

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

East Hanover Township, New Jersey

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

of the

East Hanover Township Board of Education

East Hanover Township, New Jersey

For The Fiscal Year Ended June 30, 2015

Prepared by

Business Office

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INTRODUCTORY SECTION

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

20 School Avenue
East Hanover, New Jersey 07936
(973)-887-2112
(973)887-2773 FAX

Deborah Muscara
Business Administrator/Board Secretary

Dr. Scott Rubin
Superintendent of Schools

December 4, 2015

The Honorable President and Members of the Board of Education
East Hanover Township School District
County of Morris, New Jersey

Dear President Sullivan and Board of Education Members:

The comprehensive annual financial report of the East Hanover Township School District for the fiscal year ended June 30, 2015, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the East Hanover Township Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act, as amended, and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Nonprofit Organizations", and the State Treasury Circular Letter 15-08-OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid payments." Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1) **REPORTING ENTITY AND ITS SERVICES:**

The East Hanover Township School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) in codification section 2100. All funds of the District are included in this report. The East Hanover Township School District Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade Kindergarten through eighth grade for the students residing in East Hanover Township. These include regular as well as special services for children with special needs. The District’s average enrollment for the 2014-15 fiscal year was 997 students, which is a decrease of 24 students from the previous year’s average enrollment.

The following details the changes in the student enrollment of the District over the last ten years:

| <u>Fiscal Year</u> | <u>Average Daily Enrollment</u> | |
|--------------------|---------------------------------|-----------------------|
| | <u>Student Enrollment</u> | <u>Percent Change</u> |
| 2014-15 | 997 | -2.35% |
| 2013-14 | 1,021 | -3.35% |
| 2012-13 | 1,082 | -2.70% |
| 2011-12 | 1,112 | -0.54% |
| 2010-11 | 1,118 | -2.70% |
| 2009-10 | 1,149 | 0.05% |
| 2008-09 | 1,150 | 2.59% |
| 2007-08 | 1,121 | -3.94% |
| 2006-07 | 1,167 | 0.34% |
| 2005-06 | 1,163 | 2.74% |

2. ECONOMIC CONDITION AND OUTLOOK:

The residential growth of the Township of East Hanover has leveled off from prior years which keeps the student population fairly consistent.

3. MAJOR INTIATIVES:

The East Hanover Township School District (EHTSD) mission prepares young people to be positive, contributing members of society. Diversified curriculum incorporates the expectation that all students achieve or exceed the Common Core State Standards (CCSS) and the New Jersey Core Curriculum Content Standards (NJCCCS) at all grade levels. The educational environment fosters self-esteem, independent thinking, and respect for individual differences. Students are provided with the skills and experiences necessary to assist them in achieving their fullest potential as unique individuals and to meet the challenges of life.

In an ongoing effort to improve the academic achievements of EHTSD students, the District continues to use the results of diagnostic assessments to drive programmatic decisions. Administrators disaggregate data and work with school-based team leaders to develop building-level, grade-level, and classroom-level objectives related to student achievement outcomes.

The Honorable President and Members of the Board of Education
East Hanover Township School District
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December 4, 2015

The East Hanover Township School District continues to systematically review and update curricula and resources. In 2014-2015, K-5 ELA teachers revised and updated ELA curricula and purchased a new supporting textbook series and accompanying resources. Additionally, K-5 ELA teachers continue to engage in Writer's Workshop professional development opportunities in support of ELA instruction. The District also invested in a series of math professional development workshops (Conquer Math) in order to provide mathematics teachers a strong framework in which to deliver instruction. Furthermore, during the 2014-2015 school year, the District took steps to secure funding and support for a supervisor of curriculum and instruction position to begin in the 2016-2017 school year.

Consistent with the District's efforts to more closely align curriculum to the NJCCCS and CCSS, EHTSD continues to participate in inter-district articulation meetings and shared professional development activities with our regional counterparts, which includes Hanover Park High School, Florham Park and Hanover Township school districts.

The District aspires to make the teacher evaluation process more meaningful for non-tenured and teaching staff members in need of improvement. As such, the District applied for and subsequently received a teacher evaluation equivalency waiver from the NJ Department of Education. The waiver allows the administrative staff to focus more attention and support for those in need.

Our district's commitment to inclusion and differentiated instructional support services for all students necessitate the availability of additional support services for regular education and special education students.

The implementation and application of technology continues to be a district priority. EHTSD upgraded to a dark fiber network which provides enhanced security and a more efficient network. Furthermore, the District continues to focus on providing opportunities for students to practice PARCC style questions and use the PARCC platform as the District readies for annual administrations of the PARCC assessments.

East Hanover Township Public Schools continues its planning to expand the current half-day kindergarten program into a full day kindergarten program for the 2016-2017 school year. During the year, the District met with State representatives as well as districts who have already transitioned to a full-day kindergarten program in order to gain insight into the process, understand potential issues, and identify resources and solutions. The District has also conducted demography and facility use studies and created a committee to help identify staffing, facility, and budgetary needs.

4. INTERNAL ACCOUNTING CONTROLS:

Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the District also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the District management.

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

5. BUDGETARY CONTROLS:

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is ensuring compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and debt service fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as fund balance at June 30, 2015.

6. ACCOUNTING SYSTEM AND REPORTS:

The District's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Financial Statements," Note 1.

The Honorable President and Members of the Board of Education
East Hanover Township School District
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December 4, 2015

7. DEBT ADMINISTRATION:

As of June 30, 2015, the District's outstanding bonded debt totals \$4,390,000.

8. CASH MANAGEMENT:

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements." The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

9. RISK MANAGEMENT:

The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

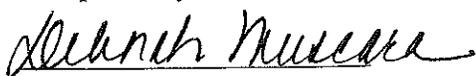
10. OTHER INFORMATION:

Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Lerch, Vinci & Higgins, LLP was selected by the Board's finance committee. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act as amended, and the related Federal OMB Circular A-133 and State Treasury Circular Letter 15-08-OMB. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

11. ACKNOWLEDGEMENTS:

We would like to express our appreciation to the members of the East Hanover Township School District for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of the financial and accounting staff.

Respectfully submitted



Deborah Muscara
School Business Administrator/Board Secretary

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
EAST HANOVER, NEW JERSEY**

ROSTER OF OFFICIALS

JUNE 30, 2015

| <u>Members of the Board of Education</u> | <u>Term Expires</u> |
|---|----------------------------|
| Sean Sullivan, President | 2016 |
| Catherine Pfund-Olsen, Vice President | 2017 |
| Anthony Barisciano | 2017 |
| Kenneth Hadley, Jr. | 2016 |
| Stephanie A. Mitchell | 2018 |
| Joseph Troise | 2017 |
| Vincent Ucci, Jr. | 2018 |

Other Officials

Dr. Scott Rubin, Superintendent

Deborah Muscara, Business Administrator/ Board Secretary

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

CONSULTANTS AND ADVISORS

Architect

Parette Somjen Architects
439 Route 46 East
Rockaway, New Jersey 07866

Attorney

Schwartz Simon Edelstein Celso & Kessler
100 South Jefferson Road
Suite 200
Whippany, New Jersey 07981

Audit Firm

Lerch, Vinci & Higgins, LLP
17-17 Route 208 North
Fair Lawn, New Jersey 07410

Bond Counsel

McMannimon, Scotland & Baumann, LLC
75 Livingston Avenue
Roseland, NJ 07068

Official Depository

TD Bank
50 River Road
East Hanover, New Jersey 07936

FINANCIAL SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA

DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLOSI, CPA
KATHLEEN WANG, CPA
ROBERT AMPONSAH, CPA

ELIZABETH A. SHICK, CPA, RMA, PSA
ANDREW PARENTE, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
East Hanover Township Board of Education
East Hanover, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Hanover Township Board of Education as of and for the fiscal year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Hanover Township Board of Education as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, in the fiscal year ended June 30, 2015, the East Hanover Township Board of Education adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Hanover Township Board of Education's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, financial schedules, statistical section, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the East Hanover Township Board of Education.

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

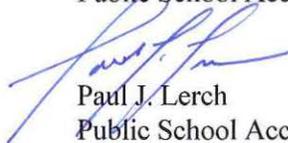
The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated December 4, 2015 on our consideration of the East Hanover Township Board of Education’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 East Hanover Township Board of Education’s internal control over financial reporting and compliance.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants



Paul J. Lerch
Public School Accountant
PSA Number CS01118

Fair Lawn, New Jersey
December 4, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Management's Discussion and Analysis Year Ended June 30, 2015

This section of East Hanover Township Board of Education's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2015. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2015 are as follows:

- District-Wide - Overall revenues were \$23,822,505. General revenues accounted for \$17,861,317 or 75 percent of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,961,188 or 25 percent of total revenues of \$23,822,505.
- District-Wide - The School District had \$23,951,622 in expenses; only \$5,961,188 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$17,861,317 were adequate to provide for these programs.
- Fund Financials – As of the close of the current fiscal year, the East Hanover Township Board of Education's governmental funds reported combined ending fund balances of \$2,622,366, a decrease of \$282,404 in comparison with the prior year.
- Fund Financials - At the end of June 30, 2015, unassigned fund balance (budgetary basis) for the General Fund was \$463,875 a decrease of \$165,027.

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

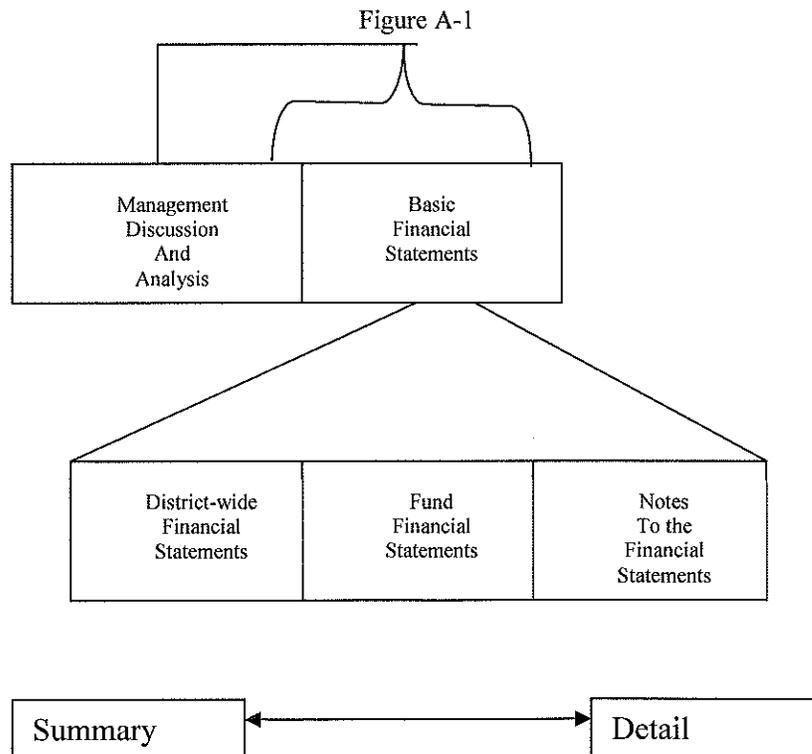
Management's Discussion and Analysis
Year Ended June 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual* parts of the District, reporting the District's operations in *more detail* than the district-wide statements.
- The *governmental funds statements* tell how basic services were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short-term* and *long-term* financial information about the activities the district operated like *businesses*.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this Annual Report are arranged and related to one another.



EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Management's Discussion and Analysis
Year Ended June 30, 2015

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

| | District-Wide Statements | Fund | Financial | Statements |
|---|---|--|---|---|
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire district(except fiduciary funds) | The activities of the district that are not proprietary or fiduciary, such as instruction, building maintenance, transportation, and administration. | Activities the district operates similar to private businesses: Enterprise Funds | Instances in which the district administers resources on behalf of someone else, such as payroll deduction. |
| Required financial Statements | Statements of net position Statement of activities | Balance Sheet Statement of Revenue, expenditures and changes in fund balances | Statement of Net Position Statement of revenue, expenses, and changes in fund net position, Statement of cash flows | Statements of Fiduciary net position. |
| Accounting Basis and Measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources Focus |
| Type of asset, deferred outflows/inflows of Resources and liability information | All assets, deferred outflows of resources, deferred inflows of resources and liabilities, both financial and capital, short-term and long-term | Generally assets and liabilities that come due from the year or soon thereafter; no capital assets or long-term liabilities included. | All assets, deferred inflows/ outflows of resources and liabilities, both financial and capital, and short-term and long-term | All assets and liabilities, both short-term and long funds do not currently contain capital assets, although they can |
| Type of inflow/outflow Information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable. | All revenues and expenses during the year, regardless of when cash is received or paid. | All additions and dedications during the year, regardless of when cash is received or paid. |

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Management's Discussion and Analysis Year Ended June 30, 2015

District-wide Statements

District-wide. The *District-wide financial statements* are designed to provide readers with a broad overview of the East Hanover Township Board of Education's finances, in a manner similar to a private-sector business.

District-wide Statements (Continued)

The *statement of net position* presents information on all of the East Hanover Township Board of Education's assets, deferred outflows/inflows of resources and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. However, when assessing the overall health of the District, one must consider additional non-financial factors, such as changes in the District's property tax base and the condition of the school buildings and other facilities.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*.

In the district-wide financial statements the District's activities are shown in two categories:

- *Governmental activities*- Most of the District's basic services are included here, such as regular and special education, transportation, maintenance and administration services. Property taxes and state aids finance most of these activities.
- *Business-type activities*- The District charges fees to customers to help it cover the costs of the District's Milk and After School Child Care Programs.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds – focusing on its most significant or “major” funds – not the district as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District uses other funds, established in accordance with the State of New Jersey Uniform Chart of Accounts, to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal funds).

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Management's Discussion and Analysis Year Ended June 30, 2015

Fund Financial Statements (Continued)

The District has three kinds of funds:

Governmental Funds. The District's basic services are included in the governmental funds, which generally focus on near-term inflows and outflows of spendable resources and the balances of spendable resources at year-end. Consequently, the governmental fund statements provide a detailed short-term view that help to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide a reconciliation at the bottom of the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances to facilitate this comparison between governmental funds and governmental activities.

The District adopts an annual appropriated budget for the General Fund, Special Revenue Fund and Debt Service Fund. A budgetary comparison statement has been provided for the General Fund, Special Revenue Fund and Debt Service Fund.

Proprietary Funds. The District maintains one type of Proprietary Fund, Enterprise Funds, which is used to report the activities of the Milk and After School Child Care Programs. Proprietary Funds provide the same type of information as the district-wide financial statements and is presented as business-type activities in the district-wide financial statements.

Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the government, such as the Payroll Agency Fund, Unemployment Trust Fund and the Student Activity Funds. Fiduciary Funds are *not* reflected in the district-wide financial statement because the resources of those funds are not available to support the District's own programs. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements.

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Management's Discussion and Analysis
Year Ended June 30, 2015

DISTRICT-WIDE FINANCIAL ANALYSIS OF THE EAST HANOVER BOARD OF EDUCATION AS A WHOLE

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Table A-1 provides a summary of the school district's net position for fiscal years 2015 and 2014 which for 2015 and 2014 were \$5,384,249 and \$5,513,366, respectively (see Table A-1).

