16	

"A-5"

TOWNSHIP OF HILLSBOROUGH
CURRENT FUND
SCHEDULE OF PETTY CASH FUND

<u>DEPARTMENT</u>	<u>CASH</u> <u>DISBURSEMENTS</u>	<u>CASH</u> <u>RECEIPTS</u>
Treasurer	\$ 300.00	\$ 300.00
Police	250.00	250.00
	<u>\$ 550.00</u>	<u>\$ 550.00</u>
<u>REF.</u>	A-4	A-4

"A-6"

SCHEDULE OF CHANGE FUNDS

<u>DEPARTMENT</u>	<u>BALANCE</u> <u>DECEMBER 31,</u> <u>2015 AND 2016</u>
Tax Collector	\$ 250.00
Municipal Court	300.00
Board of Health	25.00
	<u>\$ 575.00</u>
<u>REF.</u>	A

TOWNSHIP OF HILLSBOROUGH

GRANT FUND

SCHEDULE OF GRANTS RECEIVABLE

	BALANCE DECEMBER 31, 2015	ACCRUED 2016 BUDGET	RECEIVED	BALANCE DECEMBER 31, 2016
	\$	\$	\$	\$
2002-Main Street Improvements -County	20,000.00	4,670.33	4,670.33	20,000.00
Body Armor Grant- State				
Hang up and Just Drive	2,425.00			2,425.00
Child Passenger Safety Grant	7,452.19			7,452.19
Clean Communities Program	0.24	106,817.64	106,817.64	0.24
Click It or Ticket It	167.14	4,160.76	4,160.76	167.14
Comprehensive Traffic Safety (CTSP)				
COPS MORE	7,547.00			7,547.00
COPS Secure Our Schools Grant	14,670.00			14,670.00
Edward Byne Memorial Justice Assistance Grant	32,395.00			32,395.00
Emergency Management Grant	11,077.00			11,077.00
Five Year Forestry Plan	5,000.00			5,000.00
H1N1 Preparedness Grant	3,000.00			3,000.00
Handicapped Recreation Opportunities Grant	21,849.90			21,849.90
HMGF Energy Allocation Initiative (Hazardous Mitigation)	20,000.00			20,000.00
Historic Preservation Grant	120,000.00			120,000.00
Municipal Alliance Drug Program	105,775.00			105,775.00
Natural Resources Inventory Grant (ANJEC)	60,993.00	28,436.00	58,384.11	31,044.89
NJ DOT - Wertsville Road	6,070.00			6,070.00
NJ Transportation Trust Fund Authority Act - Montgomery Road	150,000.00			150,000.00
NJ Transportation Trust Fund Authority Act - Mountainview Road	26,183.31			26,183.31
Obey the Signs, Pay the Fines	108,828.26			108,828.26
Pandemic Flu Preparedness Plan	9,065.70			9,065.70
Planning Assistance Grant	1,696.00			1,696.00
Safe and Secure Communities	518.00			518.00
Sustainable Hillsborough	57,562.00	60,000.00	100,000.00	17,562.00
Sustainable New Jersey - Small Grant NJLM	111.00	10,000.00	5,000.00	111.00
Take A Hike In Hillsborough	10,500.00			10,500.00
Whip Grant	12,664.00			12,664.00
Youth Services Grant	14,246.00	6,492.00	5,000.00	15,738.00
Safe Corridors		52,075.69	52,075.69	
Recycling Tonnage		4,257.00	4,256.72	0.28
	\$	\$	\$	\$
	829,795.74	276,909.42	340,365.25	766,339.91
REF.	A	A-2	A-4	A

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

SCHEDULE OF DUE STATE OF NEW JERSEY
FOR SENIOR CITIZENS AND VETERANS DEDUCTIONS
PER CHAPTER 20, P.L. 1971

REF.

Balance, December 31, 2015	A		\$	1,621.23
Increased by:				
Senior Citizens Deductions Per Tax Billing		\$	28,750.00	
Veterans Deductions Per Tax Billing			158,750.00	
Senior Citizens Deductions Allowed by Tax Collector			2,000.00	
Canceled			250.00	
				<u>189,750.00</u>
			\$	<u>191,371.23</u>
Decreased by:				
Deductions Disallowed by Collector:				
Received in Cash From State	A-4	\$	184,621.23	
2016 Deductions Disallowed by Tax Collector			3,041.78	
2015 Deductions Disallowed by Tax Collector	A-4		4,250.00	
				<u>191,913.01</u>
Balance, December 31, 2016	A		\$	<u>(541.78)</u>

ANALYSIS OF STATE SHARE OF 2016
SENIOR CITIZENS AND VETERANS DEDUCTIONS

Senior Citizens Deductions Per Tax Billing		\$	28,750.00
Veterans Deductions Per Tax Billing			158,750.00
Deductions Allowed by Tax Collector:			
Senior Citizens			<u>2,000.00</u>
		\$	<u>189,500.00</u>
Less: Deductions Disallowed by Tax Collector:			
Senior Citizens			<u>3,041.78</u>
	A-9	\$	<u>186,458.22</u>

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

YEAR	BALANCE DECEMBER 31, 2015	2016 LEVY	ADDED	CASH COLLECTIONS 2015	2016	CANCELED	OVERPAYMENTS APPLIED	TRANSFERRED TO TAX TITLE LIENS	BALANCE DECEMBER 31, 2016
2012	\$ 1,207.10	\$		\$	\$		\$	\$	1,207.10
2013	1,178.38				7,629.27				1,178.38
2014	17,510.27		754.74		810,530.07	49.16			9,881.00
2015	819,583.44		754.74		818,159.34	49.16			9,758.95
	\$ 839,479.19	\$		\$ 580,677.70	135,701,155.27	8,796.62	853.51	21,588.41	22,025.43
2016		137,153,613.01							840,541.50
	\$ 839,479.19	\$	754.74	\$ 580,677.70	136,519,314.61	8,845.78	853.51	21,588.41	862,566.93
REF.	A			A-2-A-21	A-2		A-16	A-10	A

REF.

Cash-Collector A-4
State Share of Senior Citizens and Veterans Deduction A-8

\$ 136,332,856.39
186,458.22
\$ 136,519,314.61

ANALYSIS OF 2016 PROPERTY TAX LEVY

TAX YIELD	
General Property Tax	\$ 135,748,998.72
Added and Omitted Tax (54.4-63.1 et. seq.)	1,404,614.29
	\$ 137,153,613.01

TAX LEVY	
Local District School Tax	A-23
County Taxes:	
County Tax	\$ 18,611,716.24
County Library Tax	2,743,186.64
County Open Space	1,747,122.29
Due County for Added Taxes (54.4-63.1 et. seq.)	237,507.36
	23,339,532.53
Fire District Tax	2,352,672.00
Local Tax for Municipal Purposes	18,566,229.00
Local Open Space	1,590,740.71
Additional Tax Levied	1,184,917.77
	21,341,887.48
	\$ 137,153,613.01

"A-10"

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

SCHEDULE OF TAX TITLE LIENS

	<u>REF.</u>	
Balance, December 31, 2015	A	\$ 191,231.62
Increased by:		
Transfers From Taxes Receivable	A-9	<u>21,588.41</u>
Balance, December 31, 2016	A	\$ <u><u>212,820.03</u></u>

"A-11"

SCHEDULE OF PROPERTY ACQUIRED FOR TAXES
(AT ASSESSED VALUATION)

Balance, December 31, 2015	A	\$ 1,642,200.00
Balance, December 31, 2016	A	\$ <u><u>1,642,200.00</u></u>

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

REF.	BALANCE DECEMBER 31, 2015	ACCRUED IN 2016	COLLECTED BY TREASURER/ COLLECTOR	BALANCE DECEMBER 31, 2016
Clerk:				
Licenses:				
Alcoholic Beverage Licenses	\$	\$ 37,688.00	\$ 37,688.00	\$
Other		11,935.00	11,935.00	
Fees and Permits		8,886.38	8,886.38	
Registrar/Board of Health:				
Fees and Permits		9,740.00	9,740.00	
Other Licenses		21,590.00	21,590.00	
Construction Code Official:				
Fees and Permits		1,595,733.16	1,595,733.16	
Zoning:				
Fees and Permits		9,966.33	9,966.33	
Miscellaneous:				
Fees and Permits		113,129.86	113,129.86	
Municipal Court:				
Fines and Costs	34,070.22	351,174.09	363,569.93	21,674.38
Police Department:				
Fees and Permits		5,647.34	5,647.34	
Planning Board/Board of Adjustment:				
Fees and Permits		69,866.25	69,866.25	
Engineering:				
Fees and Permits		20,522.84	20,522.84	
Tax Assessor:				
Fees and Permits		27.00	27.00	
Interest on Investments and Deposits		60,532.34	60,532.34	
Health Officer - Borough of Millstone		25,500.00	25,500.00	
Energy Receipts Tax		3,252,088.00	3,252,088.00	
Garden State Preservation Trust Fund		13,576.00	13,576.00	
Cable TV Fees		50,746.77	50,746.77	
Somerset County Library System		44,779.00	44,779.00	
Cell Tower Lease		77,187.31	77,187.31	
Open Space Trust Fund		751,940.00	751,940.00	
Interest and Costs on Taxes		177,219.66	177,219.66	
Operating Contribution - Hillsborough Promenade		42,356.12	42,356.12	
Contribution from Somerville Business Park		532,343.17	532,343.17	10,000.00
Shared Service - Municipal Court - Manville		110,000.00	110,000.00	12,000.00
Shared Service - Municipal Court - Montgomery		132,630.85	132,630.85	
	\$ 34,070.22	\$ 7,526,805.47	\$ 7,539,201.31	\$ 43,674.38

REF.