By far the largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide regular and special education, transportation, maintenance and administration services.

Table A-1
Statement of Net Position
as of June 30, 2015 and 2014

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|--|--------------------------------|---------------------------|---------------------------------|-------------------|---------------------|---------------------------|
| | <u>2015</u> | <u>2014</u> (Restated) | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> (Restated) |
| Current and Other Assets | \$ 2,777,307 | \$ 3,140,761 | \$ 584,155 | \$ 503,939 | \$ 3,361,462 | \$ 3,644,700 |
| Capital Assets | 11,598,291 | 11,930,378 | 11,062 | 11,717 | 11,609,353 | 11,942,095 |
| Total Assets | <u>14,375,598</u> | <u>15,071,139</u> | <u>595,217</u> | <u>515,656</u> | <u>14,970,815</u> | <u>15,586,795</u> |
| Deferred Amounts on Net Pension Liability | 217,233 | | | | 217,233 | |
| Deferred Amounts on Refunding of Debt | 40,322 | 55,740 | - | - | 40,322 | 55,740 |
| Total Deferred Outflows of Resources | <u>257,555</u> | <u>55,740</u> | <u>-</u> | <u>-</u> | <u>257,555</u> | <u>55,740</u> |
| Total Assets and Deferred Outflows of Resources | <u>14,633,153</u> | <u>15,126,879</u> | <u>595,217</u> | <u>515,656</u> | <u>15,228,370</u> | <u>15,642,535</u> |
| Current Liabilities | 208,855 | 291,799 | 295,503 | 251,368 | 504,358 | 543,167 |
| Noncurrent Liabilities | 9,079,080 | 9,586,002 | - | - | 9,079,080 | 9,586,002 |
| Total Liabilities | <u>9,287,935</u> | <u>9,877,801</u> | <u>295,503</u> | <u>251,368</u> | <u>9,583,438</u> | <u>10,129,169</u> |
| Deferred Amounts of Net Pension Liability | 260,683 | - | - | - | 260,683 | - |
| Total Liabilities and Deferred Inflows of Resources | <u>9,548,618</u> | <u>9,877,801</u> | <u>295,503</u> | <u>251,368</u> | <u>9,844,121</u> | <u>10,129,169</u> |
| Net Position | | | | | | |
| Net Investment in Capital Assets | 7,241,344 | 7,191,639 | 11,062 | 11,717 | 7,252,406 | 7,203,356 |
| Restricted | 1,891,884 | 1,385,630 | | | 1,891,884 | 1,385,630 |
| Unrestricted | (4,048,693) | (3,328,191) | 288,652 | 252,571 | (3,760,041) | (3,075,620) |
| Total Net Position | <u>\$ 5,084,535</u> | <u>\$ 5,249,078</u> | <u>\$ 299,714</u> | <u>\$ 264,288</u> | <u>\$ 5,384,249</u> | <u>\$ 5,513,366</u> |

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Management's Discussion and Analysis
Year Ended June 30, 2015

Governmental activities. Governmental activities decreased the District's net position by \$164,543. Key elements of this increase are as follows: (see Table A-2).

Table A-2
Change in Net Position
For The Fiscal Years Ended June 30, 2015 and 2014

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|---|--------------------------------|---------------------|---------------------------------|-------------------|---------------------|---------------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$ 85,255 | \$ 104,344 | \$ 717,009 | \$ 588,926 | \$ 802,264 | \$ 693,270 |
| Grants and Contributions | 5,158,924 | 2,873,833 | | | 5,158,924 | 2,873,833 |
| General Revenues | | | | | | |
| Property Taxes | 17,605,773 | 17,279,173 | | | 17,605,773 | 17,279,173 |
| Other | 255,544 | 118,445 | - | - | 255,544 | 118,445 |
| Total Revenues | <u>23,105,496</u> | <u>20,375,795</u> | <u>717,009</u> | <u>588,926</u> | <u>23,822,505</u> | <u>20,964,721</u> |
| Expenses | | | | | | |
| Instruction | | | | | | |
| Regular | 8,936,445 | 7,433,337 | | | 8,936,445 | 7,433,337 |
| Special Education | 4,235,965 | 3,695,472 | | | 4,235,965 | 3,695,472 |
| Other Instruction | 869,224 | 727,235 | | | 869,224 | 727,235 |
| School Sponsored Activities and Athletics | 334,569 | 162,914 | | | 334,569 | 162,914 |
| Support Services | | | | | - | |
| Student and Instruction Related Services | 2,576,734 | 1,684,988 | | | 2,576,734 | 1,684,988 |
| Health Services | 366,120 | 297,889 | | | 366,120 | 297,889 |
| Educational Media / School Library | 316,210 | 471,279 | | | 316,210 | 471,279 |
| General Administrative Services | 614,681 | 483,623 | | | 614,681 | 483,623 |
| School Administrative Services | 1,644,589 | 1,337,113 | | | 1,644,589 | 1,337,113 |
| Plant Operations and Maintenance | 1,696,158 | 1,744,199 | | | 1,696,158 | 1,744,199 |
| Pupil Transportation | 1,139,088 | 1,070,623 | | | 1,139,088 | 1,070,623 |
| Central Services | 422,750 | 348,388 | | | 422,750 | 348,388 |
| Interest and Other Charges | 171,960 | 181,256 | | | 171,960 | 181,256 |
| Food Services | | | 17,816 | 17,690 | 17,816 | 17,690 |
| After School Child Care | | | 609,313 | 489,527 | 609,313 | 489,527 |
| Loss on Disposal of Capital Assets | - | 3,540 | - | - | - | 3,540 |
| Total Expenses | <u>23,324,493</u> | <u>19,641,856</u> | <u>627,129</u> | <u>507,217</u> | <u>23,951,622</u> | <u>20,149,073</u> |
| Change in Net Position Before Transfers | (218,997) | 733,939 | 89,880 | 81,709 | (129,117) | 815,648 |
| Transfers | 54,454 | 476,950 | (54,454) | (476,950) | - | - |
| Net Position, Beginning of Year | 5,249,078 | 11,413,682 | 264,288 | 659,529 | 5,513,366 | 12,073,211 |
| Prior Period Adjustment | - | (7,375,493) | - | - | - | (7,375,493) |
| Net Position, End of Year | <u>\$ 5,084,535</u> | <u>\$ 5,249,078</u> | <u>\$ 299,714</u> | <u>\$ 264,288</u> | <u>\$ 5,384,249</u> | <u>\$ 5,513,366</u> |

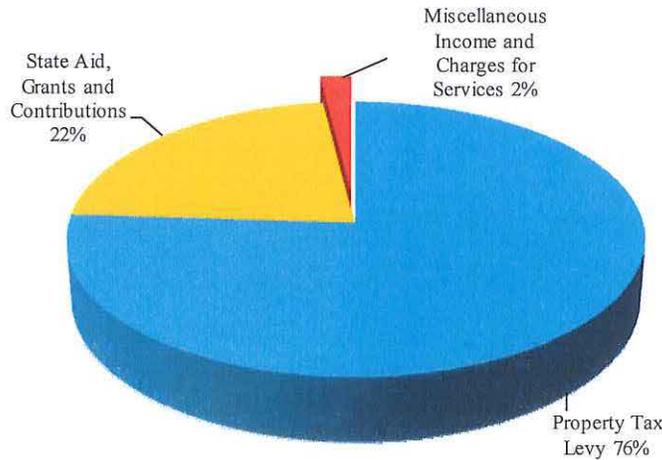
EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Management’s Discussion and Analysis
Year Ended June 30, 2015

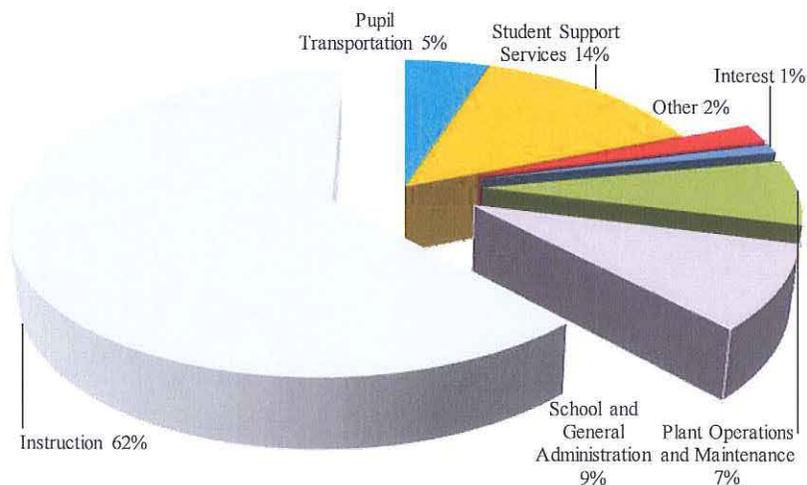
Governmental activities. The District’s total governmental revenues including transfers were \$23,159,950. The local share of the revenues that included property taxes, unrestricted state aid, miscellaneous revenue and transfers amounted to \$17,915,771 or 77% of total revenues. Funding from state and federal sources and contributions amounted to \$5,158,924 or 22% and charges for services were \$85,255. (see Table A-2)

The District’s total governmental expenses were \$23,324,493 which are predominantly related to instruction and support services. Instruction totaled \$8,776,330 (37%); support services totaled \$14,376,203 (62%). Interest and Other Charges totaled \$171,960 (1%).

Revenues by Sources – Governmental Activities
For Fiscal Year 2015



Expenses by Type – Governmental Activities
For Fiscal Year 2015



EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Management's Discussion and Analysis
Year Ended June 30, 2015

Table A-3
Total and Net Cost of Governmental Activities
For the Fiscal Years Ended June 30, 2015 and 2014

| <u>Functions/Programs</u> | <u>Total Cost of Services</u> | | <u>Net Cost of Services</u> | |
|---|-------------------------------|----------------------|-----------------------------|----------------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Governmental Activities | | | | |
| Instruction | | | | |
| Regular | \$ 8,936,445 | \$ 7,433,337 | \$ 6,980,970 | \$ 6,580,628 |
| Special Education | 4,235,965 | 3,695,472 | 2,388,113 | 2,236,633 |
| Other Instruction | 869,224 | 727,235 | 665,527 | 640,475 |
| School Sponsored Activities and Athletics | 334,569 | 162,914 | 286,925 | 146,766 |
| Support Services | | | | |
| Student and Instruction Related Services | 2,576,734 | 1,684,988 | 2,074,893 | 1,481,676 |
| Health Services | 366,120 | 297,889 | 289,412 | 266,543 |
| Educational Media / School Library | 316,210 | 471,279 | 251,492 | 431,835 |
| General Administrative Services | 614,681 | 483,623 | 533,298 | 450,707 |
| School Administrative Services | 1,644,589 | 1,337,113 | 1,286,782 | 1,191,751 |
| Plant Operations and Maintenance | 1,696,158 | 1,744,199 | 1,680,226 | 1,729,445 |
| Pupil Transportation | 1,139,088 | 1,070,623 | 1,047,966 | 974,036 |
| Central Services | 422,750 | 348,388 | 422,750 | 348,388 |
| Interest and Other Charges | 171,960 | 181,256 | 171,960 | 181,256 |
| Total | \$ 23,324,493 | \$ 19,638,316 | \$ 18,080,314 | \$ 16,660,139 |

Business-Type Activities – The District's total business-type activities revenues were \$717,009 for the fiscal year ended June 30, 2015. Charges for services accounted for 100% of total revenues.

Total cost of all business-type activities programs and services was \$627,129. The District's expenses are related to the milk and the after school child care program.

Total business-type activities revenues surpassed expenses, prior to transfers \$89,880 in comparison to the last year.

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Management's Discussion and Analysis
Year Ended June 30, 2015

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the District completed the year, its governmental funds reported a combined fund balance of \$2,622,366. At June 30, 2014, the fund balance was \$2,904,770.

The District's Funds

All governmental funds (i.e., general fund, special revenue fund, capital projects fund and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$21,092,593 and expenditures were \$21,429,451.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound fiscal management. The following schedule presents a summary of the governmental fund revenues for the fiscal years ended June 30, 2015 and 2014.

Governmental Funds Revenues

| | <u>Year Ended</u> <u>6/30/2015</u> | <u>Year Ended</u> <u>6/30/2014</u> | <u>Amount of</u> <u>Increase</u> <u>(Decrease)</u> | <u>Percent</u> <u>Change</u> |
|-----------------|---------------------------------------|---------------------------------------|--|---------------------------------|
| Local Sources: | | | | |
| Property Taxes | \$ 17,605,773 | \$ 17,279,173 | \$ 326,600 | 2% |
| Other | 468,114 | 229,935 | 238,179 | 104% |
| Federal Sources | 289,775 | 285,223 | 4,552 | 2% |
| State Sources | <u>2,728,931</u> | <u>2,581,464</u> | <u>147,467</u> | 6% |
| Total Revenues | <u>\$ 21,092,593</u> | <u>\$ 20,375,795</u> | <u>\$ 716,798</u> | 4% |

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Management's Discussion and Analysis
Year Ended June 30, 2015

The following schedule represents a summary of governmental Fund expenditures for the fiscal years ended June 30, 2015 and 2014.

Governmental Funds Expenditures

| | <u>Year Ended</u> <u>6/30/2015</u> | <u>Year Ended</u> <u>6/30/2014</u> | <u>Amount of</u> <u>Increase</u> <u>(Decrease)</u> | <u>Percent</u> <u>Change</u> |
|------------------------|---------------------------------------|---------------------------------------|--|---------------------------------|
| Instruction | \$ 12,180,795 | \$ 11,785,589 | \$ 395,206 | 3% |
| Support Services | 7,874,192 | 7,332,548 | 541,644 | 7% |
| Debt Service | 661,216 | 655,916 | 5,300 | 1% |
| Capital Outlay | <u>713,248</u> | <u>623,034</u> | <u>90,214</u> | 14% |
| Total Expenditures | <u>\$ 21,429,451</u> | <u>\$ 20,397,087</u> | <u>\$ 1,032,364</u> | 5% |

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. These budget amendments fall into two categories.

- Implementing budgets for specially funded projects, which include both federal and state grants, reinstating prior year purchase orders being carried over, and budgeting for clearing, resale, and gifts. In addition the budget was amended by appropriating additional surplus of which the District obtained County approval.
- Increases in appropriations for significant unbudgeted costs.

Capital Assets. At the end of the fiscal years 2015 and 2014, the school district had invested in land, land improvements, construction in progress, buildings, furniture, machinery and equipment as stated in Table A-4 as follows:

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Management's Discussion and Analysis
Year Ended June 30, 2015

Table A-4

| | <u>Governmental Activities</u> | |
|------------------------------------|------------------------------------|---------------------------|
| | <u>2015</u> | <u>2014</u> (Restated) |
| Land | \$ 139,675 | \$ 139,675 |
| Construction in Progress | 337,446 | 67,809 |
| Land Improvements | 226,796 | 87,141 |
| Building and Building Improvements | 18,800,875 | 18,552,750 |
| Machinery and Equipment | <u>1,340,822</u> | <u>1,284,991</u> |
| Total | 20,845,614 | 20,132,366 |
| Less: Accumulated Depreciation | <u>(9,247,323)</u> | <u>(8,201,988)</u> |
| Total | <u>\$ 11,598,291</u> | <u>\$ 11,930,378</u> |

Additional information on the District's capital assets can be found in Note 3 of this report.

Debt Administration. As of June 30, 2015 and 2014, the School District had outstanding long-term liabilities as stated in Table A-5 as follows:

Long-Term Liabilities

**Table A-5
Long-Term Debt
Outstanding Long-Term Liabilities**

| | <u>Governmental Activities</u> | |
|-------------------------------|--------------------------------|---------------------------|
| | <u>2015</u> | <u>2014</u> (Restated) |
| General Obligation Bonds, Net | \$ 4,397,269 | \$ 4,900,049 |
| Net Pension Liability | 4,374,279 | 4,370,892 |
| Compensated Absences Payable | <u>307,532</u> | <u>315,061</u> |
| Total | <u>\$ 9,079,080</u> | <u>\$ 9,586,002</u> |

Additional information on the District's outstanding liabilities can be found in Note 3 of this report.

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Management's Discussion and Analysis
Year Ended June 30, 2015

FACTORS BEARING ON THE DISTRICT'S FUTURE

While many factors influence the District's future, the availability of funding for special education needs and the economy will have the most impact on educational and fiscal decision making in the future.

Many factors were considered by the District's administration during the process of developing the fiscal year 2015-2016 budget. The primary factors were the District's projected student population, anticipated state and federal aid, as well, as increasing salaries and related benefit costs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information contact the Business Office, East Hanover Township Board of Education, 20 School Avenue, East Hanover, NJ 07936.

BASIC FINANCIAL STATEMENTS

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
STATEMENT OF NET POSITION
AS OF JUNE 30, 2015

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|---------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 2,719,152 | \$ 541,965 | \$ 3,261,117 |
| Receivables, net | | | |
| Receivables from Other Governments | 51,739 | | 51,739 |
| Other Receivables | 6,416 | 1,337 | 7,753 |
| Prepaid Items | | 40,853 | 40,853 |
| Capital Assets, net | | | |
| Not Being Depreciated | 477,121 | | 477,121 |
| Being Depreciated, Net | <u>11,121,170</u> | <u>11,062</u> | <u>11,132,232</u> |
| Total Assets | <u>14,375,598</u> | <u>595,217</u> | <u>14,970,815</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred Amounts on Net Pension Liability | 217,233 | | 217,233 |
| Deferred Amounts on Refunding of Debt | <u>40,322</u> | - | <u>40,322</u> |
| Total Deferred Outflows of Resources | <u>257,555</u> | - | <u>257,555</u> |
| Total Assets and Deferred Outflows of Resources | <u>14,633,153</u> | <u>595,217</u> | <u>15,228,370</u> |
| LIABILITIES | | | |
| Accounts Payable and Other Current Liabilities | 125,324 | - | 125,324 |
| Payable to Other Governments | 16,227 | | 16,227 |
| Accrued Interest Payable | 53,914 | | 53,914 |
| Unearned Revenue | 13,390 | 295,503 | 308,893 |
| Noncurrent Liabilities | | | |
| Due within one year | 796,162 | | 796,162 |
| Due beyond one year | <u>8,282,918</u> | - | <u>8,282,918</u> |
| Total Liabilities | <u>9,287,935</u> | <u>295,503</u> | <u>9,583,438</u> |
| Deferred Inflows of Resources | | | |
| Deferred Amounts on Net Pension Liability | <u>260,683</u> | - | <u>260,683</u> |
| Total Liabilities and Deferred Inflows of Resources | <u>9,548,618</u> | <u>295,503</u> | <u>9,844,121</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets | 7,241,344 | 11,062 | 7,252,406 |
| Restricted for | | | |
| Capital Projects | 1,518,883 | | 1,518,883 |
| Debt Service | 1 | | 1 |
| Other Purposes | 373,000 | | 373,000 |
| Unrestricted | <u>(4,048,693)</u> | <u>288,652</u> | <u>(3,760,041)</u> |
| Total Net Position | <u>\$ 5,084,535</u> | <u>\$ 299,714</u> | <u>\$ 5,384,249</u> |

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|----------------------|-------------------------|--|--|--|-----------------------------|---------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities | | | | | | | |
| Instruction | | | | | | | |
| Regular | \$ 8,936,445 | \$ 69,002 | \$ 1,803,873 | \$ 82,600 | \$ (6,980,970) | | \$ (6,980,970) |
| Special Education | 4,235,965 | | 1,847,852 | | (2,388,113) | | (2,388,113) |
| Other Instruction | 869,224 | | 203,697 | | (665,527) | | (665,527) |
| School Sponsored Activities and Athletics | 334,569 | | 47,644 | | (286,925) | | (286,925) |
| Support Services | | | | | | | |
| Student and Instruction Related Services | 2,576,734 | | 501,841 | | (2,074,893) | | (2,074,893) |
| Health Services | 366,120 | | 76,708 | | (289,412) | | (289,412) |
| Educational Media / School Library | 316,210 | | 64,718 | | (251,492) | | (251,492) |
| General Administrative Services | 614,681 | | 81,383 | | (533,298) | | (533,298) |
| School Administrative Services | 1,644,589 | | 357,807 | | (1,286,782) | | (1,286,782) |
| Plant Operations and Maintenance | 1,696,158 | | 15,932 | | (1,680,226) | | (1,680,226) |
| Pupil Transportation | 1,139,088 | 16,253 | 74,869 | | (1,047,966) | | (1,047,966) |
| Central Services | 422,750 | | - | | (422,750) | | (422,750) |
| Interest and Other Charges | 171,960 | - | - | - | (171,960) | - | (171,960) |
| Total Governmental Activities | 23,324,493 | 85,255 | 5,076,324 | 82,600 | (18,080,314) | - | (18,080,314) |
| Business-Type Activities | | | | | | | |
| Food Service - Non-Major | 17,816 | 10,610 | | | | \$ (7,206) | (7,206) |
| After School Child Care | 609,313 | 706,399 | - | - | - | 97,086 | 97,086 |
| Total Business-Type Activities | 627,129 | 717,009 | - | - | - | 89,880 | 89,880 |
| Total Primary Government | \$ 23,951,622 | \$ 802,264 | \$ 5,076,324 | \$ 82,600 | (18,080,314) | 89,880 | (17,990,434) |
| General Revenues /Transfers | | | | | | | |
| General Revenues | | | | | | | |
| Taxes: | | | | | | | |
| Property Taxes, levied for general purposes, net | | | | | 17,089,582 | | 17,089,582 |
| Property Taxes, levied for debt service | | | | | 516,191 | | 516,191 |
| Unrestricted State Aid | | | | | 17,854 | | 17,854 |
| Miscellaneous Income | | | | | 237,690 | - | 237,690 |
| Transfers | | | | | 54,454 | (54,454) | - |
| Total General Revenues/Transfers | | | | | 17,915,771 | (54,454) | 17,861,317 |
| Change in Net Position | | | | | (164,543) | 35,426 | (129,117) |
| Net Position, Beginning of Year (Restated) | | | | | 5,249,078 | 264,288 | 5,513,366 |
| Net Position, End of Year | | | | | \$ 5,084,535 | \$ 299,714 | \$ 5,384,249 |

FUND FINANCIAL STATEMENTS

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2015**

| | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Capital Projects Fund</u> | <u>Debt Service Fund</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|-------------------------------------|--------------------------------------|----------------------------------|---|
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 2,711,605 | \$ 7,546 | - | \$ 1 | \$ 2,719,152 |
| Due from Other Funds | 122 | - | | | 122 |
| Receivables, Net | | | | | |
| Receivables From Other Governments | 13,746 | 37,993 | | | 51,739 |
| Other Receivables | 6,416 | - | - | - | 6,416 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Assets | <u>\$ 2,731,889</u> | <u>\$ 45,539</u> | <u>\$ -</u> | <u>\$ 1</u> | <u>\$ 2,777,429</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Accounts Payable | \$ 107,724 | \$ 17,600 | | | \$ 125,324 |
| Due to Other Funds | - | 122 | | | 122 |
| Payable to State Governments | | 16,227 | | | 16,227 |
| Unearned Revenue | 1,800 | 11,590 | - | - | 13,390 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities | <u>109,524</u> | <u>45,539</u> | <u>-</u> | <u>-</u> | <u>155,063</u> |
| Fund Balance | | | | | |
| Restricted: | | | | | |
| Excess Surplus | 161,923 | | | | 161,923 |
| Excess Surplus - Designated for Subsequent Year's Expenditure | 312,406 | | | | 312,406 |
| Maintenance Reserve | 160,150 | | | | 160,150 |
| Maintenance Reserve- Designated for Subsequent Year's Expenditures | 212,850 | | | | 212,850 |
| Capital Reserve | 1,286,883 | | | | 1,286,883 |
| Capital Reserve- Designated for Subsequent Year's Expenditures | 232,000 | | | | 232,000 |
| Debt Service | | | | \$ 1 | 1 |
| Assigned: | | | | | |
| Year-end Encumbrances | 78,522 | | | | 78,522 |
| Unassigned | 177,631 | - | - | - | 177,631 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Fund Balances | <u>2,622,365</u> | <u>-</u> | <u>-</u> | <u>1</u> | <u>2,622,366</u> |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities and Fund Balances | <u>\$ 2,731,889</u> | <u>\$ 45,539</u> | <u>\$ -</u> | <u>\$ 1</u> | |

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2015

Total Government Fund Balances \$ 2,622,366

Amounts reported for *governmental activities* in the statement of net position (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$20,845,614 and the accumulated depreciation is \$9,247,323. 11,598,291

Certain amounts resulting from the measurement of the net pension liability are reported as either deferred inflows of resources or deferred outflows of resources on the statement of net position and deferred over future years.

| | | |
|--------------------------------|------------------|----------|
| Deferred Outflows of Resources | \$ 217,233 | |
| Deferred Inflows of Resources | <u>(260,683)</u> | (43,450) |

The District has financed capital assets through the issuance of serial bonds. The interest accrual at year end is: (53,914)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds

| | | |
|---|------------------|-------------|
| Bonds Payable, net of Premium | \$ (4,397,269) | |
| Deferred Outflows of Resources- Deferred Amounts on Refunding of Debt | 40,322 | |
| Net Pension Liability | (4,374,279) | |
| Compensated Absences | <u>(307,532)</u> | (9,038,758) |

Net position of governmental activities \$ 5,084,535

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Capital Projects Fund</u> | <u>Debt Service Fund</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|-------------------------------------|--------------------------------------|----------------------------------|---|
| REVENUES | | | | | |
| Local Sources | | | | | |
| Property Tax Levy | \$ 17,089,582 | | | \$ 516,191 | \$ 17,605,773 |
| Tuition | 68,300 | | | | 68,300 |
| Miscellaneous | 253,943 | \$ 145,871 | - | - | 399,814 |
| Total - Local Sources | 17,411,825 | 145,871 | - | 516,191 | 18,073,887 |
| Intergovernmental | | | | | |
| State Sources | 2,686,231 | 42,700 | | | 2,728,931 |
| Federal Sources | - | 289,775 | - | - | 289,775 |
| Total Revenues | 20,098,056 | 478,346 | - | 516,191 | 21,092,593 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Instruction | | | | | |
| Regular Instruction | 7,503,260 | 54,096 | | | 7,557,356 |
| Special Education Instruction | 3,379,937 | 231,046 | | | 3,610,983 |
| Other Instruction | 705,751 | 9,891 | | | 715,642 |
| School-Sponsored Activities and Athl | 296,814 | | | | 296,814 |
| Support Services | | | | | |
| Student and Instruction Related Servic | 2,158,291 | 100,011 | | | 2,258,302 |
| Health Services | 305,332 | | | | 305,332 |
| Educational Media/School Library | 264,924 | | | | 264,924 |
| General Administrative Services | 550,189 | | | | 550,189 |
| School Administrative Services | 1,361,043 | | | | 1,361,043 |
| Plant Operations and Maintenance | 1,615,423 | | | | 1,615,423 |
| Pupil Transportation | 1,121,141 | | | | 1,121,141 |
| Central Services | 397,838 | | | | 397,838 |
| Debt Service | | | | | |
| Principal | - | | | 500,000 | 500,000 |
| Interest and Other Charges | 39,454 | | | 121,762 | 161,216 |
| Capital Outlay | 629,946 | 83,302 | - | - | 713,248 |
| Total Expenditures | 20,329,343 | 478,346 | - | 621,762 | 21,429,451 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (231,287) | - | - | (105,571) | (336,858) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers In | 54,454 | | | 105,570 | 160,024 |
| Transfers Out | - | - | \$ (105,570) | - | (105,570) |
| Total Other Financing Sources and Uses | 54,454 | - | (105,570) | 105,570 | 54,454 |
| Net Change in Fund Balances | (176,833) | - | (105,570) | (1) | (282,404) |
| Fund Balance, Beginning of Year | 2,799,198 | - | 105,570 | 2 | 2,904,770 |
| Fund Balance, End of Year | \$ 2,622,365 | \$ - | \$ - | \$ 1 | \$ 2,622,366 |

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE DISTRICT-WIDE STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Total net change in fund balances - governmental funds (Exhibit B-2) \$ (282,404)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expense. This is the amount by which depreciation exceeds capital outlay the current period.

| | | |
|----------------------|--------------------|-----------|
| Capital Outlay | \$ 713,248 | |
| Depreciation Expense | <u>(1,045,335)</u> | (332,087) |

In the statement of activities, certain operating expenses - compensated absences and net pension liability are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (accrued):

| | | |
|----------------------------------|-----------------|----------|
| Decrease in Compensated Absences | 7,529 | |
| Increase in Net Pension Expense | <u>(46,837)</u> | (39,308) |

In the statement of activities, the issuance of long-term debt (e.g. bonds) provides current financial resources to the governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums and other such related to the refunding bonds when they are first issued, whereas these amounts are deferred and amortized in the statement of activities.

| | | |
|---|-----------------|---------|
| Reduction of Long Term Debt | \$ 500,000 | |
| Amortization of Bond Premium | 2,780 | |
| Amortization of Deferred Amounts on Refunding | <u>(15,418)</u> | 487,362 |

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

| | | |
|------------------------------|--|--------------|
| Decrease in Accrued Interest | | <u>1,894</u> |
|------------------------------|--|--------------|

Change in net position of governmental activities (Exhibit A-2) \$ (164,543)