A

A-4

A

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

SCHEDULE OF INTERFUNDS

<u>REF.</u>	<u>TOTAL</u>	<u>GRANT FUND</u>	<u>ASSESSMENT TRUST FUND</u>	<u>ANIMAL CONTROL TRUST FUND</u>	<u>TRUST OTHER FUNDS</u>	<u>GENERAL CAPITAL FUND</u>
Balance, December 31, 2015						
Due from	\$ 736,172.47	\$	\$ 71,156.18	\$ 9,938.00	\$ 655,078.29	\$ 1,022,916.81
Due to	<u>1,844,617.98</u>	<u>821,701.17</u>				
Transfer	18,426.00	18,426.00				
Treasurer-Receipts	1,460,472.93	347,224.07	98,764.66		904,484.20	110,000.00
Treasurer-Disbursements	<u>1,850,491.12</u>	<u>513,822.93</u>	<u>344,071.35</u>		<u>892,596.84</u>	<u>100,000.00</u>
Balance, December 31, 2016						
Due from	\$ 969,591.80	\$	\$ 316,462.87	\$ 9,938.00	\$ 643,190.93	\$ 1,032,916.81
Due to	<u>1,706,445.12</u>	<u>673,528.31</u>				

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

SCHEDULE OF RESERVE FOR MISCELLANEOUS RESERVES

	BALANCE DECEMBER 31, 2015	INCREASED BY CASH RECIEPTS	DECREASED BY CASH DISBURSEMENTS	BALANCE DECEMBER 31, 2016
Master Plan	\$ 18,100.27	\$		\$ 18,100.27
Miscellaneous Deposits	16,452.18			16,452.18
DPW Remediation	30,734.48			30,734.48
Quiet Zones	66,985.62			66,985.62
Tax Maps	6,228.14			6,228.14
Document Imaging Center	50,000.00			50,000.00
Revaluation	31,548.00			31,548.00
State Library Aid	8,595.00			8,595.00
Sewer Payments		178,198.60	178,198.60	
Landfill Cleanup	1,000.00			1,000.00
	<u>\$ 229,643.69</u>	<u>\$ 178,198.60</u>	<u>\$ 178,198.60</u>	<u>\$ 229,643.69</u>

REF.

A

A-4

A-4

A

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

SCHEDULE OF REFUNDS RECEIVABLE

	<u>REF.</u>	
Balance, December 31, 2015	A	\$ 130,462.82
Increased by:		
Cash Disbursements	A-4	435,899.51
		<u>\$ 566,362.33</u>
Decreased by:		
Cash Receipts	A-4	<u>462,379.54</u>
Balance, December 31, 2016	A	<u><u>\$ 103,982.79</u></u>

"A-16"

TOWNSHIP OF HILLSBOROUGH
CURRENT FUND
SCHEDULE OF TAX OVERPAYMENTS

	<u>REF.</u>		
Balance, December 31, 2015	A	\$	11,334.24
Increased by:			
Cash Receipts	A-4		281,244.06
		\$	<u>292,578.30</u>
Decreased by:			
Cash Disbursements	A-4	\$	284,446.35
Applied	A-9		<u>853.51</u>
			<u>285,299.86</u>
Balance, December 31, 2016	A	\$	<u><u>7,278.44</u></u>

"A-17"

SCHEDULE OF RESERVE FOR TAX APPEALS

Balance, December 31, 2015	A	\$	35,793.91
Balance, December 31, 2016	A	\$	<u><u>35,793.91</u></u>

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

SCHEDULE OF 2015 APPROPRIATION RESERVES

	BALANCE DECEMBER 31, 2015	ADJUSTED BALANCE	PAID OR CHARGED	BALANCE LAPSED
<u>Salaries and Wages:</u>				
Administrative and Executive	\$ 96.74	\$ 96.74	\$	\$ 96.74
Township Clerk	7,252.03	7,252.03		7,252.03
Financial Administration	120.23	120.23		120.23
Assessment of Taxes	13,558.29	13,558.29		13,558.29
Collection of Taxes	2,240.33	2,240.33		2,240.33
Information Technology	4,810.08	4,810.08		4,810.08
Engineering Services and Costs	5,813.32	5,813.32		5,813.32
Economic Development Committee	121.70	121.70		121.70
Planning Board	943.99	943.99		943.99
Police	3,233.12	3,233.12		3,233.12
Streets and Roads	46,222.84	46,222.84	25,554.33	20,668.51
Snow Removal	3,654.75	3,654.75		3,654.75
Municipal Prosecutor	1,500.00	1,500.00		1,500.00
Solid Waste Collection (clean up)	1,335.63	1,335.63		1,335.63
Board of Health	1,449.30	1,449.30		1,449.30
Animal Control	2,549.30	2,549.30		2,549.30
Social Services	8,733.72	8,733.72		8,733.72
Parks	27,102.91	27,102.91	8,920.89	18,182.02
Uniform Construction Code	20,077.81	20,077.81		20,077.81
Municipal Court	131.63	131.63		131.63
Public Works (Stormwater)	20,000.17	20,000.17		20,000.17
<u>Other Expenses:</u>				
Administrative and Executive	116.04	459.37	343.33	116.04
Postage	3,390.22	3,754.27	2,370.78	1,383.49
Mayor and Committee	13.94	1,639.50	1,621.05	18.45
Township Clerk	13,614.04	21,934.65	6,418.63	15,516.02
Public Meeting Recording	2,970.00	4,470.00	1,500.00	2,970.00
Elections	6.00	6.00		6.00
Central Purchasing	494.45	1,749.45	1,255.00	494.45
Financial Administration	670.99	2,678.59	2,678.59	
Audit Services	1,600.00	1,600.00		1,600.00
Assessment of Taxes	5,020.41	10,138.46	8,308.65	1,829.81
Collection of Taxes	54.63	1,233.23	1,233.23	
Human Resources	9,622.16	13,698.53	8,902.67	4,795.86
Information Technology	2,448.49	22,055.04	19,606.55	2,448.49
Legal Services and Costs:				
Outside Services	3,497.38	9,908.52	3,834.22	6,074.30
Miscellaneous	1,035.60	1,035.60	271.00	764.60
Engineering Services and Costs	1,013.86	13,512.71	12,594.10	918.61
Economic Development Committee	3,328.24	3,677.51	3,001.47	676.04
Planning Board	15,664.17	18,658.66	3,134.06	15,524.60
Zoning Commission	10,462.06	11,613.23	2,412.77	9,200.46
Cultural and Arts Commission	218.22	957.00	738.78	218.22
Employee Group Health	7,994.18	7,994.18	(33,568.45)	41,562.63
Unemployment Compensation	774.17	774.17	(800.39)	1,574.56

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

SCHEDULE OF 2015 APPROPRIATION RESERVES

	BALANCE DECEMBER 31, 2015	ADJUSTED BALANCE	PAID OR CHARGED	BALANCE LAPSED
<u>Other Expenses (Continued):</u>				
Police Department	\$ 16,080.12	\$ 96,276.34	\$ 77,182.42	\$ 19,093.92
Emergency Management	731.11	3,740.48	2,872.03	868.45
Fire Hydrant Service	71,437.50	71,437.50		71,437.50
First Aid Organization and Maintenance Contract:				
Other Expenses	245.11	4,469.61	4,224.50	245.11
Streets and Roads	7,503.38	97,389.13	84,071.21	13,317.92
Snow Removal	436.23	436.23		436.23
Public Buildings and Grounds	3,099.70	24,980.05	24,705.22	274.83
Solid Waste Flow (recycling)	86,246.90	172,154.60	85,907.70	86,246.90
Solid Waste Collection (clean-up)	8,327.45	28,419.09	12,496.24	15,922.85
Sanitary Landfill	60.00	60.00		60.00
Board of Health	2,033.57	11,223.79	9,079.22	2,144.57
Animal Control	908.75	908.75		908.75
Social Services	4,760.44	7,403.87	2,643.43	4,760.44
Parks	616.93	18,634.30	16,662.55	1,971.75
Celebration of Public Events	617.72	1,852.87	1,262.91	589.96
Wildlife Management	507.00	507.00	25.00	482.00
Uniform Construction Code	6,261.93	11,307.23	8,513.58	2,793.65
Electric	297.16	297.16	275.64	21.52
Telephone	5,917.75	6,376.52	1,906.38	4,470.14
Natural Gas	173.28	173.28	170.23	3.05
Gasoline	17,652.53	25,310.99	14,638.51	10,672.48
Diesel Fuel	10,489.72	14,364.11	7,338.83	7,025.28
Street Lighting	13,046.46	13,046.46	10,707.21	2,339.25
Municipal Condo Services Act	69.57	6,968.84	6,899.27	69.57
Water	3,598.89	3,598.89	3,508.33	90.56
Sick and Vacation Reserve	2,500.00	2,500.00		2,500.00
Social Security	1.70	1.70	(5,768.75)	5,770.45
Municipal Court	1,463.93	7,048.93	7,029.65	19.28
Public Works (Stormwater)	610.81	2,379.29	1,758.03	621.26
Engineering (Stormwater)	3,000.00	3,000.00		3,000.00
	<u>\$ 523,652.78</u>	<u>\$ 960,763.57</u>	<u>\$ 457,513.48</u>	<u>\$ 503,250.09</u>

REF. A: A-18

A-1

Cash Disbursements	A-4	\$ 485,108.33
Reserve for Encumbrances	A-19	16,348.53
Less: Refunds	A-4	<u>43,943.38</u>
		<u>\$ 457,513.48</u>

Budget - Reserved	A-18	\$ 523,652.78
Reserve for Encumbrances	A-19	<u>437,110.79</u>
		<u>\$ 960,763.57</u>

"A-19"

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

SCHEDULE OF RESERVE FOR ENCUMBRANCES

	<u>REF.</u>		
Balance, December 31, 2015	A	\$	443,063.99
Increased by:			
Budget Appropriations	A-3	\$	523,876.33
Appropriation Reserves	A-18		16,348.53
Operations	A-1		<u>5,076.80</u>
			545,301.66
		\$	<u>988,365.65</u>
Decreased by:			
Cash Disbursements	A-4	\$	1,701.40
Transferred to Appropriation Reserves	A-18		<u>437,110.79</u>
			<u>438,812.19</u>
Balance, December 31, 2016	A	\$	<u><u>549,553.46</u></u>

"A-20"

GRANT FUND

SCHEDULE OF RESERVE FOR ENCUMBRANCES

Balance, December 31, 2015	A	\$	106,780.92
Increased by:			
Reserve for Grants Appropriated	A-27		<u>184,973.17</u>
		\$	<u>291,754.09</u>
Decreased by:			
Transferred to Grants Appropriated	A-27		<u>106,780.92</u>
Balance, December 31, 2016	A	\$	<u><u>184,973.17</u></u>