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 AS OF JUNE 30, 2015**

| | Business-Type Activities | | Total |
|--------------------------------|---------------------------------------|--|-------------------|
| | Non-Major Enterprise Funds | After School Child Care Program Enterprise Fund | |
| ASSETS | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | \$ 10,330 | \$ 531,635 | \$ 541,965 |
| Other Accounts Receivable | | 1,337 | 1,337 |
| Prepaid Items | <u>-</u> | <u>40,853</u> | <u>40,853</u> |
| Total Current Assets | <u>10,330</u> | <u>573,825</u> | <u>584,155</u> |
| Noncurrent Assets | | | |
| Equipment | 72,580 | | 72,580 |
| Less: Accumulated Depreciation | <u>(61,518)</u> | <u>-</u> | <u>(61,518)</u> |
| Total Noncurrent Assets | <u>11,062</u> | <u>-</u> | <u>11,062</u> |
| Total Assets | <u>21,392</u> | <u>573,825</u> | <u>595,217</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Unearned Revenue | <u>-</u> | <u>295,503</u> | <u>295,503</u> |
| Total Current Liabilities | <u>-</u> | <u>295,503</u> | <u>295,503</u> |
| NET POSITION | | | |
| Investment in Capital Assets | 11,062 | | 11,062 |
| Unrestricted | <u>10,330</u> | <u>278,322</u> | <u>288,652</u> |
| Total Net Position | <u>\$ 21,392</u> | <u>\$ 278,322</u> | <u>\$ 299,714</u> |

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| | Business-Type Activities | | Total |
|--|---------------------------------------|--|-------------------|
| | Non-Major Enterprise Funds | After School Child Care Program Enterprise Fund | |
| OPERATING REVENUES | | | |
| Charges for Services | | | |
| Daily Sales | \$ 10,610 | | \$ 10,610 |
| Program Fees | - | \$ 706,399 | 706,399 |
| Total Operating Revenues | <u>10,610</u> | <u>706,399</u> | <u>717,009</u> |
| OPERATING EXPENSES | | | |
| Salaries and Benefits | | 416,055 | 416,055 |
| Cost of Sales | 10,481 | | 10,481 |
| Field Trips | | 123,062 | 123,062 |
| Purchased Services | | 4,260 | 4,260 |
| Depreciation | 655 | | 655 |
| Supplies | <u>6,680</u> | <u>65,936</u> | <u>72,616</u> |
| Total Operating Expenses | <u>17,816</u> | <u>609,313</u> | <u>627,129</u> |
| Operating Income/(Loss) before Transfers | <u>(7,206)</u> | <u>97,086</u> | <u>89,880</u> |
| Transfers | | | |
| Transfer Out | <u>-</u> | <u>(54,454)</u> | <u>(54,454)</u> |
| Change in Net Position | (7,206) | 42,632 | 35,426 |
| Total Net Position, Beginning of Year | <u>28,598</u> | <u>235,690</u> | <u>264,288</u> |
| Total Net Position, End of Year | <u>\$ 21,392</u> | <u>\$ 278,322</u> | <u>\$ 299,714</u> |

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| | Business-Type Activities | | Total |
|--|---------------------------------------|--|--------------|
| | Non-Major Enterprise Funds | After School Child Care Program Enterprise Fund | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash Received from Customers | \$ 10,610 | \$ 750,981 | \$ 761,591 |
| Cash Payments for Employees' Salaries and Benefits | | (416,055) | (416,055) |
| Cash Payments to Suppliers for Goods and Services | (17,930) | (205,920) | (223,850) |
| Net Cash Provided by/(used for) Operating Activities | (7,320) | 129,006 | 121,686 |
| CASH FLOWS USED IN NON-CAPITAL FINANCING ACTIVITIES | | | |
| Payments to Other Funds | - | (54,454) | (54,454) |
| Net Cash Used for Non-Capital Financing Activities | - | (54,454) | (54,454) |
| Net Increase/ (decrease) in Cash and Cash Equivalents | (7,320) | 74,552 | 67,232 |
| Cash and Cash Equivalents, Beginning of Year | 17,650 | 457,083 | 474,733 |
| Cash and Cash Equivalents, End of Year | \$ 10,330 | \$ 531,635 | \$ 541,965 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY/(USED FOR) OPERATING ACTIVITIES | | | |
| Operating Income/(Loss) | \$ (7,206) | \$ 97,086 | \$ 89,880 |
| Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by/(used for) Operating Activities | | | |
| Depreciation | 655 | | 655 |
| Change in Assets and Liabilities | | | - |
| (Increase)/Decrease in Accounts Receivable | | (322) | (322) |
| (Increase)/Decrease in Prepaid Expense | | (12,662) | (12,662) |
| Increase/ (Decrease) in Unearned Revenue | | 44,904 | 44,904 |
| Increase/ (Decrease) in Accounts Payable | (769) | - | (769) |
| Total Adjustments | (114) | 31,920 | 31,806 |
| Net Cash Provided by/(used for) Operating Activities | \$ (7,320) | \$ 129,006 | \$ 121,686 |

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2015**

| | Unemployment Compensation <u>Trust Fund</u> | <u>Agency Fund</u> |
|--|--|---------------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ <u>214,234</u> | \$ <u>58,825</u> |
| Total Assets | <u>214,234</u> | <u>\$ 58,825</u> |
| LIABILITIES | | |
| Payroll Deductions and Withholdings | | \$ 14,229 |
| Accrued Salary and Wages | | 2,908 |
| Flexible Spending | | 1,948 |
| Due to Student Groups | <u>-</u> | <u>39,740</u> |
| Total Liabilities | <u>-</u> | <u>\$ 58,825</u> |
| NET POSITION | | |
| Held In Trust For Unemployment Claims | <u>\$ 214,234</u> | |

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| | Unemployment Compensation <u>Trust Fund</u> |
|---------------------------------|--|
| ADDITIONS | |
| Contributions | |
| District | \$ 50,000 |
| Employees | 18,726 |
| | 68,726 |
| Total Additions | 68,726 |
| DEDUCTIONS | |
| Unemployment Claims | 17,974 |
| | 17,974 |
| Total Deductions | 17,974 |
| Change in Net Position | 50,752 |
| Net Position, Beginning of Year | 163,482 |
| | 214,234 |
| Net Position, End of Year | \$ 214,234 |

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS**

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The East Hanover Township Board of Education (the “Board” or the “District”) is an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of seven elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District. Under existing statutes, the Board’s duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the East Hanover Township Board of Education this includes general operations, food service, after school child care and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the District has no component units. Furthermore, the District is not includable in any other reporting entity as a component unit.

B. New Accounting Standards

During fiscal year 2015, the District adopted the following GASB statements:

- GASB 68, *Accounting and Financial Reporting for Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions 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.
- GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, should be applied simultaneously with the provisions of Statement 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 nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

- GASB 72, *Fair Value Measurement and Application*, will be effective beginning with the fiscal year ending June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.
- GASB 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.
- GASB 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.
- GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective beginning with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.
- GASB 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, will be effective beginning with the fiscal year ending June 30, 2016. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

C. Basis of Presentation - Financial Statements

The financial statements include both district-wide financial statements (based on the District as a whole) and fund financial statements (based on specific District activities or objectives). Both the district-wide and fund financial statements categorize activities as either governmental activities or business-type activities. While separate district-wide and fund financial statements are presented, they are interrelated. In the district-wide financial statements, the governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the District’s enterprise funds. Fiduciary funds are excluded from the district-wide financial statements.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

District-Wide Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Board of Education. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) reflect on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or other governmental entities, including other school districts, who purchase, use, or directly benefit from goods or services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes, unrestricted state aid, and other items not properly included among program revenues are reported instead as general revenues.

As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements. Exceptions to this general rule are charges between the Board's proprietary and fiduciary funds since elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

Separate fund financial statements are provided for governmental, proprietary, and fiduciary activities, even though the latter are excluded from the district-wide financial statements. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. The District considers all of its governmental and enterprise funds to be major funds.

The District reports the following major governmental funds:

The *general fund* is the School District's primary operating fund. It accounts for all financial resources of the District, except those to be accounted for in another fund.

The *special revenue fund* accounts for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes. This fund accounts for federal, state and local financial programs, with the exception of grants for major capital projects and the child nutrition programs.

The *capital projects fund* accounts for the proceeds from the sale of bonds, lease purchases and other revenues used for the acquisition or construction of capital facilities and other capital assets, other than those financed by the proprietary funds.

The *debt service fund* accounts for the accumulation of resources that are restricted, committed or assigned for the payment of principal and interest on long-term general obligation debt of governmental funds.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

The District reports the following major proprietary fund which is organized to be self-supporting through user charges:

The *after school child care program fund* accounts for the activities of the District's enrichment based child care program which provides high quality service to the students and parents of East Hanover Township School District.

The District reports the following non-major proprietary fund which is organized to be self-supporting through user charges:

The *food service fund* accounts for the activities of the school cafeteria, which provides milk to students.

Additionally, the government reports the following fund type:

The *fiduciary trust fund* is used to account for resources legally held in trust for the state unemployment insurance claims, payroll related activities and student related activities which are supported and controlled by student organizations and clubs. All resources of the fund, including any earnings on invested resources, may be used to support the intended purpose. There is no requirement that any portion of these resources be preserved as capital.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the district-wide financial statements as "internal balances".

Reclassifications

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements with the exception of the agency fund which does not have a measurement focus. All assets, all liabilities and all deferred outflows/inflows of resources associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days after year-end. Expenditures are recorded when a liability is incurred, as under accrual basis of accounting, with the exception of debt service expenditures as well as expenditures related to compensated absences and claims and judgments which are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, tuition, transportation fees, unrestricted state aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements (formula-type grants and aid) are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source. Expenditure-driven grants and similar awards (reimbursement-type grants and awards) are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements imposed by the grantor or provider have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when cash is received by the District.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash, Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value and are limited by N.J.S.A. 18A:20-37.

2. Receivables

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

3. Inventories

The cost of inventories of the governmental fund types are recorded as expenditures at the time individual inventory items are purchased.

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

5. *Capital Assets*

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. The District was able to estimate the historical cost for the initial reporting of these capital assets through back trending. As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the District, is depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-------------------------------------|--------------|
| Land Improvements | 20 |
| Buildings and Building Improvements | 50 |
| Machinery & Equipment | 5-10 |

6. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items which arise only under the accrual basis of accounting that qualify for reporting in this category. One item is the deferred amounts on refunding of debt which results from the loss on a debt refunding reported in the district-wide statement of net position. Deferred amounts on debt refunding result from the loss on the transaction when the debt's reacquisition price is greater than the carrying value of the refunded debt. These amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

6. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has one type of item, which arises only under an accrual basis of accounting that qualifies for reporting in this category are the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years.

7. Compensated Absences

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused sick leave benefits. A long-term liability of accumulated sick leave and salary related payments has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. Proprietary Funds do not permit the accrual of accumulated sick leave. A liability is reported in the governmental funds only to the amount actually due at year end as a result of employee resignations and retirements.

8. Pensions

In the district-wide financial statements, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the retirement systems sponsored and administered by the State of New Jersey and additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In the governmental fund financial statements, net pension liabilities represent amounts normally expected to be liquidated with expendable available financial resources for required pension contributions that are due and payable at year end. Pension expenditures are recognized based on contractual pension contributions that are required to be made to the pension plan during the fiscal year.

9. Long-Term Obligations

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Gains resulting from debt refundings are classified as deferred inflows of resources and losses are reported as deferred outflows or resources. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs (other than for prepaid insurance) are treated as an expense.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

10. *Net Position/Fund Balance*

District-Wide Statements

In the district-wide statements, there are three classes of net position:

- **Net Investment in Capital Assets** – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt also should be included.
- **Restricted Net Position** – reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – any portion of net position not already classified as either net investment in capital assets or net position – restricted is classified as net position – unrestricted.

Governmental Fund Statements

Fund balance categories are designed to make the nature and extent of the constraints placed on the District's fund balance more transparent. These categories are comprised of a hierarchy based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Excess Surplus – Designated for Subsequent Year's Expenditures - This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2014 audited excess surplus that was appropriated in the 2015/2016 original budget certified for taxes.

Excess Surplus – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2015 audited excess surplus that is required to be appropriated in the 2016/2017 original budget certified for taxes.

Capital Reserve – This restriction was created by the District in accordance with NJAC 6A:23A-14.1 to fund future capital expenditures (See Note 2.)

Capital Reserve - Designated for Subsequent Year's Budget – This designation was created to dedicate the portion of capital reserve fund balance appropriated in the adopted 2015/2016 District budget certified for taxes.

Maintenance Reserve – This restriction was created by the Board in accordance with NJAC 6A:23A-14.2 to accumulate funds for the required maintenance of school facilities in accordance with the EFCA (NJSA 18A:7G-9) for a thorough and efficient education.

Maintenance Reserve - Designated for Subsequent Year's Budget – This designation was created to dedicate the portion of maintenance reserve fund balance appropriated in the adopted 2015/2016 District budget certified for taxes

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

10. *Net Position/Fund Balance* (Continued)

Governmental Fund Statements (Continued)

Restricted Fund Balance (Continued)

Debt Service – Represents fund balance restricted specifically for the repayment of long-term debt principal and interest in the Debt Service Fund.

Assigned Fund Balance – Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Year-End Encumbrances – Represent outstanding purchase orders for goods or services approved by management for specific purposes from available resources of the current year for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

Unassigned Fund Balance – Represents fund balance that has not been restricted, committed or assigned to specific purposes within the governmental funds.

F. Revenues and Expenditures/Expenses

1. *Program Revenues*

Amounts reported as program revenues in the district-wide statement of activities include 1) charges to customers or applicants for goods or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, unrestricted state aid, investment earnings and miscellaneous revenues.

2. *Property Taxes*

Property taxes are levied pursuant to law and are collected by the municipality and are transferred to the District as requested. Property tax revenues are recognized in the year they are levied and become available. Property taxes collected in advance of the year-end for which they are levied and transferred to the District are reported as deferred inflows of resources. The tax bills are mailed annually in June by the municipal tax collector and are levied and due in four quarterly installments on August 1, November 1, February 1 and May 1 of the fiscal year. When unpaid, taxes or any other municipal lien, or part thereof, on real property, remains in arrears on April 1st in the year following the calendar year levy when the same became in arrears, the tax collector of the municipality shall, subject to the provisions of New Jersey Statute, enforce the lien by placing the property on a tax sale. The municipality may institute annual “in rem” tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Revenues and Expenditures/Expenses (Continued)

3. *Tuition Revenues and Expenditures*

Tuition Revenues - Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs are determined and certified by the State Department of Education.

Tuition Expenditures - Tuition charges for the fiscal years 2013-2014 and 2014-2015 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

4. *Proprietary Funds, Operating and Non-Operating Revenues and Expenses*

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the milk program enterprise fund and of the after school child care program enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the requirements of the New Jersey Department of Education ("the Department"), the District annually prepares its operating budget for the forthcoming year. The budget, except for the general fund, special revenue fund and debt service fund, which is more fully explained below and in the notes to the required supplementary information, is prepared in accordance with accounting principles generally accepted in the United States of America and serves as a formal plan for expenditures and the proposed means for financing them. Capital lease transactions are accounted for on the GAAP basis.

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption. Prior to the 2012/2013 budget year, the annual budget was required to be voted upon at the annual school election held on the third Tuesday in April. On January 17, 2012, Chapter 202 of the Laws of P.L. 2011 was approved which established procedures for moving the date of a school district's annual school election from April to the general election in November. Under the new law, districts that have their school board members elected in November no longer have to submit their budgets that meet levy cap requirements for voter approval beginning with the 2012/2013 budget year. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot. On February 13, 2012, the Board adopted a resolution to move its annual election to the date of the general elections in accordance with the law; therefore voter approval of the annual budget is not required.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2014/2015. Also, during 2014/2015 the Board increased the original budget by \$950,232. The increase was funded by additional grant awards, the reappropriation of prior year general fund encumbrances, transfer from the after care program and lease proceeds.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described in the Notes to Required Supplementary Information (RSI). Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

Encumbrance accounting is employed in the governmental funds. Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as committed and/or assigned fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services which are reappropriated and honored during the subsequent fiscal year.

B. Capital Reserve

A capital reserve account was established by the District. The accumulation of funds will be used for capital outlay expenditures in subsequent fiscal years. The capital reserve is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the Department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-14.1(g), the balance in the reserve cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Capital Reserve (Continued)

The activity of the capital reserve for the fiscal year ended June 30, 2015 is as follows:

| | | |
|---------------------------------------|---------------|---------------------|
| Balance, July 1, 2014 | | \$ 927,628 |
| Increased By: | | |
| Deposits Approved by Board Resolution | \$ 650,000 | |
| Unexpended Project Balances | <u>26,255</u> | |
| | | <u>676,255</u> |
| | | 1,603,883 |
| Withdrawals: | | |
| Approved in District Budget | | <u>85,000</u> |
| Balance, June 30, 2015 | | <u>\$ 1,518,883</u> |

The District's 2015/16 budget includes a withdrawal from the capital reserve account of \$232,000.

C. Maintenance Reserve

A maintenance reserve account was established by the District. The accumulation of funds will be used for required maintenance of school facilities expenditures in subsequent fiscal years. The maintenance reserve is maintained in the General Fund and its activity is included in the General Fund annual budget.

Funds placed in the maintenance reserve are restricted to required maintenance activities for a school facility as reported in the comprehensive maintenance plan. A District may appropriate funds into the maintenance reserve in the annual General Fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts or both. Pursuant to N.J.A.C. 6A:23A-14.2(g), the balance in the reserve cannot at any time exceed four percent of the replacement cost of the school district's school facilities for the current year.

The activity of the maintenance reserve for the fiscal year ended June 30, 2015 is as follows:

| | | |
|-----------------------------|--|-------------------|
| Balance, July 1, 2014 | | \$ 458,000 |
| Withdrawals: | | |
| Approved in District Budget | | <u>85,000</u> |
| Balance, June 30, 2015 | | <u>\$ 373,000</u> |

The District's 2015/16 budget includes a withdrawal from the maintenance reserve account of \$212,850.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for Reserved Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2015 is \$474,329. Of this amount, \$312,406 was designated and appropriated in the 2015/2016 original budget certified for taxes and the remaining amount of \$161,923 will be appropriated in the 2016/2017 original budget certified for taxes.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

The Board's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Board is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2015, the book value of the Board's deposits were \$3,534,176 and bank and brokerage firm balances of the Board's deposits amounted to \$4,322,095. The Board's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

Depository Account

| | |
|---------|---------------------|
| Insured | <u>\$ 4,322,095</u> |
|---------|---------------------|

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2015 the Board's bank balance was not exposed to custodial credit risk.

Investments

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2015, the Board had no outstanding investments.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Net receivables as of June 30, 2015 for the district's individual major funds are as follows:

| | <u>General</u> | <u>Special Revenue</u> | <u>After School Child Care</u> | <u>Total</u> |
|---------------------------|----------------------|----------------------------|------------------------------------|----------------------|
| Receivables: | | | | |
| Intergovernmental | \$ 13,746 | \$ 37,993 | | \$ 51,739 |
| Accounts | <u>6,416</u> | <u>-</u> | <u>\$ 1,337</u> | <u>7,753</u> |
| Net Total Receivables | <u>\$ 20,162</u> | <u>\$ 37,993</u> | <u>\$ 1,337</u> | <u>\$ 59,492</u> |

C. Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

| | |
|---|----------------------|
| General Fund | |
| Preschool Tuition | \$ 1,800 |
| Special Revenue Fund | |
| Unencumbered Grant Draw Downs | <u>11,590</u> |
| Total Unearned Revenue for Governmental Funds | <u>\$ 13,390</u> |

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

| | Balance, July 1, 2014 (Restated) | Increases | Decreases | Adjustments | Balance June 30, 2015 |
|---|--|---------------------|-------------|------------------|--------------------------|
| Governmental Activities: | | | | | |
| Capital Assets, Not Being Depreciated: | | | | | |
| Land | \$ 139,675 | | | | \$ 139,675 |
| Construction in Progress | 67,809 | \$ 441,386 | - | \$ (171,749) | 337,446 |
| Total Capital Assets, Not Being Depreciated | 207,484 | 441,386 | - | (171,749) | 477,121 |
| Capital Assets, Being Depreciated: | | | | | |
| Land Improvements | 87,141 | 139,655 | | | 226,796 |
| Building and Building Improvements | 18,552,750 | 76,376 | | 171,749 | 18,800,875 |
| Machinery and Equipment | 1,284,991 | 55,831 | - | - | 1,340,822 |
| Total Capital Assets Being Depreciated | 19,924,882 | 271,862 | - | 171,749 | 20,368,493 |
| Less Accumulated Depreciation for: | | | | | |
| Land Improvements | (53,055) | (6,275) | | | (59,330) |
| Building and Building Improvements | (7,313,919) | (951,940) | | | (8,265,859) |
| Machinery and Equipment | (835,014) | (87,120) | - | - | (922,134) |
| Total Accumulated Depreciation | (8,201,988) | (1,045,335) | - | - | (9,247,323) |
| Total Capital Assets, Being Depreciated, Net | 11,722,894 | (773,473) | - | 171,749 | 11,121,170 |
| Government Activities Capital Assets, Net | \$ 11,930,378 | \$ (332,087) | \$ - | \$ - | \$ 11,598,291 |

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

| | Balance, July 1, 2014 | Increases | Decreases/ Adjustments | Balance June 30, 2015 |
|--|--------------------------|-----------------|---------------------------|--------------------------|
| Business-Type Activities: | | | | |
| Capital Assets, Being Depreciated: | | | | |
| Machinery and Equipment | \$ 72,580 | - | - | \$ 72,580 |
| Total Capital Assets Being Depreciated | <u>72,580</u> | <u>-</u> | <u>-</u> | <u>72,580</u> |
| Less Accumulated Depreciation for: | | | | |
| Machinery and Equipment | (60,863) | \$ (655) | - | (61,518) |
| Total Accumulated Depreciation | <u>(60,863)</u> | <u>(655)</u> | <u>-</u> | <u>(61,518)</u> |
| Total Capital Assets, Being Depreciated, Net | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Business-Type Activities Capital Assets, Net | <u>\$ 11,717</u> | <u>\$ (655)</u> | <u>\$ -</u> | <u>\$ 11,062</u> |

Depreciation expense was charged to functions/programs of the District as follows:

Governmental Activities:

| | |
|---|---------------------|
| Instruction | |
| Regular | \$ 431,146 |
| Special | 194,328 |
| Other Instruction | 47,753 |
| School-Sponsored | <u>11,739</u> |
| Total Instruction | <u>684,966</u> |
| Support Services | |
| Student and Instruction Related Services | 99,011 |
| Health Services | 18,901 |
| Educational Media / School Library | 15,947 |
| General Administration | 20,053 |
| School Administration | 88,164 |
| Operations and Maintenance of Plant | 77,272 |
| Student Transportation | 17,177 |
| Central Services | <u>23,844</u> |
| Total Support Services | <u>360,369</u> |
| Total Depreciation Expense - Governmental Activities | <u>\$ 1,045,335</u> |
| Business Type Activities: | |
| Food Service Fund | <u>\$ 655</u> |
| Total Depreciation Expense - Business Type Activities | <u>\$ 655</u> |

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

Construction and Other Significant Commitments

The District has the following active construction projects as of June 30, 2015:

| <u>Project</u> | <u>Spent to Date</u> | <u>Remaining Commitment</u> |
|------------------------------|----------------------|---------------------------------|
| Technology/ Digital Upgrades | \$ 337,446 | \$ 70,043 |
| | <u>\$ 337,446</u> | <u>\$ 70,043</u> |

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2015, is as follows:

Due to/from other funds

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|---------------|
| Special Revenue Fund | General Fund | \$ 122 |
| | | <u>\$ 122</u> |

The above balances are the result of revenues earned or other financing sources received in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund.

The District expects all interfund balances to be liquidated within one year.

Interfund transfers

| | <u>Transfer In:</u> | |
|-------------------------|---------------------|--------------------------|
| | <u>General Fund</u> | <u>Debt Service Fund</u> |
| Transfer Out: | | |
| After School Child Care | \$ 54,454 | |
| Capital Projects Fund | - | \$ 105,570 |
| | <u>\$ 54,454</u> | <u>\$ 105,570</u> |
| Total Transfers Outs | <u>\$ 54,454</u> | <u>\$ 105,570</u> |

The above transfers are the result of revenues earned and/or other financing sources received in one fund to finance expenditures in another fund.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. Leases

Operating Leases

The District leases technology equipment under noncancelable operating leases. Lease payments for the fiscal year ended June 30, 2015 were \$29,860. The future minimum lease payments for these operating leases are as follows:

| <u>Year Ending June 30</u> | <u>Amount</u> |
|----------------------------|------------------|
| 2016 | \$ 29,113 |
| 2017 | 29,479 |
| 2018 | <u>29,853</u> |
| | <u>\$ 88,445</u> |

G. Long-Term Debt

General Obligation Bonds

The Board issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities and other capital assets. The full faith and credit of the Board are irrevocably pledged for the payment of the principal of the bonds and the interest thereon.

Bonds payable at June 30, 2015 are comprised of the following issues:

| | |
|--|---------------------|
| \$6,355,000, 2012 Refunding Bonds, due in annual installments of \$505,000 to \$575,000 through January 15, 2023, interest at 2.00% to 3.00% | <u>\$ 4,390,000</u> |
| | <u>\$ 4,390,000</u> |

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt (Continued)

The Board's schedule of principal and interest for long-term debt issued and outstanding is as follows:

Governmental Activities:

| Fiscal Year Ending June 30, | <u>Serial Bonds</u> | | <u>Total</u> |
|-----------------------------------|---------------------|-------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | |
| 2016 | \$ 505,000 | \$ 111,763 | \$ 616,763 |
| 2017 | 520,000 | 101,663 | 621,663 |
| 2018 | 540,000 | 91,263 | 631,263 |
| 2019 | 560,000 | 79,113 | 639,113 |
| 2020 | 570,000 | 65,813 | 635,813 |
| 2021-2023 | <u>1,695,000</u> | <u>101,100</u> | <u>1,796,100</u> |
| | <u>\$ 4,390,000</u> | <u>\$ 550,715</u> | <u>\$ 4,940,715</u> |

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2015 was as follows:

| | |
|---|----------------------|
| 3% of Equalized Valuation Basis (Municipal) | \$ 104,347,483 |
| Less: Net Debt | <u>4,390,000</u> |
| Remaining Borrowing Power | <u>\$ 99,957,483</u> |

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

H. Other Long-Term Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2015, was as follows:

| | Balance, July 1, 2014 (Restated) | <u>Additions</u> | <u>Reductions</u> | Balance, June 30, 2015 | Due Within One Year |
|---|--|-------------------|-------------------|---------------------------|---------------------------|
| Governmental Activities: | | | | | |
| Bonds Payable | \$ 4,890,000 | - | \$ 500,000 | \$ 4,390,000 | \$ 505,000 |
| Deferred Amounts Add; Original Issue Premium | <u>10,049</u> | <u>-</u> | <u>2,780</u> | <u>7,269</u> | <u>-</u> |
| Total Bonds Payable | 4,900,049 | - | 502,780 | 4,397,269 | 505,000 |
| Net Pension Liability | \$ 4,370,892 | \$ 46,837 | 43,450 | 4,374,279 | 241,162 |
| Compensated Absences | <u>315,061</u> | <u>58,450</u> | <u>65,979</u> | <u>307,532</u> | <u>50,000</u> |
| Governmental Activity Long-Term Liabilities | <u>\$ 9,586,002</u> | <u>\$ 105,287</u> | <u>\$ 612,209</u> | <u>\$ 9,079,080</u> | <u>\$ 796,162</u> |

Compensated absences and net pension liability are generally liquidated by the general fund.

NOTE 4 OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to property, general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; student accident; termination of employees and natural disasters. The Board has obtained commercial insurance coverage to guard against these events to minimize the exposure to the District should they occur. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

The District is a member of the New Jersey School Board's Association Insurance Group (NJSBAIG). The Group is a risk sharing public entity pool, established for the purpose of insuring against worker's compensation claims and loss related to property, general liability, automobile coverage, theft or, damage to and destruction of assets, errors and omissions, injuries to employees' students accident, termination of employees and natural disasters.

NJSBAIG provides its members with risk management services, including the defense of and settlement of claims and to establish reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the respective insurance funds are on file with the School's Business Administrator.

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State. The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District’s fiduciary trust fund for the current and previous two years:

| Fiscal Year Ended June 30, | District Contributions | Employee Contributions | Amount Reimbursed | Ending Balance |
|----------------------------------|---------------------------|---------------------------|----------------------|-------------------|
| 2015 | \$ 50,000 | \$ 18,726 | \$ 17,974 | \$ 214,234 |
| 2014 | 50,000 | 17,915 | 17,666 | 163,482 |
| 2013 | 25,000 | 11,904 | 19,189 | 113,233 |

B. Contingent Liabilities

The District is a party defendant in some lawsuits, none of a kind unusual for a school district of its size and scope of operation. In the opinion of the Board’s Attorney the potential claims against the District not covered by insurance policies would not materially affect the financial condition of the District.

Federal and State Awards – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2015, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

C. Federal Arbitrage Regulations

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2015, the District had no estimated arbitrage earnings due to the IRS.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all eligible Board employees:

Public Employees' Retirement System (PERS) – Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage. PERS is a cost sharing multi-employer defined benefit pension plan.

Teachers' Pension and Annuity Fund (TPAF) – Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage. TPAF is a cost sharing plan with special funding situations.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Board employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected, certain appointed officials, and certain Board employees not eligible for enrollment in PERS or TPAF. Effective July 1, 2007 membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

Other Pension Funds

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local government employers do not appropriate funds to SACT.

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems but are currently suspended as a result of reform legislation.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290 or at www.state.nj/treasury/doinvest.

Funding Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 62.8 percent with an unfunded actuarial accrued liability of \$51.0 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 54.2 percent and \$37.3 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and Police and Firemen's Retirement System ("PFRS") is 75.4 percent and \$13.7 billion, respectively.

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financing reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2013 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (a) an investment rate of return for the retirement systems of 7.90 percent and (b) projected salary increases of 4.24 percent for the PERS and 3.33 percent for TPAF.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 6.9% for PERS, 6.9% for TPAF and 5.50% for DCRP of the employee's annual compensation.