"A-21"

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

SCHEDULE OF PREPAID TAXES

	<u>REF.</u>		
Balance, December 31, 2015 (2016 Taxes)	A	\$	580,677.70
Increased by:			
Collection - 2017 Taxes	A-4		<u>799,342.05</u>
		\$	<u>1,380,019.75</u>
Decreased by:			
Applied to Taxes Receivable	A-9		<u>580,677.70</u>
Balance, December 31, 2016 (2017 Taxes)	A	\$	<u><u>799,342.05</u></u>

"A-22"

SCHEDULE OF COUNTY TAXES PAYABLE

2016 Tax Levy:			
County Tax	A-1:A-9	\$	18,611,716.24
County Library Tax	A-1:A-9		2,743,186.64
County Open Space	A-1:A-9		1,747,122.29
Added County Taxes	A-1:A-9		<u>237,507.36</u>
		\$	23,339,532.53
Decreased by:			
Cash Disbursements	A-4	\$	<u><u>23,339,532.53</u></u>

"A-23"

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

	<u>REF.</u>	
Levy Calendar Year 2016	A-1:A-9	\$ 90,119,521.00
Decreased by:		
Payment to Local District School	A-4	<u>89,703,108.02</u>
Balance, December 31, 2016	A	<u>\$ 416,412.98</u>

"A-24"

SCHEDULE OF MUNICIPAL OPEN SPACE TAX PAYABLE

Increased by:		
Levy Calendar Year 2016	A-1:A-9	\$ 1,590,740.71
Decreased by:		
Cash Disbursements	A-4	<u>\$ 1,590,740.71</u>

"A-25"

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

SCHEDULE OF DUE STATE OF NEW JERSEY
CONSTRUCTION CODE OFFICIAL

	<u>REF.</u>	
Balance, December 31, 2015	A	\$ 29,196.00
Increased by:		
Cash Receipts	A-4	89,921.00
		<u>\$ 119,117.00</u>
Decreased by:		
Cash Disbursements	A-4	85,858.00
		<u>85,858.00</u>
Balance, December 31, 2016	A	<u><u>\$ 33,259.00</u></u>

"A-26"

SCHEDULE OF DUE STATE OF NEW JERSEY
REGISTRAR LICENSES

Balance, December 31, 2015	A	\$ 900.00
Increased by:		
Cash Receipts	A-4	4,400.00
		<u>\$ 5,300.00</u>
Decreased by:		
Cash Disbursements	A-4	4,325.00
		<u>4,325.00</u>
Balance, December 31, 2016	A	<u><u>\$ 975.00</u></u>

TOWNSHIP OF HILLSBOROUGH

GRANT FUND

SCHEDULE OF RESERVE FOR GRANTS-APPROPRIATED

GRANT/PROGRAM	BALANCE DECEMBER 31, 2015	ENCUMBRANCES PAYABLE	2016 BUDGET APPROPRIATIONS	PAID OR CHARGED	BALANCE DECEMBER 31, 2016
	\$	\$	\$	\$	\$
Municipal Alliance Drug Program:					
County and Local - 2014	18,482.00			18,447.85	34.15
County and Local - 2014/2015		4,570.00		4,570.00	
County and Local - 2015	4,485.67	4,895.00		9,380.67	
County and Local - 2016			35,545.00	27,400.00	8,145.00
Safe and Secure Communities:					
State	15,171.84		60,000.00	60,000.00	15,171.84
Local	5,838.41				5,838.41
Bike Lanes Grant	150,000.00				150,000.00
Bi terrorism Preparedness and Response Grant	602.47				602.47
Body Armor Replacement Fund (State)	11,206.65		4,670.33	4,425.00	11,451.98
Body Armor Replacement Fund (Federal)	615.00			354.00	261.00
Cell Phone Safety	4,971.60				4,971.60
Clean Communities Program	56,050.05		106,817.64	112,137.73	50,729.96
Click it or Ticket			4,160.76		4,160.76
COPS MORE					
County Arraignement Grant	21,303.00				21,303.00
DCA-Smart Future Planning Grant	644.86				644.86
Dunk Driving Enforcement Fund	45,614.63				45,614.63
Edward Byne Memorial Justice Assistance Grant	20,196.52	1,435.00		4,590.96	17,040.56
Energy Efficiency Conservation Block Grant	136.85				136.85
Federal Emergency Management	100.00				100.00
Five Year Forestry Plan	15,680.19			7,114.51	8,565.68
FM Mission Critical Services	3,000.00				3,000.00
Green Communities	9,929.64	7,501.00		16,500.00	930.64
HMGP Energy Allocation Initiative (Hazardous Mitigation)	500.00				500.00
Hepatitis B Inoculations	21,079.64			21,077.00	2.64
H1N1 Preparedness Grant	804.00				804.00
Historic Preservation Grant 2005 & 2006	205.68				205.68
Historic Preservation Grant 2012	47,364.43				47,364.43
Historic Preservation Grant- Match	189,000.15			40,785.91	148,214.24
Municipal Planning Partnership - County	6,000.00				6,000.00
Natural Resources Inventory Grant (ANJEC)	35,000.00				35,000.00
NJ DOT Discretionary Aid - Hillsborough Road	1,404.61				1,404.61
NJ Transportation Trust Fund - Homestead Road	10,000.00				10,000.00
NJ Transportation Trust Fund - Montgomery Road		81,238.17			
NJ Transportation Trust Fund - Mountainview Road	26,934.42			81,238.17	26,934.42
	108,825.26				108,825.26

TOWNSHIP OF HILLSBOROUGH

GRANT FUND

SCHEDULE OF RESERVE FOR GRANTS-APPROPRIATED

<u>GRANT/PROGRAM</u>	<u>BALANCE DECEMBER 31, 2015</u>	<u>ENCUMBRANCES PAYABLE</u>	<u>2016 BUDGET APPROPRIATIONS</u>	<u>PAID OR CHARGED</u>	<u>BALANCE DECEMBER 31, 2016</u>
	\$	\$	\$	\$	\$
Pandemic Flu Preparedness Plan	1,535.56				1,535.56
NJ Transfer Rights Planning Assistance Grant:					
Local	15,000.00				15,000.00
State	39,712.17				39,712.17
Public Health Priority Funding	50,652.20			6,383.65	44,268.55
Recycling Tonnage Grant	52,627.74		4,257.00	58,964.65	3,246.84
Safe Corridors Grant	49,959.80	5,326.75	52,075.69	102,035.49	
SLAHEOP Grant	2,405.72				2,405.72
Supplemental Fire District			11,317.00	11,317.00	
Take A Hike In Hillsborough	5,568.50				5,568.50
Tobacco Age of Sale Grant	1,560.00				1,560.00
Youth Athletic and Recreation Facility Grant	5,930.00				5,930.00
Youth Athletic and Recreation Facility Grant	0.02				0.02
Youth Athletic Grant	15,000.00				15,000.00
Youth Services Grant	15,315.00			11,732.00	3,583.00
Youth Services Program 2008-09	379.13				379.13
Youth Services Teen Grant 2010	144.71				144.71
Youth Services - 2010-2011	148.99	1,440.00		1,440.00	148.99
Youth Services - 2011-2012	3,452.75	375.00		3,750.00	77.75
Youth Services - 2012-2013	4,008.83			1,152.00	2,856.83
Youth Services - 2013-2014	13,492.00				13,492.00
Youth Services - 2015	11,492.00				11,492.00
Youth Services - 2016			6,492.00		6,492.00
Design Charrette:					
County	4,403.00				4,403.00
Local	1,312.00				1,312.00
Roid Grant	50,861.05				50,861.05
Sustainable Jersey Small Grant 2016			10,000.00		10,000.00
Sustainable Jersey Grants- NJLM Grants	4.45				4.45
Sustainable Hillsborough (Building Livable Communities):					
Local	10,000.00				10,000.00
Grantor - MLUC	4,098.98				4,098.98
	<u>\$ 1,190,212.17</u>	<u>\$ 106,780.92</u>	<u>\$ 295,335.42</u>	<u>\$ 604,796.59</u>	<u>\$ 987,531.92</u>
REF.	A	A-20	A-3		A
Cash Disbursements				\$ 419,823.42	
Encumbrances Payable				<u>184,973.17</u>	
				<u>\$ 604,796.59</u>	

TOWNSHIP OF HILLSBOROUGH

GRANT FUND

SCHEDULE OF RESERVE FOR GRANTS-UNAPPROPRIATED

<u>GRANT/PROGRAM</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2015</u>	<u>RECEIPTS</u>	<u>DISBURSED</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2016</u>
Federal Body Armor Grant	\$ 2,672.70	\$	\$	2,672.70
Drunk Driving Enforcement Fund		6,858.82		6,858.82
NJ DOT Grant - Homestead Road	205,000.00			205,000.00
Safe Corridors	146,831.12		93,999.51	52,831.61
	<u>\$ 354,503.82</u>	<u>\$ 6,858.82</u>	<u>\$ 93,999.51</u>	<u>\$ 267,363.13</u>
<u>REF.</u>	A	A-4	A-4	A

TOWNSHIP OF HILLSBOROUGH

CURRENT FUND

SCHEDULE OF FIRE DISTRICT TAX PAYABLE

REF.