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 *Accounting for Pensions by State and Local Government Employees*, for the fiscal year ended June 30, 2015 for TPAF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the fiscal years ended June 30, 2015, 2014 and 2013 the Board was required to contribute for PERS and DCRP and the State of New Jersey was required to contribute for TPAF for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

| Fiscal Year Ended June 30, | <u>PERS</u> | On-behalf <u>TPAF</u> | <u>DCRP</u> |
|----------------------------------|-------------|--------------------------|-------------|
| 2015 | \$ 192,605 | \$ 442,683 | \$ 19,088 |
| 2014 | 173,968 | 361,209 | 22,581 |
| 2013 | 182,214 | 534,326 | 11,752 |

For fiscal years 2014/2015 and 2012/2013, the state contributed \$442,683 and \$534,326, respectively for normal cost pension, accrued liability and the NCGI premium. For fiscal year 2013/2014 the State did not contribute to the TPAF for accrued liability but did contribute \$321,209 for normal cost pension and NCGI premium.

The PERS contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 24. The DCRP contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure, as well as, the district-wide financial statements (accrual basis) as an expense.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Annual Pension Costs (APC) (Continued)

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$603,993 during the fiscal year ended June 30, 2015 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the district-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 24.

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

Public Employees Retirement System (PERS)

At June 30, 2015, the District reported in the statement of net position (accrual basis) a liability of \$4,374,279 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2014, the District's proportionate share was .02336 percent, which was an increase of .00049 percent from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$239,442 for PERS. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|--|---|
| Changes of Assumptions | \$ 137,551 | |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | | \$ 260,683 |
| Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions | <u>79,682</u> | <u>-</u> |
| Total | <u>\$ 217,233</u> | <u>\$ 260,683</u> |

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

| Fiscal Year Ending <u>June 30,</u> | <u>Total</u> |
|--|--------------------|
| 2016 | \$ (25,238) |
| 2017 | (25,238) |
| 2018 | (25,238) |
| 2019 | (25,238) |
| 2020 | 39,933 |
| Thereafter | <u>17,569</u> |
| | <u>\$ (43,450)</u> |

Actuarial Assumptions

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

| | <u>PERS</u> |
|---|----------------------------|
| Inflation Rate | 3.01% |
| Salary Increases: | |
| 2012-2021 | 2.15-4.40% |
| Thereafter | Based on Age 3.15-5.40% |
| Investment Rate of Return | Based on Age 7.90% |
| Mortality Rate Table | RP-2000 |
| Period of Actuarial Experience | July 1, 2008 - |
| Study Upon Which Actuarial Assumptions were Based | June 30, 2011 |

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2014 are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

| <u>Plan</u> | <u>Discount Rate</u> |
|-------------|----------------------|
| PERS | 5.39% |

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF)

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District is not required to recognize a net pension liability for TPAF. The State of New Jersey is the only entity that has a legal obligation to make employer contributions to TPAF on behalf of the District. Accordingly, the District's proportionate share percentage determined under Statement No. 68 is zero percent and the State's proportionate share is 100% for TPAF. Therefore, in addition, the District does not recognize any portion of the TPAF collective deferred outflows of resources and deferred inflows of resources.

For the fiscal year ended June 30, 2015, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$2,455,586 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 24.

At June 30, 2015 the State's proportionate share of the net pension liability attributable to the District is \$45,634,900. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the year ended June 30, 2014.

Actuarial Assumptions

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

TPAF

| | |
|---|----------------------------|
| Inflation Rate | 2.50% |
| Salary Increases: | |
| 2012-2021 | Varies based on experience |
| Thereafter | Varies based on experience |
| Investment Rate of Return | 7.90% |
| Mortality Rate Table | RP-2000 |
| Period of Actuarial Experience | July 1, 2009 - |
| Study Upon Which Actuarial Assumptions were Based | June 30, 2012 |

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2014 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------|------------------------------|---|
| Cash | 6.00% | 0.50% |
| Core Fixed Income | 0.00% | 2.19% |
| Core Bonds | 1.00% | 1.38% |
| Short-Term Bonds | 0.00% | 1.00% |
| Intermediate-Term Bonds | 11.20% | 2.60% |
| Long-Term Bonds | 0.00% | 3.23% |
| Mortgages | 2.50% | 2.84% |
| High Yield Bonds | 5.50% | 4.15% |
| Non-US Fixed Income | 0.00% | 1.41% |
| Inflation-Indexed Bonds | 2.50% | 1.30% |
| Broad US Equities | 25.90% | 5.88% |
| Large Cap US Equities | 0.00% | 5.62% |
| Mid Cap US Equities | 0.00% | 6.39% |
| Small Cap US Equities | 0.00% | 7.39% |
| Developed Foreign Equities | 12.70% | 6.05% |
| Emerging Market Equities | 6.50% | 8.90% |
| Private Equity | 8.25% | 9.15% |
| Hedge Funds/Absolute Return | 12.25% | 3.85% |
| Real Estate (Property) | 3.20% | 4.43% |
| Real Estate (REITS) | 0.00% | 5.58% |
| Commodities | 2.50% | 3.60% |
| Long Credit Bonds | 0.00% | 3.74% |

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the TPAF pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

E. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for school districts. The Plans are classified as either single employer plans or cost sharing multiple employer defined benefit plans depending on the plan the eligible employee is covered under.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 590 state and local participating employers and contributing entities for Fiscal Year 2014.

The State of New Jersey sponsors and administers the following health benefit programs covering certain state and local government employees, including those Board employees and retirees eligible for coverage.

Health Benefits Program Fund (HBPF) – Local Education (including Prescription Drug Program Fund) – The State of New Jersey provides paid coverage to members of the Teachers' Pension and Annuity Fund who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of P.L. 1992, c.126, the State also provides paid coverage to members of the Public Employees' Retirement System and Alternate Benefits Program who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for state paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare parts A and B by paying the cost of the insurance for themselves and their covered dependents. Also, education employees are eligible for the PDP coverage after 60 days of employment.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Basis of Accounting

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

Significant Legislation

P.L. 2011, c.78, effective October 2011, sets new employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to this new legislation's effective date with a minimum contribution required to be at least 1.5% of salary.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the State had a \$53.0 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$19.7 billion for state active and retired members and \$33.3 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2013, OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2014, there were 103,432, retirees receiving post-retirement medical benefits and the State contributed \$1.04 billion on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in Fiscal Year 2014.

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2015, 2014 and 2013 were \$702,760, \$592,247 and \$604,189, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

NOTE 5 RESTATEMENT

On July 1, 2014, the East Hanover Township Board of Education implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions. The East Hanover Township Board of Education has determined that the effect of implementing this accounting change on the financial statements previously reported as of and for the fiscal year ended June 30, 2014 was to recognize the District's proportionate share of the Public Employees' Retirement System's (PERS) net pension liability, deferred outflows of resources and deferred inflows of resources with a corresponding reduction in the unrestricted component of net position in the amount of \$4,370,892.

On July 1, 2014, the East Hanover Township Board of Education had adjusted certain asset values and associated accumulated depreciation for the governmental activities based upon information provided by a capital asset evaluation. The East Hanover Township Board of Education has determined that the effect of this evaluation on the financial statements previously reported as of and for the fiscal year ended June 30, 2014 was to reduce the valuation of the capital assets in the amount of \$3,004,601

The result of these restatements is to reduce total net position of governmental activities at June 30, 2014 from \$12,624,571 as originally reported to \$5,249,078.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | Original Budget | Adjustments | Final Budget | Actual | Variance with Final Budget |
|---|--------------------|----------------|-------------------|-------------------|----------------------------------|
| REVENUES | | | | | |
| Local Sources | | | | | |
| Property Tax Levy | \$ 17,089,582 | | \$ 17,089,582 | \$ 17,089,582 | |
| Tuition | 124,000 | | 124,000 | 68,300 | \$ (55,700) |
| Miscellaneous | 25,000 | - | 25,000 | 253,943 | 228,943 |
| Total Local Sources | <u>17,238,582</u> | <u>-</u> | <u>17,238,582</u> | <u>17,411,825</u> | <u>173,243</u> |
| State Sources | | | | | |
| Special Education Aid | 571,367 | | 571,367 | 571,367 | |
| Security Aid | 15,362 | | 15,362 | 15,362 | |
| Additional Adjustment Aid | 368 | | 368 | 368 | |
| PARCC Readiness Aid | 9,370 | | 9,370 | 9,370 | |
| Per Pupil Growth Aid | 9,370 | | 9,370 | 9,370 | |
| Transportation Aid | 60,665 | | 60,665 | 60,665 | |
| Extraordinary Aid | 140,000 | | 140,000 | 223,531 | 83,531 |
| Nonpublic School Transportation Aid | 5,000 | | 5,000 | 13,746 | 8,746 |
| On-behalf TPAF Pension Payments (Non-Budget) | | | | 412,972 | 412,972 |
| On-behalf TPAF Pension Payments - NCGI Premium (Non-Budget) | | | | 29,711 | 29,711 |
| On-behalf TPAF Pension Payments - Post Retirement Medical (Non-Budget) | | | | 702,760 | 702,760 |
| On-behalf TPAF Social Security Payments (Non-Budget) | - | - | - | 603,993 | 603,993 |
| Total State Sources | <u>811,502</u> | <u>-</u> | <u>811,502</u> | <u>2,653,215</u> | <u>1,841,713</u> |
| Total Revenues | <u>18,050,084</u> | <u>-</u> | <u>18,050,084</u> | <u>20,065,040</u> | <u>2,014,956</u> |
| Instruction - Regular Programs | | | | | |
| Salaries of Teachers | | | | | |
| Kindergarten | 260,178 | \$ (38,303) | 221,875 | 221,875 | - |
| Grades 1-5 | 2,477,863 | (107,050) | 2,370,813 | 2,367,268 | 3,545 |
| Grades 6-8 | 2,102,889 | (68,409) | 2,034,480 | 2,017,415 | 17,065 |
| Regular Program - Home Instruction | | | | | |
| Salaries of Teachers | 600 | 175 | 775 | 775 | - |
| Regular Programs - Undistributed Instruction | | | | | |
| Purchased Professional-Educational Services | | 860 | 860 | 860 | - |
| Purchased Technical Services | 61,437 | 42,163 | 103,600 | 103,600 | - |
| Other Purchased Services | 146,955 | 81,906 | 228,861 | 221,229 | 7,632 |
| General Supplies | 319,232 | 129,267 | 448,499 | 433,095 | 15,404 |
| Textbooks | - | 134,388 | 134,388 | 134,295 | 93 |
| Other Objects | 5,700 | (2,702) | 2,998 | 815 | 2,183 |
| Total Regular Programs | <u>5,374,854</u> | <u>172,295</u> | <u>5,547,149</u> | <u>5,501,227</u> | <u>45,922</u> |
| Special Education | | | | | |
| Learning and Language Disabilities | | | | | |
| General Supplies | 350 | - | 350 | 341 | 9 |
| Total Learning and Language Disabilities | <u>350</u> | <u>-</u> | <u>350</u> | <u>341</u> | <u>9</u> |

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | Original Budget | Adjustments | Final Budget | Actual | Variance with Final Budget |
|--|--------------------|-------------|-----------------|-----------|----------------------------------|
| EXPENDITURES | | | | | |
| CURRENT EXPENDITURES (Continued) | | | | | |
| Special Education (Continued) | | | | | |
| Auditory Impairments | | | | | |
| Salaries of Teachers | \$ 64,275 | - | \$ 64,275 | \$ 64,095 | \$ 180 |
| Other Purchased Services | 150 | - | 150 | | 150 |
| General Supplies | 3,000 | \$ (500) | 2,500 | 2,437 | 63 |
| Total Auditory Impairments | 67,425 | (500) | 66,925 | 66,532 | 393 |
| Multiple Disabilities | | | | | |
| Salaries of Teachers | 193,520 | - | 193,520 | 192,320 | 1,200 |
| Other Salaries for Instruction | 162,893 | 32,512 | 195,405 | 192,242 | 3,163 |
| General Supplies | 700 | (97) | 603 | 603 | - |
| Total Multiple Disabilities | 357,113 | 32,415 | 389,528 | 385,165 | 4,363 |
| Resource Room | | | | | |
| Salaries of Teachers | 1,282,370 | 16,695 | 1,299,065 | 1,282,125 | 16,940 |
| Other Salaries for Instruction | 176,341 | (176,341) | - | - | - |
| General Supplies | 8,000 | 10,920 | 18,920 | 18,178 | 742 |
| Total Resource Room | 1,466,711 | (148,726) | 1,317,985 | 1,300,303 | 17,682 |
| Autism | | | | | |
| Salaries of Teachers | 67,000 | - | 67,000 | 66,910 | 90 |
| Other Salaries for Instruction | 131,792 | (102,663) | 29,129 | 29,063 | 66 |
| General Supplies | 350 | - | 350 | 350 | - |
| Total Autism | 199,142 | (102,663) | 96,479 | 96,323 | 156 |
| Preschool Disabilities - Part-Time | | | | | |
| Salaries of Teachers | 120,535 | (4,325) | 116,210 | 116,210 | - |
| Other Salaries for Instruction | 92,625 | 45,150 | 137,775 | 133,672 | 4,103 |
| General Supplies | 2,000 | 13 | 2,013 | 2,013 | - |
| Other Objects | 200 | (200) | - | - | - |
| Total Preschool Disabilities - Part-Time | 215,360 | 40,638 | 255,998 | 251,895 | 4,103 |
| Total Special Education | 2,306,101 | (178,836) | 2,127,265 | 2,100,559 | 26,706 |
| Basic Skills/Remedial | | | | | |
| Salaries of Teachers | 345,263 | 38,555 | 383,818 | 358,881 | 24,937 |
| General Supplies | 30,500 | (2,220) | 28,280 | 23,762 | 4,518 |
| Textbooks | - | 800 | 800 | 781 | 19 |
| Total Basic Skills/Remedial | 375,763 | 37,135 | 412,898 | 383,424 | 29,474 |
| Bilingual Education | | | | | |
| Salaries of Teachers | 99,670 | - | 99,670 | 99,670 | - |
| Purchased Professional Educational Services | 1,400 | 283 | 1,683 | 912 | 771 |
| Total Bilingual Education | 101,070 | 283 | 101,353 | 100,582 | 771 |
| School Sponsored Cocurricular Activities | | | | | |
| Salaries | 45,373 | 17,808 | 63,181 | 63,181 | - |
| Supplies and Materials | 2,000 | - | 2,000 | - | 2,000 |
| Total School Sponsored Cocurricular Activities | 47,373 | 17,808 | 65,181 | 63,181 | 2,000 |