Increased by:

Fire District Tax Levied

A-1:A-9

\$ 2,352,672.00

Decreased by:

Cash Disbursements

A-4

\$ 2,352,672.00

TOWNSHIP OF HILLSBOROUGH

GRANT FUND

SCHEDULE OF INTERFUNDS

	<u>REF.</u>	<u>TOTAL</u>	<u>CURRENT FUND</u>
Balance, December 31, 2015			
Due from	A	\$ <u>821,701.17</u>	\$ <u>821,701.17</u>
Treasurer-Receipts	A-4	513,822.93	513,822.93
Transfer	A-13	18,426.00	18,426.00
Treasurer-Disbursements	A-4	<u>347,224.07</u>	<u>347,224.07</u>
Balance, December 31, 2016			
Due from	A	\$ <u><u>673,528.31</u></u>	\$ <u><u>673,528.31</u></u>

TOWNSHIP OF HILLSBOROUGHTRUST FUNDSCHEDULE OF CASH-TREASURER

	<u>REF.</u>	<u>ASSESSMENT</u>	<u>ANIMAL CONTROL</u>	<u>OTHER</u>
Balance, December 31, 2015	B	\$ <u>1,165,501.81</u>	\$ <u>44,177.75</u>	\$ <u>29,955,689.13</u>
Increased by Receipts:				
Assessments Receivable	B-4	\$ 292,689.11	\$	\$
Dog License Fees	B-13		48,661.80	
Due State of New Jersey	B-12		3,538.20	
Reserve for Recreation Fees	B-18			887,028.52
Reserve for Sanitary Landfill Escrow	B-16			1.08
Interfunds	B-7:B-11:B-15	248,205.14	58.54	5,792.76
Reserve for Various Trust Deposits	B-19			27,422,228.19
Reserve for Township Open Space	B-17			1,626,077.30
		\$ <u>540,894.25</u>	\$ <u>52,258.54</u>	\$ <u>29,941,127.85</u>
		\$ <u>1,706,396.06</u>	\$ <u>96,436.29</u>	\$ <u>59,896,816.98</u>
Decreased by Disbursements:				
Interfunds	B-7:B-11:B-15	\$ 2,898.45	\$ 58.54	\$ 17,680.12
Reserve for Various Trust Deposits	B-19			27,472,949.07
Due State of New Jersey	B-12		3,510.60	
Assessment Bonds Payable	B-9	28,100.00		
Assessment Loans Payable	B-10	227,615.37		
Assessment Loans Interest Payable	B-8	38,378.98		
Animal Control Fund Expenditures	B-13		32,727.25	
Recreation Commission Expenditures	B-18			733,993.28
Reserve for Township Open Space	B-17			1,254,949.51
		\$ <u>296,992.80</u>	\$ <u>36,296.39</u>	\$ <u>29,479,571.98</u>
Balance, December 31, 2016	B	\$ <u><u>1,409,403.26</u></u>	\$ <u><u>60,139.90</u></u>	\$ <u><u>30,417,245.00</u></u>

TOWNSHIP OF HILLSBOROUGH

TRUST FUND

ANALYSIS OF ASSESSMENT CASH

ORDINANCE NUMBER	IMPROVEMENT DESCRIPTION	BALANCE DECEMBER 31, 2015		CASH RECEIPTS		CASH DISBURSEMENTS		BALANCE DECEMBER 31, 2016	
Assessment Serial Bonds:									
2007-08	Riverview Sewers	\$	172,038.56	\$	35,360.66	\$	28,100.00	\$	179,299.22
Assessment Loans:									
2009-13	Claremont Sewers		319,005.86		256,199.25		265,994.35		309,210.76
Due Current Fund			71,156.18		248,205.14		2,898.45		316,462.87
Due General Capital Fund			602,172.01						602,172.01
Trust Surplus			1,129.20		1,129.20				2,258.40
		\$	1,165,501.81	\$	540,894.25	\$	296,992.80	\$	1,409,403.26
REF.	B			B-2		B-2			B

TOWNSHIP OF HILLSBOROUGH

TRUST FUND

SCHEDULE OF ASSESSMENTS RECEIVABLE

<u>ORDINANCE NUMBER</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>ANNUAL INSTALLMENTS</u>	<u>DUE DATE</u>	<u>BALANCE DECEMBER 31, 2015</u>	<u>COLLECTED</u>	<u>BALANCE DECEMBER 31, 2016</u>	<u>BALANCE PLEDGED TO</u>	
							<u>ASSESSMENT SERIAL BONDS/LOANS</u>	<u>RESERVE</u>
2007-08	Installation of Sewer Lines - Riverview	20	03/01 & 09/01	\$ 215,009.72 \$	35,360.66 \$	179,649.06 \$	179,649.06 \$	
2007-20	Installation of Sewer Lines - Mountainview	5	09/01	4,516.80	1,129.20	3,387.60		3,387.60
2007-43	Installation of Sewer Lines - Claremont	20	06/01 & 12/01	3,371,533.14	256,199.25	3,115,333.89	3,115,333.89	
				<u>\$ 3,591,059.66 \$</u>	<u>292,689.11 \$</u>	<u>3,298,370.55 \$</u>	<u>3,294,982.95 \$</u>	<u>3,387.60</u>

REF.

B

B-2

B

TOWNSHIP OF HILLSBOROUGH

TRUST FUND

SCHEDULE OF AMOUNT TO BE RAISED BY TAXATION

<u>ORDINANCE NUMBER</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE DECEMBER 31, 2016</u>	<u>BALANCE DECEMBER 31, 2015</u>
2007-08	Installation of Sewer Lines - Riverview	\$ 6,351.72	\$ 6,351.72
2007-43	Installation of Sewer Lines - Claremont	<u>21,250.07</u>	<u>21,250.07</u>
		<u>\$ 27,601.79</u>	<u>\$ 27,601.79</u>
	<u>REF.</u>	B	B

TOWNSHIP OF HILLSBOROUGH

TRUST FUND

SCHEDULE OF RESERVE FOR ASSESSMENTS AND LIENS

<u>ORDINANCE NUMBER</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE DECEMBER 31, 2015</u>	<u>COLLECTIONS TO SURPLUS</u>	<u>BALANCE DECEMBER 31, 2016</u>
2007-43/ 2009-13	Installation of Sewer Lines - Claremont	\$ 4,516.80 \$	1,129.20 \$	3,387.60
		\$ 4,516.80 \$	1,129.20 \$	3,387.60
	<u>REF.</u>	B	B-1	B

TOWNSHIP OF HILLSBOROUGH

TRUST FUND

SCHEDULE OF INTERFUNDS - ASSESSMENT TRUST FUND

	<u>REF.</u>	<u>TOTAL</u>	<u>CURRENT FUND</u>	<u>GENERAL CAPITAL FUND</u>
Balance, December 31, 2015	B	\$ 673,328.19	\$ 71,156.18	\$ 602,172.01
Increased by:				
Cash Receipts	B-2	248,205.14	248,205.14	
Decreased by:				
Cash Disbursements	B-2	2,898.45	2,898.45	
Balance, December 31, 2016	B	\$ 918,634.88	\$ 316,462.87	\$ 602,172.01

TOWNSHIP OF HILLSBOROUGH

TRUST FUND

SCHEDULE OF ASSESSMENT LOAN INTEREST PAYABLE

	<u>REF.</u>		
Balance, December 31, 2015	B	\$	301,641.84
Increased by:			
Prospective Assessments			136,427.08
		\$	<u>438,068.92</u>
Decreased by:			
Cash Disbursements	B-2		<u>38,378.98</u>
Balance, December 31, 2016	B	\$	<u><u>399,689.94</u></u>

TOWNSHIP OF HILLSBOROUGH

TRUST FUND

SCHEDULE OF ASSESSMENT SERIAL BONDS

<u>PURPOSE</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>MATURITIES OF BONDS OUTSTANDING</u>		<u>INTEREST RATE</u>	<u>BALANCE DECEMBER 31, 2015</u>	<u>DECREASED</u>	<u>BALANCE DECEMBER 31, 2016</u>
			<u>DATE</u>	<u>AMOUNT</u>				
Riverview Sewer	07/22/09	\$ 562,000.00	06/01/17-29	\$ 28,100.00	5.00%	\$ 393,400.00	\$ 28,100.00	\$ 365,300.00
						\$ 393,400.00	\$ 28,100.00	\$ 365,300.00
					<u>REF.</u>	B	B-2	B

TOWNSHIP OF HILLSBOROUGH

TRUST FUND

SCHEDULE OF N.J.E.I.T. ASSESSMENT LOANS PAYABLE

IMPROVEMENT DESCRIPTION	DATE OF ORIGINAL ISSUE	AMOUNT OF ORIGINAL ISSUE	OUTSTANDING DECEMBER 31, 2016		INTEREST RATE	BALANCE DECEMBER 31, 2015	INCREASED	DECREASED	BALANCE DECEMBER 31, 2016
			DATE	AMOUNT					
Sewer Assessment Loans (S340-099-01)	3/10/2010	\$ 1,103,238.01	8/1/2017	\$ 50,474.94	5.000%	\$	\$		\$
			8/1/2018	54,080.29	5.000%				
			8/1/2019	57,685.65	4.000%				
			8/1/2020-21	61,291.00	5.000%				
			8/1/2022	64,896.35	4.000%				
			8/1/2023-24	68,501.71	4.000%				
			8/1/2025	72,107.06	4.000%				
			8/1/2026	75,712.41	3.500%				
Sewer Assessment Loans (S340-099-01)	3/10/2010	3,188,527.89	8/1/2027	79,317.76	4.000%				
			8/1/2028-29	82,923.12	4.000%	930,181.06		50,474.94	879,706.12
			2/1/2017-8/1/2028 2029	177,140.43 177,140.58	0% 0%	2,479,966.17		177,140.43	2,302,825.74
Sewer Assessment Loans (S340-099-02)	12/22/2016	275,000.00	8/1/2018	10,000.00	3.000%				
			8/1/2019	10,000.00	4.000%				
			8/1/2020-23	10,000.00	5.000%				
			8/1/2024-26	15,000.00	5.000%				
			8/1/2027-31	15,000.00	4.000%				
			8/1/2032-35	20,000.00	4.000%				
Sewer Assessment Loans (S340-099-02)	12/22/2016	855,983.00	8/1/2036	15,000.00	4.000%		275,000.00		275,000.00
			2017	29,016.37	0%				
			2018-2035 2036	43,524.55 43,524.73	0% 0%		855,983.00		855,983.00
						\$ 3,410,147.23	\$ 1,130,983.00	\$ 227,615.37	\$ 4,313,514.86
REF.						B	B-2	B	

"B-11"

TOWNSHIP OF HILLSBOROUGH

TRUST FUND

SCHEDULE OF INTERFUNDS - ANIMAL CONTROL TRUST FUND

	<u>REF.</u>	<u>CURRENT FUND</u>
Balance, December 31, 2015		
Due To	B	\$ 9,938.00
Increased by:		
Cash Receipts	B-2	58.54
		\$ <u>9,996.54</u>
Decreased by:		
Cash Disbursements	B-2	<u>58.54</u>
Balance, December 31, 2016		
Due To	B	\$ <u><u>9,938.00</u></u>

"B-12"

SCHEDULE OF DUE STATE OF NEW JERSEY-ANIMAL CONTROL FUND

Increased by:		
Cash Receipts	B-2	\$ 3,538.20
Decreased by:		
Cash Disbursements	B-2	<u>3,510.60</u>
Balance, December 31, 2016	B	\$ <u><u>27.60</u></u>

TOWNSHIP OF HILLSBOROUGH

TRUST FUND

SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

	<u>REF.</u>		
Balance, December 31, 2015	B	\$	33,177.25
Increased by:			
Dog License Fees Collected	B-2	\$	48,661.80
Encumbrances Payable	B		<u>1,062.50</u>
			49,724.30
		\$	<u>82,901.55</u>
Decreased by:			
Expenditures Under R.S.4:49-15.11:			
Cash Disbursements	B-2		<u>32,727.25</u>
Balance, December 31, 2016	B	\$	<u><u>50,174.30</u></u>

<u>LICENSE FEES COLLECTED</u>		
<u>YEAR</u>		<u>AMOUNT</u>
2014	\$	43,436.00
2015		<u>44,613.60</u>
	\$	<u><u>88,049.60</u></u>

TOWNSHIP OF HILLSBOROUGH

TRUST FUND

SCHEDULE OF ENCUMBRANCES PAYABLE

	<u>REF.</u>		
Balance, December 31, 2015	B	\$	9,284,431.02
Increased by:			
Various Trust Deposits	B-19	\$	63,527.38
Township Open Space	B-17		9,250,000.00
Recreation Commission	B-18		<u>14,450.02</u>
			9,327,977.40
		\$	<u>18,612,408.42</u>
Decreased by:			
Transfer to Reserve for Miscellaneous Trust Deposits	B-19	\$	18,748.20
Transfer to Reserve for Recreation	B-18		15,682.82
Transfer to Reserve for Open Space	B-17		<u>9,250,000.00</u>
			<u>9,284,431.02</u>
Balance, December 31, 2016	B	\$	<u><u>9,327,977.40</u></u>

TOWNSHIP OF HILLSBOROUGH

TRUST FUND

SCHEDULE OF INTERFUNDS - OTHER FUNDS

	<u>REF.</u>	<u>TOTAL</u>	<u>CURRENT FUND</u>
Balance, December 31, 2015			
Due from	B	\$ 655,078.29	\$ 655,078.29
Increased by:			
Cash Receipts	B-2	<u>5,792.76</u>	<u>5,792.76</u>
Decreased by:			
Cash Disbursements	B-2	<u>17,680.12</u>	<u>17,680.12</u>
Balance, December 31, 2016			
Due from	B	\$ <u>643,190.93</u>	\$ <u>643,190.93</u>

"B-16"

TOWNSHIP OF HILLSBOROUGH

TRUST FUND

SCHEDULE OF RESERVE FOR SANITARY LANDFILL ESCROW

	<u>REF.</u>		
Balance, December 31, 2015	B	\$	10,853.51
Increased by:			
Interest Earned	B-2		<u>1.08</u>
Balance, December 31, 2016	B	\$	<u><u>10,854.59</u></u>

"B-17"

SCHEDULE OF RESERVE FOR TOWNSHIP OPEN SPACE

Balance, December 31, 2015	B	\$	10,868,540.81
Increased by:			
Cash Receipts	B-2	\$	1,626,077.30
Transfer from Encumbrances Payable	B-14		<u>9,250,000.00</u>
			<u>10,876,077.30</u>
		\$	<u>21,744,618.11</u>
Decreased by:			
Cash Disbursements	B-2	\$	1,254,949.51
Encumbrances Payable	B-14		<u>9,250,000.00</u>
			<u>10,504,949.51</u>
Balance, December 31, 2016	B	\$	<u><u>11,239,668.60</u></u>

TOWNSHIP OF HILLSBOROUGH

TRUST FUND

SCHEDULE OF RESERVE FOR RECREATION COMMISSION EXPENDITURES

	<u>REF.</u>		
Balance, December 31, 2015	B	\$	166,947.28
Increased by:			
Receipts- Program Registration Fees	B-2	\$	887,028.52
Transfer from Encumbrances Payable	B-14		<u>15,682.82</u>
			902,711.34
		\$	<u>1,069,658.62</u>
Decreased by:			
Cash Disbursements	B-2	\$	733,993.28
Encumbrances Payable	B-14		<u>14,450.02</u>
			<u>748,443.30</u>
Balance, December 31, 2016	B	\$	<u><u>321,215.32</u></u>

TOWNSHIP OF HILLSBOROUGH

TRUST FUND

SCHEDULE OF RESERVE FOR VARIOUS TRUST DEPOSITS

RESERVE	BALANCE DECEMBER 31, 2015	RECEIPTS	DISBURSEMENTS	ENCUMBRANCES PAYABLE	BALANCE DECEMBER 31, 2016
Government Grant Fund	\$ 66,067.54	\$ 191.97	\$	\$	\$ 66,259.51
Police Law Enforcement Trust	20,818.52	835.82	8,494.36		13,159.98
Federal Forfeiture Fund	5,804.08	16.02			5,820.10
Police Services Escrow	31,584.45	434,860.34	434,800.89		31,643.90
Expert Witness Program	27,630.00				27,630.00
Self Insurance Program	309,062.00				309,062.00
COBRA Payment Program	260,111.27				260,111.27
Employee Benefits Program	82,801.40				82,801.40
Subdivision Deposits	3,323.00				3,323.00
Escrow Management	1,933,406.05	446,645.86	740,922.20		1,639,129.71
Flexible Spending Account		12,633.68	12,629.53		4.15
Affinity Credit Card	41,239.11	12,730.74	19,187.00		34,782.85
Miscellaneous Trust	1,263,011.90	993,758.18	993,192.40	63,527.38	1,200,050.30
Payroll Agency	1,181.52	23,629,221.30	23,630,133.91		268.91
Kimberwick Curb Suit	33,268.46	3.33			33,271.79
Public Assistance - Donations	114,880.71	19,992.88	46,273.91		88,599.68
Escrow/Offsite	3,906,070.68	305,326.18	5,000.00		4,206,396.86
Tax Lien Redemption	888,325.73	1,566,011.89	1,582,314.87		872,022.75
	<u>\$ 8,988,586.42</u>	<u>\$ 27,422,228.19</u>	<u>\$ 27,472,949.07</u>	<u>\$ 63,527.38</u>	<u>\$ 8,874,338.16</u>

REF.

B

B-14

B-2

Balance, December 31, 2015
Encumbrances Payable

B \$ 8,969,838.22
B-14 18,748.20

\$ 8,988,586.42

* Note: An analysis of trust deposits is on file in the Finance Office.

TOWNSHIP OF HILLSBOROUGH

GENERAL CAPITAL FUND

SCHEDULE OF CASH - TREASURER

	<u>REF.</u>		
Balance, December 31, 2015	C	\$	2,201,951.91
Increased by Receipts:			
Budget Appropriation:			
Capital Improvement Fund	C-8	\$	475,000.00
Deferred Charge - Funded and Unfunded			10,000.00
Refund of Improvement Authorization	C-7		620.80
Developers Deposits	C-9		28,441.40
Interfunds	C-10		3,664.45
N.J.E.I.T. Loans Receivable	C-16		839,149.00
Bond Anticipation Notes	C-14		<u>3,252,149.00</u>
			4,609,024.65
		\$	<u>6,810,976.56</u>
Decreased by Disbursements:			
Contracts Payable	C-6	\$	3,821,971.77
Bond Anticipation Notes	C-14		1,827,149.00
Interfunds	C-10		<u>13,664.45</u>
			<u>5,662,785.22</u>
Balance, December 31, 2016	C:C-3	\$	<u><u>1,148,191.34</u></u>

"C-3"

TOWNSHIP OF HILLSBOROUGH

GENERAL CAPITAL FUND

ANALYSIS OF CASH

	BALANCE DECEMBER 31, 2016
Capital Improvement Fund	\$ 243,772.13
Fund Balance	34,680.16
Reserve for Encumbrances	907,201.01
Reserve for Developers Security Deposits	
Exhibit "C-9"	2,375,612.27
Unexpended Proceeds of Bond Anticipation Notes on "C-5"	79,193.46
Improvement Authorizations:	
Funded Improvements Listed on "C-7"	1,680,671.88
Improvements Expended Set Forth on "C-5"	(1,834,251.16)
Various Reserves	98,994.41
Interfunds Receivable	(1,635,088.82)
N.J.E.I.T. Loan Receivable	(302,161.00)
Grants Receivable	(500,433.00)
	<u>\$ 1,148,191.34</u>

REF.

C:C-2

"C-4"

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, December 31, 2015	C	\$ 5,483,136.37
Increased by:		
Assessment Loans Issued	C-16	1,130,983.00
		<u>\$ 6,614,119.37</u>
Decreased by:		
2016 Budget Appropriation to Pay:		
Bond Principal	C-13	\$ 710,000.00
N.J.E.I.T. Loan Principal	C-12	<u>1,219,030.73</u>
		<u>1,929,030.73</u>
Balance, December 31, 2016	C	<u>\$ 4,685,088.64</u>

TOWNSHIP OF HILLSBOROUGH

GENERAL CAPITAL FUND

SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION-UNFUNDED

ORDINANCE NUMBER	ANALYSIS OF BALANCE DECEMBER 31, 2016			
	BALANCE DECEMBER 31, 2016	BOND ANTICIPATION NOTES	EXPENDITURES	UNEXPENDED BALANCE
General Improvements:				
1996-10	\$ 78,704.00	\$	\$ 78,704.00	\$
1998-30	224,505.96		215,207.08	9,298.88
1999-01	65,151.39		65,151.39	
2002-05/2004-49	118,375.98		85,161.02	33,214.96
2007-08	8,000.00			8,000.00
2007-20	297,000.00		74,169.17	222,830.83
2007-43/2009-13	1,483,234.10		385,906.38	1,097,327.72
2008-49	2,050,000.00		1,515.97	2,048,484.03
2009-15	639,829.90		639,205.23	624.67
2011-13	1,316,272.00	1,316,272.00		
2013-16	510,877.00	510,877.00		
2014-10	1,425,000.00	1,425,000.00		
2014-14	436,517.00		289,230.92	147,286.08
	<u>\$ 8,653,467.33</u>	<u>\$ 3,252,149.00</u>	<u>\$ 1,834,251.16</u>	<u>\$ 3,567,067.17</u>

REF.