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | Original Budget | Adjustments | Final Budget | Actual | Variance with Final Budget |
|---|--------------------|-------------|-----------------|-----------|----------------------------------|
| EXPENDITURES | | | | | |
| CURRENT EXPENDITURES (Continued) | | | | | |
| Undistributed Expenditures (Continued) | | | | | |
| School Sponsored Athletics | | | | | |
| Salaries | \$ 50,580 | \$ (7,813) | \$ 42,767 | \$ 40,860 | \$ 1,907 |
| Purchased Services | 10,200 | 200 | 10,400 | 10,400 | - |
| Supplies and Materials | 3,429 | 1,516 | 4,945 | 3,747 | 1,198 |
| Total School Sponsored Athletics | 64,209 | (6,097) | 58,112 | 55,007 | 3,105 |
| Before & After School Programs- Instruction | | | | | |
| Salaries of Teachers | 43,469 | 565 | 44,034 | 21,410 | 22,624 |
| Supplies and Materials | 3,600 | (250) | 3,350 | 569 | 2,781 |
| Total Before & After School Programs | 47,069 | 315 | 47,384 | 21,979 | 25,405 |
| Summer School - Instruction | | | | | |
| Salaries of Teachers | 28,351 | - | 28,351 | 26,756 | 1,595 |
| Other Salaries for Instruction | 25,200 | - | 25,200 | 25,002 | 198 |
| Purchased Prof. & Tech. Services | 68,122 | (17,741) | 50,381 | 50,381 | - |
| General Supplies | 500 | (225) | 275 | 275 | - |
| Total Summer School | 122,173 | (17,966) | 104,207 | 102,414 | 1,793 |
| Total Instruction | 8,438,612 | 24,937 | 8,463,549 | 8,328,373 | 135,176 |
| Undistributed Expenditures | | | | | |
| Instruction | | | | | |
| Tuition to Priv. Sch. for the Disabled- Within the State | 320,145 | 56,869 | 377,014 | 377,014 | - |
| Total Undistributed Expenditures - Instruction | 320,145 | 56,869 | 377,014 | 377,014 | - |
| Health Services | | | | | |
| Salaries | 201,980 | - | 201,980 | 201,980 | - |
| Purchased Professional and Technical Services | 9,098 | 25 | 9,123 | 9,123 | - |
| Other Purchased Services | 200 | (200) | - | - | - |
| Supplies and Materials | 3,600 | 2,796 | 6,396 | 6,396 | - |
| Other Objects | 25 | 519 | 544 | 517 | 27 |
| Total Health Services | 214,903 | 3,140 | 218,043 | 218,016 | 27 |
| Speech, OT, PT and Related Services | | | | | |
| Salaries | 216,277 | (101) | 216,176 | 215,996 | 180 |
| Purchased Professional-Educational Services | 581,122 | (21,360) | 559,762 | 537,544 | 22,218 |
| Supplies and Materials | 7,000 | (1,681) | 5,319 | 4,516 | 803 |
| Other Objects | 300 | 339 | 639 | 639 | - |
| Total OT, PT and Related Services | 804,699 | (22,803) | 781,896 | 758,695 | 23,201 |
| Other Supp. Serv. Students - Extra Serv. | | | | | |
| Salaries | - | 311,099 | 311,099 | 311,099 | - |
| Total Other Supp. Serv. Students - Extra Serv. | - | 311,099 | 311,099 | 311,099 | - |
| Guidance | | | | | |
| Salaries of Other Professional Staff | 118,570 | - | 118,570 | 118,570 | - |
| Total Guidance | 118,570 | - | 118,570 | 118,570 | - |

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| | <u>Original Budget</u> | <u>Adjustments</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|----------------------------|--------------------|-------------------------|----------------|---|
| EXPENDITURES | | | | | |
| CURRENT EXPENDITURES (Continued) | | | | | |
| Undistributed Expenditures (Continued) | | | | | |
| Child Study Teams | | | | | |
| Salaries of Other Professional Staff | \$ 319,913 | - | \$ 319,913 | \$ 319,913 | - |
| Salaries of Secretarial and Clerical Assistants | 54,425 | - | 54,425 | 54,325 | \$ 100 |
| Other Salaries | 17,895 | \$ 1,029 | 18,924 | 16,258 | 2,666 |
| Purchased Professional-Educational Services | 23,000 | 1,804 | 24,804 | 24,804 | - |
| Other Purchased Services | 2,300 | (2,300) | - | - | - |
| Miscellaneous Purchased Services | | 2,538 | 2,538 | 2,535 | 3 |
| Supplies and Materials | 3,600 | 1,269 | 4,869 | 4,869 | - |
| Other Objects | 500 | - | 500 | 450 | 50 |
| Total Child Study Teams | <u>421,633</u> | <u>4,340</u> | <u>425,973</u> | <u>423,154</u> | <u>2,819</u> |
| Educational Media Services/School Library | | | | | |
| Salaries | 141,430 | (755) | 140,675 | 110,647 | 30,028 |
| Salaries of Technology Coordinators | 133,061 | (73,299) | 59,762 | 59,762 | - |
| Other Purchased Services | 1,000 | - | 1,000 | - | 1,000 |
| Supplies and Materials | 18,119 | 2,980 | 21,099 | 19,113 | 1,986 |
| Other Objects | 1,770 | - | 1,770 | 1,734 | 36 |
| Total Educational Media Serv./School Library | <u>295,380</u> | <u>(71,074)</u> | <u>224,306</u> | <u>191,256</u> | <u>33,050</u> |
| Instructional Staff Training Services | | | | | |
| Purchased Professional-Educational Services | 28,000 | (7,103) | 20,897 | 20,897 | - |
| Other Purchased Services | 56,000 | 20,813 | 76,813 | 66,117 | 10,696 |
| Total Instructional Staff Training Services | <u>84,000</u> | <u>13,710</u> | <u>97,710</u> | <u>87,014</u> | <u>10,696</u> |
| Support Services General Administration | | | | | |
| Salaries | 233,569 | (19,279) | 214,290 | 214,290 | - |
| Legal Services | 25,000 | 52,874 | 77,874 | 77,874 | - |
| Audit Fees | 30,000 | 30,015 | 60,015 | 27,845 | 32,170 |
| Architectural/Engineering Services | | 9,250 | 9,250 | | 9,250 |
| Other Purchased Professional Services | 8,470 | 8,260 | 16,730 | 13,808 | 2,922 |
| Communications/Telephone | 59,540 | (8,323) | 51,217 | 42,090 | 9,127 |
| Purchased Technical Services | | 8,112 | 8,112 | 8,112 | - |
| BOE Other Purchased Services | 1,250 | - | 1,250 | 884 | 366 |
| Miscellaneous Purchased Services | 45,340 | 4,873 | 50,213 | 49,381 | 832 |
| General Supplies | 7,800 | 984 | 8,784 | 7,689 | 1,095 |
| Miscellaneous Expenditures | 7,010 | - | 7,010 | 6,213 | 797 |
| BOE Membership Dues and Fees | 9,800 | (250) | 9,550 | 9,365 | 185 |
| Total Support Services General Administration | <u>427,779</u> | <u>86,516</u> | <u>514,295</u> | <u>457,551</u> | <u>56,744</u> |
| Support Services School Administration | | | | | |
| Salaries of Principal/Asst. Principals | 512,351 | 698 | 513,049 | 513,048 | 1 |
| Salaries Other Prof. Staff | 143,238 | 10,191 | 153,429 | 153,429 | - |
| Salaries of Secretarial and Clerical Assistants | 282,511 | (6,847) | 275,664 | 275,664 | - |
| Other Salaries | 15,000 | (15,000) | - | - | - |
| Other Purchased Services | 4,700 | (1,280) | 3,420 | 2,940 | 480 |
| Supplies and Materials | 4,200 | (1,014) | 3,186 | 1,451 | 1,735 |
| Other Objects | 7,650 | (681) | 6,969 | 5,122 | 1,847 |
| Total Support Services School Administration | <u>969,650</u> | <u>(13,933)</u> | <u>955,717</u> | <u>951,654</u> | <u>4,063</u> |

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| | <u>Original Budget</u> | <u>Adjustments</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|----------------------------|--------------------|-------------------------|------------------|---|
| EXPENDITURES | | | | | |
| CURRENT EXPENDITURES (Continued) | | | | | |
| Undistributed Expenditures (Continued) | | | | | |
| Central Services | | | | | |
| Salaries | \$ 254,806 | - | \$ 254,806 | \$ 254,804 | \$ 2 |
| Purchased Technical Services | 17,320 | \$ 340 | 17,660 | 17,660 | - |
| Miscellaneous Purchased Services | 5,140 | - | 5,140 | 4,578 | 562 |
| Supplies and Materials | 8,700 | (405) | 8,295 | 4,782 | 3,513 |
| Other Objects | 1,790 | 405 | 2,195 | 2,120 | 75 |
| Total Central Services | <u>287,756</u> | <u>340</u> | <u>288,096</u> | <u>283,944</u> | <u>4,152</u> |
| Admin. Info. Tech. | | | | | |
| Purchased Technical Services | 27,473 | 21,927 | 49,400 | 47,343 | 2,057 |
| Supplies and Materials | 3,500 | - | 3,500 | 1,395 | 2,105 |
| Total Admin. Info. Tech. | <u>30,973</u> | <u>21,927</u> | <u>52,900</u> | <u>48,738</u> | <u>4,162</u> |
| Required Maintenance for School Facilities | | | | | |
| Salaries | 222,060 | - | 222,060 | 218,122 | 3,938 |
| Cleaning, Repair and Maintenance | 119,560 | 57,641 | 177,201 | 157,092 | 20,109 |
| General Supplies | 39,000 | 569 | 39,569 | 28,027 | 11,542 |
| Other Objects | 2,590 | - | 2,590 | 1,990 | 600 |
| Total Required Maintenance for School Fac. | <u>383,210</u> | <u>58,210</u> | <u>441,420</u> | <u>405,231</u> | <u>36,189</u> |
| Custodial Services | | | | | |
| Salaries | 528,236 | (4,039) | 524,197 | 510,895 | 13,302 |
| Salaries for Non-Instructional Aides | 97,541 | 4,039 | 101,580 | 96,729 | 4,851 |
| Purchased Prof. And Technical Serv. | 3,975 | - | 3,975 | 3,894 | 81 |
| Cleaning, Repair and Maint. Serv. | 28,059 | (12,501) | 15,558 | 14,319 | 1,239 |
| Insurance | 80,000 | (4,402) | 75,598 | 74,260 | 1,338 |
| General Supplies | 37,520 | - | 37,520 | 34,125 | 3,395 |
| Energy (Gasoline) | 6,000 | - | 6,000 | 3,916 | 2,084 |
| Other Objects | 2,180 | - | 2,180 | 1,073 | 1,107 |
| Energy (Electricity) | 190,000 | - | 190,000 | 157,115 | 32,885 |
| Energy (Natural Gas) | 119,740 | - | 119,740 | 98,886 | 20,854 |
| Total Custodial Services | <u>1,093,251</u> | <u>(16,903)</u> | <u>1,076,348</u> | <u>995,212</u> | <u>81,136</u> |
| Care and Upkeep of Grounds | | | | | |
| Clean, Repair and Maintenance Serv. | 3,000 | 450 | 3,450 | 3,450 | - |
| General Supplies | 1,000 | (450) | 550 | 379 | 171 |
| Total Care and Upkeep of Grounds | <u>4,000</u> | <u>-</u> | <u>4,000</u> | <u>3,829</u> | <u>171</u> |
| Student Transportation Services | | | | | |
| Salaries - Pupil Transportation (Between Home & School) - Regular | 224,191 | - | 224,191 | 183,553 | 40,638 |
| Cleaning, Repair & Maint. Svc. | 6,500 | - | 6,500 | 3,497 | 3,003 |
| Contracted Services - Aid in Lieu of Payments - Non-Public Schools | 60,220 | (1,009) | 59,211 | 56,764 | 2,447 |
| Contracted Services- (Between Home and School - Joint Agreements) | 589,773 | 3,480 | 593,253 | 593,253 | - |
| Contracted Services (Other than Bet Home and School - Vendors) | 26,453 | 984 | 27,437 | 27,437 | - |
| Contracted Service (Spl. Ed.) - ESCs & CTSAs | 290,335 | (45,524) | 244,811 | 202,450 | 42,361 |
| Misc. Purchased Svc. - Transportation | 2,000 | (59) | 1,941 | 1,516 | 425 |
| Supplies and Materials | 6,500 | 34 | 6,534 | 5,685 | 849 |
| Other Objects | - | 50 | 50 | 50 | - |
| Total Student Transportation Services | <u>1,205,972</u> | <u>(42,044)</u> | <u>1,163,928</u> | <u>1,074,205</u> | <u>89,723</u> |

Continued

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| | Original Budget | Adjustments | Final Budget | Actual | Variance with Final Budget |
|---|--------------------|------------------|-------------------|-------------------|----------------------------------|
| EXPENDITURES | | | | | |
| CURRENT EXPENDITURES (Continued) | | | | | |
| Unallocated Benefits - Employee Benefits | | | | | |
| Social Security Contributions | \$ 219,000 | \$ 11,844 | \$ 230,844 | \$ 230,844 | - |
| Other Retirement Contributions - PERS/DCRP | 232,936 | (18,331) | 214,605 | 211,693 | \$ 2,912 |
| Unemployment Compensation | 94,500 | (44,500) | 50,000 | 50,000 | - |
| Workmen's Compensation | - | 99,063 | 99,063 | 97,011 | 2,052 |
| Health Benefits | 2,517,783 | (356,505) | 2,161,278 | 2,128,126 | 33,152 |
| Tuition Reimbursement | 40,000 | (12,000) | 28,000 | 20,495 | 7,505 |
| Other Employee Benefits | 87,175 | 52,464 | 139,639 | 138,783 | 856 |
| Total Unallocated Benefits - Employee Benefits | <u>3,191,394</u> | <u>(267,965)</u> | <u>2,923,429</u> | <u>2,876,952</u> | <u>46,477</u> |
| On-behalf TPAF Pension Payments (Non-Budget) | | | | 412,972 | (412,972) |
| On-behalf TPAF Pension Payments - NCGI Premium (Non-Budget) | | | | 29,711 | (29,711) |
| On-behalf TPAF Pension Payments - Post Retirement Medical (Non-Budget) | | | | 702,760 | (702,760) |
| On-behalf TPAF Social Security Payments (Non-Budget) | - | - | - | 603,993 | (603,993) |
| Total Undistributed Expenditures | <u>9,853,315</u> | <u>121,429</u> | <u>9,974,744</u> | <u>11,331,570</u> | <u>(1,356,826)</u> |
| Total Expenditures - Current Expenditures | <u>18,291,927</u> | <u>146,366</u> | <u>18,438,293</u> | <u>19,659,943</u> | <u>(1,221,650)</u> |
| CAPITAL OUTLAY | | | | | |
| Equipment | | | | | |
| Multiple Disabilities | 12,000 | 4,946 | 16,946 | 16,946 | - |
| Undistributed Expenditures: | | | | | |
| Instruction | 10,000 | 13,440 | 23,440 | 15,770 | 7,670 |
| General Administration | | 2,288 | 2,288 | 2,288 | - |
| Required Maintenance for School Facilities | 2,500 | 4,125 | 6,625 | 6,625 | - |
| Security | - | 13,500 | 13,500 | 13,500 | - |
| Total Equipment | <u>24,500</u> | <u>38,299</u> | <u>62,799</u> | <u>55,129</u> | <u>7,670</u> |
| Facilities Acquisition and Construction Services | | | | | |
| Architectural/Engineering Services | - | - | - | - | - |
| Other Purchased Professional and Technical Services | | 3,500 | 3,500 | - | 3,500 |
| Construction Services | 85,000 | 545,545 | 630,545 | 574,817 | 55,728 |
| Assessment for Debt Service on SDA Funding | 39,454 | - | 39,454 | 39,454 | - |
| Total Facilities Acquisition and Construction Services | <u>124,454</u> | <u>549,045</u> | <u>673,499</u> | <u>614,271</u> | <u>59,228</u> |
| Total Capital Outlay | <u>148,954</u> | <u>587,344</u> | <u>736,298</u> | <u>669,400</u> | <u>66,898</u> |