C

C-14

C-3

Improvement Authorizations - Unfunded
Unexpended Proceeds of Bond Anticipation Notes

C-7

C-3

\$ 3,646,260.63
79,193.46
\$ 3,567,067.17

TOWNSHIP OF HILLSBOROUGH

GENERAL CAPITAL FUND

SCHEDULE OF CONTRACTS PAYABLE

	<u>REF.</u>	
Balance, December 31, 2015	C	\$ 2,357,807.92
Increased by:		
Improvement Authorizations	C-7	<u>2,371,364.86</u>
		\$ <u>4,729,172.78</u>
Decreased by:		
Cash Disbursements	C-2	<u>3,821,971.77</u>
Balance, December 31, 2016	C	\$ <u><u>907,201.01</u></u>

TOWNSHIP OF HILLSBOROUGH
GENERAL CAPITAL FUND

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS									
ORD. NUMBER	IMPROVEMENT DESCRIPTION	DATE	ORDINANCE AMOUNT		BALANCE DECEMBER 31, 2015		PAID OR CHARGED	BALANCE DECEMBER 31, 2016	
			\$		FUNDED	UNFUNDED		AUTHORIZATIONS	FUNDED
1998-30	Various Capital Improvements	09/08/1998	\$	920,000.00	\$		\$		
1998-33	Various Capital Improvements	09/08/1998		704,000.00		1,088.23		1,088.23	9,298.88
1999-28	Various Capital Improvements	05/25/1999		935,000.00		5,742.89		5,742.89	
2000-13	Police Computer System	04/22/2000		200,000.00		6,838.87		6,838.87	
2001-22/2005-18	Various Capital Improvements	05/23/2001		655,600.00		23,239.75		23,239.75	
2002-05/2004-49	Expansion of Library Facilities	02/05/2002		4,000,000.00					
		05/13/2003		60,000.00					
		12/14/2004		140,000.00					33,214.96
2002-17	New Amwell Road Reconfiguration	09/28/2002		103,769.00		30,405.05		30,405.05	
2002-33	Improvements to Docherty Park	09/24/2002		273,630.00		20,367.28		20,367.28	
2002-34	Various Capital Improvements	09/24/2002		347,602.00		11.29		11.29	
2003-18/2004-15	Various Capital Improvements	04/27/2004		80,000.00		13,774.03		13,698.54	
2004-17	Various Capital Improvements	05/11/2004		1,307,500.00		208,880.40		208,880.40	
04-32/05-20	Various Capital Improvements	06/10/2004		258,500.00		2,973.25		2,973.25	
2005-17	Various Capital Improvements	06/28/2005		1,259,200.00		41,379.39		40,184.32	
2008-24	Amending Ordinance 2006-13/2006-21	07/22/2008		10,000.00		156,901.21		95,476.36	
2006-49	Sewer Line Extension	12/19/2006		50,000.00		1,323.64		1,323.64	
2006-45	Wastewater Management Plan	09/12/2006		25,000.00		527.27		527.27	
2007-08	Installation of Sewer Lines	04/10/2007		600,000.00		65,200.71		65,200.71	
2008-52	Amending Ordinance 2007-15	12/23/2008		85,000.00		190,105.30		187,371.30	
2007-20	Installation of Sewer Lines	07/10/2007		1,000,000.00					222,830.83
2007-40	Detention Basin Redesign Study	11/12/2007		12,000.00					
2007-41	Senior Citizen Activity Center	12/11/2007		30,000.00		1,666.53		82.81	
2009-13	Amending Ordinance 2007-43	04/14/2009		5,205,000.00					1,097,327.72
2008-08	Park Improvements	03/11/2008		20,000.00		202.59		202.59	
2008-18	Various Capital Improvements	05/27/2008		1,289,936.00		1,111.44		(1,285.85)	
2008-48	Acquisition of Land	12/23/2008		2,100,000.00					
2009-15	Various Road Improvements	04/28/2009		1,900,000.00				103,863.68	
2009-16	Acquisition and Construction of Salt Storage Facility	04/28/2009		400,000.00		379.70		379.70	
2009-20	Various Capital Improvements	05/26/2009		938,000.00		10,162.40		11,051.56	
2009-46	Various Public Safety Capital Improvements	12/22/2009		72,500.00		16,905.30		16,905.30	
2010-20	Various Capital Improvements	07/13/2010		753,625.00		7,306.29		7,306.29	
2010-32	Various Capital Improvements	12/14/2010		458,300.00		36,763.67		18,032.89	
2011-13	Various Capital Improvements	06/28/2011		2,153,000.00					70,835.35
2011-17	Various Capital Improvements	08/23/2011		646,300.00		55,210.10		46,730.35	
2012-20	Various Capital Improvements	06/26/2012		323,503.00		66,940.27		59,587.02	
2012-35	Sale of Land	12/13/2012		350,000.00		50,020.12		52,260.87	
2013-12	Purchase of Various Capital Improvements	05/14/2013		423,252.00		6,975.17		50,020.12	
2013-16	Various Capital Improvements	07/09/2013		716,713.00		19,057.88		6,975.17	
2014-08	Various Capital Improvements	05/27/2014		265,295.00		137,779.52		29,489.78	
2014-10	Various Capital Improvements	05/27/2014		1,500,000.00					40.00
2014-14	Sanitary Sewer	07/22/2014		1,650,000.00		203,574.14		56,288.06	
2014-17	Various Capital Improvements	10/14/2014		35,000.00		29,060.00		28,905.00	
2015-06	Various Capital Improvements	05/26/2015		1,196,708.10		756,349.70		609,877.78	
2015-21	Various Capital Improvements	12/15/2015		58,000.00		11,293.05		88.00	
2016-09	Various Capital Improvements	06/28/2016		388,583.00				11,205.05	
2016-02	Purchase of Six Wheel Dump Truck	02/09/2016		170,000.00				361,316.50	
2015-15	Sidewalk Repairs and/or Replacement	08/09/2016		75,000.00				167,996.25	

"C-8"

TOWNSHIP OF HILLSBOROUGH
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>REF.</u>	
Balance, December 31, 2015	C	\$ 402,355.13
Increased by:		
2016 Budget Appropriation	C-2	<u>475,000.00</u>
		\$ <u>877,355.13</u>
Decreased by:		
Appropriation to Finance		
Improvement Authorizations	C-7	<u>633,583.00</u>
Balance, December 31, 2016	C	\$ <u><u>243,772.13</u></u>

"C-9"

SCHEDULE OF DEVELOPERS' CONTRIBUTION DEPOSITS

Balance, December 31, 2015	C	\$ 2,361,059.75
Increased by:		
Cash Receipts	C-2	<u>28,441.40</u>
		\$ <u>2,389,501.15</u>
Decreased by:		
Applied to Receivable	C-11	<u>13,888.88</u>
Balance, December 31, 2016	C:C-3	\$ <u><u>2,375,612.27</u></u>

Note: An analysis of Developers' Deposits is on file in the Finance Office.

TOWNSHIP OF HILLSBOROUGH

GENERAL CAPITAL FUND

SCHEDULE OF INTERFUNDS

	<u>REF.</u>	<u>TOTAL</u>	<u>CURRENT FUND</u>	<u>ASSESSMENT TRUST FUND</u>
Balance, December 31, 2015				
Due From	C	\$ <u>1,625,088.82</u>	\$ <u>1,022,916.81</u>	\$ <u>602,172.01</u>
 Treasurer-Disbursements	C-2	<u>13,664.45</u>	<u>13,664.45</u>	<u></u>
Treasurer-Receipts	C-2	<u>3,664.45</u>	<u>3,664.45</u>	<u></u>
Balance, December 31, 2016				
Due From	C	\$ <u><u>1,635,088.82</u></u>	\$ <u><u>1,032,916.81</u></u>	\$ <u><u>602,172.01</u></u>

TOWNSHIP OF HILLSBOROUGH
GENERAL CAPITAL FUND
SCHEDULE OF ACCOUNTS RECEIVABLE

	<u>REF.</u>	
Balance, December 31, 2015	C	\$ 514,321.88
Decreased by:		
Applied from Developer's Contributions	C-9	<u>13,888.88</u>
Balance, December 31, 2016	C	<u><u>\$ 500,433.00</u></u>

TOWNSHIP OF HILLSBOROUGH

GENERAL CAPITAL FUND

SCHEDULE OF GENERAL SERIAL BONDS

<u>PURPOSE</u>	<u>DATE OF ISSUE</u>	<u>ORIGINAL ISSUE</u>	<u>MATURITIES OF BONDS OUTSTANDING</u>		<u>INTEREST RATE</u>	<u>BALANCE DECEMBER 31, 2015</u>	<u>DECREASED</u>	<u>BALANCE DECEMBER 31, 2016</u>
			<u>DATE</u>	<u>AMOUNT</u>				
Refunding Bonds (Open Space)	11/27/12	\$ 5,683,000.00	8/01/17	\$ 630,000.00	3.00	\$	\$	
			8/01/18	640,000.00	3.00			
			8/01/19	643,000.00	3.00			
			8/01/20	650,000.00	4.00			
			8/01/21	620,000.00	4.00	3,808,000.00	625,000.00	3,183,000.00
Refunding Bonds (General Improvements)	11/27/12	616,000.00	8/01/17	90,000.00	3.00			
			8/01/18	90,000.00	3.00			
			8/01/19	91,000.00	3.00			
						356,000.00	85,000.00	271,000.00
						<u>\$ 4,164,000.00</u>	<u>\$ 710,000.00</u>	<u>\$ 3,454,000.00</u>
			<u>REF.</u>			C	C-4	C

TOWNSHIP OF HILLSBOROUGH

GENERAL CAPITAL FUND

SCHEDULE OF BOND ANTICIPATION NOTES

<u>ORDINANCE</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>DATE OF ISSUE OF ORIGINAL NOTE</u>	<u>DATE OF ISSUE</u>	<u>DATE OF MATURITY</u>	<u>INTEREST RATE</u>	<u>BALANCE DECEMBER 31, 2015</u>	<u>INCREASED</u>	<u>DECREASED</u>	<u>BALANCE DECEMBER 31, 2016</u>
2011-13	Various Improvements	12/09/11	12/10/15 12/08/16	12/09/16 12/08/17	0.780% 1.250%	\$ 1,581,272.00	\$ 1,316,272.00	\$ 1,581,272.00	\$ 1,316,272.00
2013-16	Various Improvements	12/12/13	12/10/15 12/08/16	12/09/16 12/08/17	0.780% 1.250%	595,877.00	510,877.00	595,877.00	510,877.00
2014-10	Various Improvements	12/08/16	12/08/16	12/08/17	1.250%		1,425,000.00		1,425,000.00
						<u>\$ 2,177,149.00</u>	<u>\$ 3,252,149.00</u>	<u>\$ 2,177,149.00</u>	<u>\$ 3,252,149.00</u>
					<u>REF.</u>	C	C-2		C-C-5
	Notes Paid by Budget Disbursements				C-2			\$ 350,000.00 1,827,149.00	
								<u>\$ 2,177,149.00</u>	

TOWNSHIP OF HILLSBOROUGH

GENERAL CAPITAL FUND

SCHEDULE OF VARIOUS RESERVES

<u>RESERVE</u>	BALANCE DECEMBER 31, 2015	CASH RECEIPTS	BALANCE DECEMBER 31, 2016
Waterline Meter	\$ 6,405.00	\$	\$ 6,405.00
Budget Appropriations:			
Upgrade Emergency Vehicle			
Shelter	14,000.00		14,000.00
Emergency Generator	10,000.00		10,000.00
Capital Contracts	38,500.00		38,500.00
Debt Service - SCIA Proceeds	19,762.41		19,762.41
Debt Service - N.J.E.I.T. Proceeds		10,327.00	10,327.00
	<u>\$ 88,667.41</u>	<u>\$ 10,327.00</u>	<u>\$ 98,994.41</u>
<u>REF.</u>	C	C-16	C

TOWNSHIP OF HILLSBOROUGH

GENERAL CAPITAL FUND

SCHEDULE OF N.J.E.I.T. LOANS RECEIVABLE

	<u>REF.</u>		
Increased by:			
Loans Issued	C-12	\$ 1,130,983.00	
Premium on Issuance	C-15	<u>10,327.00</u>	
			\$ 1,141,310.00
Decreased by:			
Cash Receipts	C-2		<u>839,149.00</u>
Balance, December 31, 2016	C		\$ <u><u>302,161.00</u></u>

TOWNSHIP OF HILLSBOROUGH

GENERAL CAPITAL FUND

SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>ORDINANCE NUMBER</u>	<u>IMPROVEMENT DESCRIPTION</u>	<u>BALANCE DECEMBER 31, 2016</u>
1996-10	Various Capital Improvements	\$ 78,704.00
1998-30	Various Capital Improvements	224,505.96
1999-01	Improvements to Municipal Complex	65,151.39
2002-05/2004-49	Expansion of Library Facilities	118,375.98
2007-08	Riverview Sewer Project	8,000.00
2007-20	Mountainview Sewer Project	297,000.00
2008-49	Acquisition of Land	2,050,000.00
2009-13	Installation of Sanitary Sewer System	1,483,234.10
2009-15	Various Road Improvements	639,829.90
2014-14	Sanitary Sewer	<u>436,517.00</u>
		<u>\$ 5,401,318.33</u>

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TOWNSHIP OF HILLSBOROUGH

PART II

REPORTS ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE

NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE



SUPLEE, CLOONEY & COMPANY

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E-mail info@scnco.com

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

The Honorable Mayor and Members
of the Township Committee
Township of Hillsborough
County of Somerset
Hillsborough, New Jersey 08844

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory financial statements of the various individual funds and the account group of the Township of Hillsborough, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Township's regulatory financial statements, and have issued our report thereon dated June 26, 2017. Our report disclosed that, as described in Note 1 to the financial statements, the Township of Hillsborough prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

SUPLEE, CLOONEY & COMPANY

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. However, we noted other internal control matters which are discussed in Part III, General Comments and Recommendations Section of this report.

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township of Hillsborough's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Hillsborough's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


CERTIFIED PUBLIC ACCOUNTANTS


REGISTERED MUNICIPAL ACCOUNTANT NO. 439

June 26, 2017

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2016

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TOWNSHIP OF HILLSBOROUGH

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2016

STATE GRANTOR/PROGRAM TITLE	STATE ACCOUNT NUMBER	FROM	TO	GRANT AWARD AMOUNT	RECEIVED	EXPENDITURES	CUMULATIVE EXPENDITURES DECEMBER 31, 2016
<u>DEPARTMENT OF LAW AND PUBLIC SAFETY:</u>							
Safe and Secure Communities	2016-066-1020-100-232	1/1/16	12/31/16	60,000.00	\$ 60,000.00	\$ 60,000.00	60,000.00
Safe and Secure Communities	2015-066-1020-100-232	1/1/15	12/31/15	60,000.00	40,000.00		60,000.00
Safe and Secure Communities	1020-100-066-1020-232-YC-JF-6120	1/1/09	12/31/09	58,663.00			43,491.16
Body Armor Replacement Fund	2016-066-1020-718-001	1/1/16	12/31/16	4,670.33	4,670.33		
Body Armor Replacement Fund	2015-066-1020-718-001	1/1/15	12/31/15	4,962.29			
Body Armor Replacement Fund	2014-066-1020-718-001	1/1/14	12/31/14	4,801.92		2,982.56	2,982.56
Body Armor Replacement Fund	1020-710-066-1020-001-YC-JF-6120	1/1/13	12/31/13	6,322.42	6,322.42	1,442.44	6,322.42
Drunk Driving Enforcement Fund	6400-100-078-6400-YYY	Unappropriated		6,858.82	6,858.82		
Drunk Driving Enforcement Fund	6400-100-078-6400-YYY	1/1/15	12/31/15	4,429.62	2,843.30		4,429.62
Drunk Driving Enforcement Fund	6400-100-078-6400-YYY	1/1/15	12/31/15	17,353.22	312.66		312.66
Comprehensive Traffic Safety		1/1/11	12/31/11	7,547.00	111,529.15	67,580.96	7,547.00
							185,085.42
<u>DEPARTMENT OF COMMUNITY AFFAIRS</u>							
Smart Future Planning Grant - Livable Buildable	2006-9900-3687-00	1/1/06	7/1/08	50,000.00			4,385.37
Sustainable Hillsborough	N/A	1/1/13	12/31/13	10,250.00			10,245.55
Sustainable Hillsborough		1/1/10	12/31/11	40,000.00			35,901.02
Recreational Opportunities for Individuals with Disabilities	2007-05157-1569-00	1/1/07	12/31/07	19,603.00			12,741.95
Recreational Opportunities for Individuals with Disabilities	2009-05157-1569-00	1/1/09	12/31/09	20,000.00			
Recreational Opportunities for Individuals with Disabilities				16,000.00			
							63,273.89
<u>DEPARTMENT OF ENVIRONMENTAL PROTECTION:</u>							
Clean Communities Program	4900-765-042-4900-004-V42Y-6020	1/1/15	12/31/15	93,409.86		56,050.05	93,409.86
Clean Communities Program	4900-765-042-4900-004-V42Y-6020	1/1/16	12/31/16	106,817.64	106,817.64	56,087.68	56,087.68
Recycling Tonnage Grant	4900-752-042-4900-001-V42Y-6020	Continuous		96,347.55		52,627.74	96,347.55
Recycling Tonnage Grant	4900-752-042-4900-001-V42Y-6020	Continuous		4,257.00	4,256.72	1,010.16	1,010.16
Green Communities	4870-100-042-4GDE-038-V42Y-6120	1/1/02	12/31/02	2,000.00			1,500.00
Green Communities - Forestry Management Plan	PF 06-416	1/1/09	12/31/13	3,000.00	111,074.36	165,775.63	248,355.25

TOWNSHIP OF HILLSBOROUGH

NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

YEAR ENDED DECEMBER 31, 2016

NOTE 1. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all federal and state financial awards of the Township of Hillsborough, County of Somerset, New Jersey. All federal and state financial awards received directly from federal or state agencies, as well as federal financial awards passed through other government agencies is included on the Schedules of Expenditures of Federal Awards and State Financial Assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards and state financial assistance are presented on the prescribed basis of accounting, modified accrual basis with certain exceptions, prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with the budget laws of New Jersey, which is a comprehensive basis of accounting, other than generally accepted accounting principles. The basis of accounting, with exception, is described in Note 1 to the Township's financial statements – regulatory basis.

NOTE 3. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

NOTE 4. RELATIONSHIP TO FINANCIAL STATEMENTS - REGULATORY BASIS

Amounts reported in the accompanying schedules agree with amounts reported in the Township's regulatory basis financial statements. These amounts are reported in either the Current Fund, Grant Fund, General Capital Fund or Trust Other Fund. Reconciliations of revenues and expenses are presented on the following page.

NOTE 4. RELATIONSHIP TO FINANCIAL STATEMENTS-REGULATORY BASIS (CONTINUED)

Revenues:

	<u>Federal</u>	<u>State</u>	<u>Other</u>	<u>Total</u>
Grant Fund	\$ <u>56,236.45</u>	\$ <u>222,603.51</u>	\$ <u>68,384.11</u>	\$ <u>347,224.07</u>
	\$ <u>56,236.45</u>	\$ <u>222,603.51</u>	\$ <u>68,384.11</u>	\$ <u>347,224.07</u>

Expenditures:

	<u>Federal</u>	<u>State</u>	<u>Other</u>	<u>Total</u>
Grant Fund	\$ <u>217,466.00</u>	\$ <u>239,740.24</u>	\$ <u>134,808.94</u>	\$ <u>592,015.18</u>
	\$ <u>217,466.00</u>	\$ <u>239,740.24</u>	\$ <u>134,808.94</u>	\$ <u>592,015.18</u>

NOTE 5. OTHER

Matching contributions expended by the Township in accordance with terms of the various grants are not reported in the accompanying schedule.

PART III
TOWNSHIP OF HILLSBOROUGH
STATISTICAL DATA
LIST OF OFFICIALS
COMMENTS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2016

COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE - CURRENT FUND

	YEAR 2016		YEAR 2015	
	AMOUNT	%	AMOUNT	%
<u>REVENUE AND OTHER INCOME REALIZED</u>				
Fund Balance Utilized	\$ 1,900,000.00	1.28%	\$ 2,000,000.00	1.39%
Miscellaneous - From Other Than				
Local Property Tax Levies	8,954,000.22	6.05%	9,767,743.79	6.79%
Collection of Delinquent Taxes				
and Tax Title Liens	818,159.34	0.55%	730,720.70	0.51%
Collections of Current Tax Levy	136,282,686.48	92.11%	131,459,149.23	91.32%
<u>Total Revenue</u>	<u>\$ 147,954,846.04</u>	<u>100.00%</u>	<u>\$ 143,957,613.72</u>	<u>100.00%</u>
<u>EXPENDITURES</u>				
Budget Expenditures:				
Municipal Purposes	\$ 27,877,811.18	19.10%	\$ 27,480,837.34	19.35%
County Taxes	23,339,532.53	15.99%	22,593,140.10	15.91%
Local School Taxes	90,119,521.00	61.74%	87,276,267.00	61.44%
Fire District Tax	2,352,672.00	1.61%	1,997,691.00	1.41%
Township Open Space	1,590,740.71	1.09%	1,553,970.44	1.09%
Other Expenditures	694,974.74	0.48%	1,146,317.94	0.81%
<u>Total Expenditures</u>	<u>\$ 145,975,252.16</u>	<u>100.00%</u>	<u>\$ 142,048,223.82</u>	<u>100.00%</u>
Excess in Revenue	\$ 1,979,593.88		\$ 1,909,389.90	
Fund Balance - January 1	2,387,243.17		2,477,853.27	
	<u>\$ 4,366,837.05</u>		<u>\$ 4,387,243.17</u>	
Less: Utilization as Anticipated Revenue	1,900,000.00		2,000,000.00	
Fund Balance, December 31	<u>\$ 2,466,837.05</u>		<u>\$ 2,387,243.17</u>	

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Tax Rate	<u>\$2.414</u>	<u>\$2.384</u>	<u>\$2.334</u>
Apportionments of Tax Rate:			
Municipal	\$0.330	\$0.330	\$0.327
Municipal Open Space	0.028	0.028	0.028
County	0.331	0.328	0.330
County Library	0.049	0.049	0.048
County Open Space	0.032	0.031	0.032
Local School	1.602	1.581	1.536
Fire District	<u>0.042</u>	<u>0.037</u>	<u>0.033</u>

ASSESSED VALUATIONS

2016	<u>\$5,623,405,105.00</u>	
2015	<u>\$5,517,265,624.00</u>	
2014		<u>\$5,460,241,157.00</u>

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

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

<u>YEAR</u>	<u>TAX LEVY</u>	<u>CURRENTLY</u>	
		<u>CASH COLLECTIONS</u>	<u>PERCENTAGE OF COLLECTION</u>
2016	\$137,153,613.01	\$136,282,686.48	99.36%
2015	\$132,312,356.54	\$131,459,149.23	99.35%
2014	\$128,583,712.76	\$127,627,747.05	99.25%

DELINQUENT TAXES AND TAX TITLE LIENS

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

<u>YEAR</u>	<u>AMOUNT OF TAX TITLE LIENS</u>	<u>AMOUNT OF DELINQUENT TAXES</u>	<u>TOTAL DELINQUENT</u>	<u>PERCENTAGE OF TAX LEVY</u>
2016	\$212,820.03	\$862,566.93	\$1,075,386.96	0.78%
2015	\$191,231.62	\$839,479.19	\$1,030,710.81	0.78%
2014	\$169,096.93	\$752,717.19	\$921,814.12	0.72%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

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

<u>YEAR</u>	<u>AMOUNT</u>
2016	\$1,642,200.00
2015	\$1,642,200.00
2014	\$1,642,200.00

COMPARATIVE SCHEDULE OF FUND BALANCES

	<u>YEAR</u>	<u>BALANCE DECEMBER 31</u>	<u>UTILIZED IN BUGET OF SUCCEEDING YEAR</u>
	2016	\$2,466,837.05	\$2,000,000.00
	2015	\$2,387,243.17	\$1,900,000.00
CURRENT FUND	2014	\$2,477,853.27	\$2,000,000.00
	2013	\$2,472,653.92	\$2,000,000.00
	2012	\$2,530,564.37	\$1,962,868.00

OFFICIALS IN OFFICE AND SURETY BONDS

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

<u>NAME</u>	<u>TITLE</u>	<u>AMOUNT OF BOND</u>	<u>SURETY COMPANY</u>
Frank DelCore	Mayor	*	
Carl Suraci	Deputy Mayor	*	
Greg Burchette	Committeeperson	*	
Gloria McCauley	Committeeperson	*	
Douglas Tomson	Committeeperson	*	
Anthony Ferrera	Administrator, Deputy Clerk	*	
Nancy Costa	Tax Collector, Chief Financial Officer, Treasurer	\$ 1,000,000.00	M.E.L.J.I.F.
April Crossen	Deputy Treasurer	*	
Debra L. Blaney	Tax Assessor	*	
Pamela Borek	Municipal Clerk	*	

OFFICIALS IN OFFICE AND SURETY BONDS (CONTINUED)

<u>NAME</u>	<u>TITLE</u>	<u>AMOUNT OF BOND</u>	<u>SURETY COMPANY</u>
William Willard	Attorney	*	
John Richardson	Magistrate	*	
Susan Keeth	Court Administrator	*	
Nancy Horvath	Deputy Court Administrator	*	
Dr. Glen Belnay	Health Officer	*	
Darren Powell	Chief of Police	*	
Richard Resavy	Director of Public Works	*	
John Fiedler	Construction Code Official	*	
Peter Palmeri	Electrical Sub-Code Official	*	
Edward Allatt	Fire Sub-Code Official	*	
Rich Perlman	Building Sub-Code Official	*	
Robert Wagner	Director of Parks and Recreation	*	

*Blanket Position Bond \$1,000,000.00 Municipal Excess Liability Joint Insurance Fund.

All of the bonds were examined and were properly executed.

GENERAL COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS

CONTRACTS AND AGREEMENTS REQUIRED TO BE ADVERTISED FOR (N.J.S.A. 40A:11-4)

Every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds, not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefor, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the amount set forth in or the amount calculated by the Governor pursuant to Section 3 of P.L. 1971 c.198 (C.40A:11-3), except by contract or agreement.

Effective July 1, 2015, the bid threshold in accordance with N.J.S.A. 40A:11-4 is \$17,500.00. In accordance with N.J.S.A. 40A:11-3 and authorized by a resolution dated January 25, 2011 of the governing body, the bid threshold for all purchases made by the Township's qualified purchasing agent is \$36,000.00.

The governing body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed \$36,000.00 within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Solicitor's opinion should be sought before a commitment is made.

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

- 2016 Sidewalk and Curbing Replacement
- 2016 Road Maintenance Materials
- Installation of New Skate Park Ramp – AVM Park
- Resurfacing of Triangle Road
- Photocopy Machine Contract
- Purchase of Used Bucket Truck

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violations existed. Our audit of expenditures did not reveal any individual payments, contracts or agreements in excess of \$36,000.00 "for the performance of any work or the furnishing or hiring of any materials or supplies" other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S.A. 40A:11-6.

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

COLLECTION OF INTEREST ON DELINQUENT TAXES AND ASSESSMENTS

The statute provides the method for authorizing interest and the maximum rates to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent.

The governing body on January 5, 2016 adopted the following resolution authorizing interest to be charged on delinquent taxes:

"WHEREAS, N.J. Revised Statutes 54:4-67 implies that affirmative action is required on the part of the governing body in fixing the rate of interest on delinquent taxes:

"THEREFORE, BE IT RESOLVED, by the Township Committee of the Township of Hillsborough that the interest rate on delinquent taxes shall be 8% per annum of the first \$1,500.00 and 18% per annum on any amount in excess of \$1,500.00 for the year 2015 and no interest shall be charged if payment of any installment is made within the 10th calendar day following the day upon which same became payable.

BE IT FURTHER RESOLVED, in accordance with N.J.S.A.54:4-67 the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000.00 who fails to pay that delinquency prior to the end of the calendar year and that such penalty shall not exceed 6% of the amount of the delinquency.

BE IT FURTHER RESOLVED, that in any case where the taxes are not paid during the respective extended periods, the full interest rate from the due date shall apply."

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

DELINQUENT TAXES AND TAX TITLE LIENS

The last tax sale was held on April 18, 2016 and was complete.

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

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

<u>YEAR</u>	<u>NUMBER OF LIENS</u>
2016	31
2015	31
2014	26

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a taxpaying basis.

CONFIRMATION OF DELINQUENT TAXES AND OTHER CHARGES

A confirmation of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services, including the mailing of verification notices as follows:

<u>TYPE</u>	<u>NUMBER MAILED</u>
Tax Payment Information	10
Delinquent Taxes	10

OTHER COMMENTS

Interfunds

Reference to the various balance sheets show interfund balances remaining at year end. Transactions invariably occur in one fund which requires a corresponding entry to be made in another fund, thus creating interfund balances. As a general rule all interfund balances should be closed out as of the end of year.

It is the Township's policy to review and liquidate all interfund balances on a periodic basis.

Treasurer

There are many outstanding receivable and reserve balances that should be reviewed for liquidation or cancellation.

Expenditures were charged to Grants which were never appropriated in the 2016 Budget.

RECOMMENDATIONS

- *That outstanding receivable and reserve balances be investigated for cancellation.
- *That all grants be appropriated in the Budget prior to the commitment or expenditures of funds.

*Prior Year Recommendations