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| | <u>Original Budget</u> | <u>Adjustments</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|----------------------------|---------------------|-------------------------|---------------------|---|
| EXPENDITURES | | | | | |
| CURRENT EXPENDITURES (Continued) | | | | | |
| Total Expenditures | \$ 18,440,881 | \$ 733,710 | \$ 19,174,591 | \$ 20,329,343 | \$ (1,154,752) |
| Excess (Deficiency) of Revenues Over/(Under) Expenditures | (390,797) | (733,710) | (1,124,507) | (264,303) | 860,204 |
| Other Financing Sources/(Uses) Transfer In | - | 74,655 | 74,655 | 54,454 | (20,201) |
| Total Other Financing Sources/(Uses) | - | 74,655 | 74,655 | 54,454 | (20,201) |
| Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Sources | (390,797) | (659,055) | (1,049,852) | (209,849) | 840,003 |
| Fund Balance, Beginning of Year | 3,118,458 | - | 3,118,458 | 3,118,458 | - |
| Fund Balance, End of Year | <u>\$ 2,727,661</u> | <u>\$ (659,055)</u> | <u>\$ 2,068,606</u> | <u>\$ 2,908,609</u> | <u>\$ 840,003</u> |
| Recapitulation of Fund Balance | | | | | |
| Restricted Fund Balance: | | | | | |
| Excess Surplus | | | | \$ 161,923 | |
| Excess Surplus - Designated for Subsequent Year's Expenditures | | | | 312,406 | |
| Maintenance Reserve | | | | 160,150 | |
| Maintenance Reserve- Designated for Subsequent Year's Expenditures | | | | 212,850 | |
| Capital Reserve | | | | 1,286,883 | |
| Capital Reserve- Designated for Subsequent Year's Expenditures | | | | 232,000 | |
| Assigned Fund Balance: | | | | | |
| Year-End Encumbrances | | | | 78,522 | |
| Unassigned Fund Balance: | | | | | |
| | | | | <u>463,875</u> | |
| Budgetary Fund Balance | | | | <u>2,908,609</u> | |
| Reconciliation to Governmental Fund Statements (GAAP) | | | | | |
| 2014/2015 State Aid Payment Not Recognized on a GAAP Basis | | | | 62,713 | |
| 2014/2015 Extraordinary Aid Not Recognized on GAAP Basis | | | | <u>223,531</u> | |
| Fund Balance per Governmental Funds (GAAP Basis) | | | | <u>\$ 2,622,365</u> | |

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
BUDGET (NON-GAAP) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| | <u>Original Budget</u> | <u>Adjustments</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|----------------------------|--------------------|-------------------------|----------------|---|
| REVENUES | | | | | |
| Intergovernmental | | | | | |
| Local | | \$ 151,043 | \$ 151,043 | \$ 145,871 | \$ 5,172 |
| State | \$ 54,795 | 4,132 | 58,927 | 42,700 | 16,227 |
| Federal | 234,847 | 61,347 | 296,194 | 289,775 | 6,419 |
| Total Revenues | <u>289,642</u> | <u>216,522</u> | <u>506,164</u> | <u>478,346</u> | <u>27,818</u> |
| EXPENDITURES | | | | | |
| Instruction | | | | | |
| Tuition | 192,126 | 38,920 | 231,046 | 231,046 | - |
| General Supplies | 2,034 | 60,690 | 62,724 | 57,552 | 5,172 |
| Textbooks | 5,578 | 857 | 6,435 | 6,435 | - |
| Total Instruction | <u>199,738</u> | <u>100,467</u> | <u>300,205</u> | <u>295,033</u> | <u>5,172</u> |
| Support Services | | | | | |
| Purchased Professional/Educational Services | 11,751 | 2,650 | 14,401 | 14,401 | - |
| Purchased Professional and Technical Services | 78,153 | (17,915) | 60,238 | 37,762 | 22,476 |
| Other Purchased Services | - | 45,218 | 45,218 | 45,218 | - |
| Supplies and Materials | - | 2,800 | 2,800 | 2,630 | 170 |
| Total Support Services | <u>89,904</u> | <u>32,753</u> | <u>122,657</u> | <u>100,011</u> | <u>22,646</u> |
| Facilities Acquisition and Construction Services | | | | | |
| Construction Services | | 15,000 | 15,000 | 15,000 | - |
| Instructional Equipment | - | 68,302 | 68,302 | 68,302 | - |
| Total Facilities Acquisition and Construction | <u>-</u> | <u>83,302</u> | <u>83,302</u> | <u>83,302</u> | <u>-</u> |
| Total Expenditures | <u>289,642</u> | <u>216,522</u> | <u>506,164</u> | <u>478,346</u> | <u>27,818</u> |
| Excess (Deficiency) of Revenues Over/(Under) Expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances, Beginning of Year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART II

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described below. Encumbrance accounting is also employed as an extension of formal budgetary integration of the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the Special Revenue Funds are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The following presents a reconciliation of the General and Special Revenue Funds from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

| | | General Fund | | Special Revenue Fund |
|---|-------|-------------------------|-------|-------------------------------------|
| Sources/inflows of resources | | | | |
| Actual amounts (budgetary basis) "revenue" | | | | |
| from the budgetary comparison schedule | (C-1) | \$ 20,065,040 | (C-2) | \$ 478,346 |
| Difference - Budget to GAAP: | | | | |
| State Aid payment and Extraordinary Aid recognized for GAAP purposes, not recognized for Budgetary statements (2013/2014 State Aid) | | 319,260 | | |
| State Aid payment and Extraordinary Aid recognized for Budgetary purposes, not recognized for GAAP statements (2014/2015 State Aid) | | <u>(286,244)</u> | | <u>-</u> |
| Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds. | (B-2) | <u>\$ 20,098,056</u> | (B-2) | <u>\$ 478,346</u> |
| Uses/outflows of resources | | | | |
| Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule | (C-1) | \$ 20,329,343 | (C-2) | \$ 478,346 |
| Differences - Budget to GAAP | | | | |
| Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | (B-2) | <u>\$ 20,329,343</u> | (B-2) | <u>\$ 478,346</u> |

REQUIRED SUPPLEMENTARY INFORMATION - PART III

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Public Employees Retirement System

Last Two Fiscal Years*

| | <u>2015</u> | <u>2014</u> |
|---|--------------|--------------|
| District's Proportion of the Net Position Liability (Asset) | 0.02336 % | 0.02287 % |
| District's Proportionate Share of the Net Pension Liability (Asset) | \$ 4,374,279 | \$ 4,370,892 |
| District's Covered-Employee Payroll | \$ 1,600,512 | \$ 1,640,479 |
| District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll | 273.30 % | 266.44 % |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 52.08% | 48.72% |

* The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS**

Public Employees Retirement System

Last Two Fiscal Years

| | <u>2015</u> | <u>2014</u> |
|---|----------------|----------------|
| Contractually Required Contribution | \$ 192,605 | \$ 173,968 |
| Contributions in Relation to the Contractually Required Contribution | <u>192,605</u> | <u>173,968</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> |
| District's Covered-Employee Payroll | \$ 1,600,512 | \$ 1,640,479 |
| Contributions as a Percentage of Covered-Employee Payroll | 0.12034 % | 0.10605 % |

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Teachers Pension and Annuity Fund

Last Two Fiscal Years*

| | <u>2015</u> | <u>2014</u> |
|---|----------------------|----------------------|
| District's Proportion of the Net Position Liability (Asset) | 0 % | 0 % |
| District's Proportionate Share of the Net Pension Liability (Asset) | 0 % | 0 % |
| State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District | <u>\$ 45,634,900</u> | <u>\$ 41,792,527</u> |
| Total | <u>\$ 45,634,900</u> | <u>\$ 41,792,527</u> |
| District's Covered-Employee Payroll | <u>\$ 7,961,442</u> | <u>\$ 8,013,750</u> |
| District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll | 0 % | 0 % |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 33.64% | 33.76% |

* The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND SCHEDULE OF DISTRICT CONTRIBUTIONS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Change of Benefit Terms: None.

Change of Assumptions: The discount rate changed from the District's rate as of June 30, 2014 to the District's rate as of June 30, 2015, in accordance with GASB Statement No. 67.

SCHOOL LEVEL SCHEDULES

(General Fund)

NOT APPLICABLE

SPECIAL REVENUE FUND

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| | <u>Total</u> <u>Page 2</u> | <u>Title IIA</u> | <u>Title IIA</u> <u>Carryover</u> | <u>I.D.E.I.A.</u> <u>Part B</u> <u>Basic</u> | <u>I.D.E.I.A.</u> <u>Part B</u> <u>Basic</u> <u>Carryover</u> | <u>I.D.E.I.A.</u> <u>Preschool</u> | <u>I.D.E.I.A.</u> <u>Preschool</u> <u>Carryover</u> | <u>Local</u> | <u>Grand</u> <u>Total</u> |
|--|-------------------------------|------------------|--------------------------------------|--|--|---------------------------------------|---|-------------------|------------------------------|
| REVENUES | | | | | | | | | |
| Intergovernmental | | | | | | | | | |
| Local | | | | | | | | \$ 145,871 | \$ 145,871 |
| State | \$ 42,700 | | | | | | | | 42,700 |
| Federal | - | \$ 17,057 | \$ 7,476 | \$ 242,205 | \$ 8,636 | \$ 13,741 | \$ 660 | - | 289,775 |
| Total Revenues | <u>\$ 42,700</u> | <u>\$ 17,057</u> | <u>\$ 7,476</u> | <u>\$ 242,205</u> | <u>\$ 8,636</u> | <u>\$ 13,741</u> | <u>\$ 660</u> | <u>\$ 145,871</u> | <u>\$ 478,346</u> |
| EXPENDITURES | | | | | | | | | |
| Instruction | | | | | | | | | |
| Tuition | | | | \$ 231,046 | | | | | \$ 231,046 |
| Supplies and Materials | \$ 3,456 | | | | | | | \$ 54,096 | 57,552 |
| Textbooks | 6,435 | - | - | - | - | - | - | - | 6,435 |
| Total Instruction | <u>9,891</u> | <u>-</u> | <u>-</u> | <u>231,046</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>54,096</u> | <u>295,033</u> |
| Support Services | | | | | | | | | |
| Purchased Professional Educational Services | | | | | | \$ 13,741 | \$ 660 | | 14,401 |
| Purchased Professional and Technical Services | 10,244 | \$ 7,723 | | 11,159 | \$ 8,636 | | | | 37,762 |
| Other Purchased Services | 22,565 | 8,907 | \$ 4,571 | | | | | 9,175 | 45,218 |
| Supplies and Materials | - | 427 | 2,203 | - | - | - | - | - | 2,630 |
| Total Support Services | <u>32,809</u> | <u>17,057</u> | <u>6,774</u> | <u>11,159</u> | <u>8,636</u> | <u>13,741</u> | <u>660</u> | <u>9,175</u> | <u>100,011</u> |
| Facilities Acquisition and Construction | | | | | | | | | |
| Construction Services | | | | | | | | 15,000 | 15,000 |
| Instructional Equipment | - | - | 702 | - | - | - | - | 67,600 | 68,302 |
| Total Facilities Acquisition and Construction | <u>-</u> | <u>-</u> | <u>702</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>82,600</u> | <u>83,302</u> |
| Total Expenditures | <u>\$ 42,700</u> | <u>\$ 17,057</u> | <u>\$ 7,476</u> | <u>\$ 242,205</u> | <u>\$ 8,636</u> | <u>\$ 13,741</u> | <u>\$ 660</u> | <u>\$ 145,871</u> | <u>\$ 478,346</u> |

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| | Non-Public Chapter 192/193 | | | | | | | <u>Page Total</u> |
|---|--------------------------------|------------------------------|---------------------------------|-----------------------------------|------------------------------|---|-------------------------------------|-----------------------|
| | <u>Nonpublic Textbooks</u> | <u>Nonpublic Nursing</u> | <u>Nonpublic Technology</u> | <u>Compensatory Education</u> | <u>Corrective Speech</u> | <u>Examination & Classification</u> | <u>Supplemental Instruction</u> | |
| REVENUES | | | | | | | | |
| Intergovernmental | | | | | | | | |
| Local | | | | | | | | |
| State | \$ 6,435 | \$ 10,244 | \$ 3,456 | \$ 8,600 | \$ 5,831 | \$ 3,426 | \$ 4,708 | \$ 42,700 |
| Federal | - | - | - | - | - | - | - | - |
| Total Revenues | <u>\$ 6,435</u> | <u>\$ 10,244</u> | <u>\$ 3,456</u> | <u>\$ 8,600</u> | <u>\$ 5,831</u> | <u>\$ 3,426</u> | <u>\$ 4,708</u> | <u>\$ 42,700</u> |
| EXPENDITURES | | | | | | | | |
| Instruction | | | | | | | | |
| Purchased Professional and Technical Services | | | | | | | | \$ 3,456 |
| General Supplies | | | \$ 3,456 | | | | | \$ 3,456 |
| Textbooks | \$ 6,435 | - | - | - | - | - | - | 6,435 |
| Total Instruction | <u>6,435</u> | <u>-</u> | <u>3,456</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>9,891</u> |
| Support Services | | | | | | | | |
| Purchased Professional and Technical Services | | \$ 10,244 | | | | | | 10,244 |
| Other Purchased Services | | | | \$ 8,600 | \$ 5,831 | \$ 3,426 | \$ 4,708 | 22,565 |
| Supplies and Materials | - | - | - | - | - | - | - | - |
| Total Support Services | <u>-</u> | <u>10,244</u> | <u>-</u> | <u>8,600</u> | <u>5,831</u> | <u>3,426</u> | <u>4,708</u> | <u>32,809</u> |
| Facilities Acquisition and Construction | | | | | | | | |
| Instructional Equipment | - | - | - | - | - | - | - | - |
| Total Facilities Acquisition and Construction | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Expenditures | <u>\$ 6,435</u> | <u>\$ 10,244</u> | <u>\$ 3,456</u> | <u>\$ 8,600</u> | <u>\$ 5,831</u> | <u>\$ 3,426</u> | <u>\$ 4,708</u> | <u>\$ 42,700</u> |

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SPECIAL REVENUE FUND
SCHEDULE OF PRESCHOOL EDUCATION AID EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOT APPLICABLE

CAPITAL PROJECTS FUND

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| <u>Project</u> | <u>Appropriations</u> | <u>Expenditures to Date</u> | | <u>Transfer</u> | <u>Unexpended</u> |
|--|-----------------------|-----------------------------|---------------------|-----------------------------|----------------------|
| | | <u>Prior Year</u> | <u>Current Year</u> | <u>Out</u> | <u>Balance,</u> |
| | | | | | <u>June 30, 2015</u> |
| Additions and Renovations to Central School, Frank J. Smith School and Middle School | \$ 14,540,955 | \$ 14,435,385 | \$ - | \$ 105,570 | \$ - |
| Total Referendum Project | <u>\$ 14,540,955</u> | <u>\$ 14,435,385</u> | <u>\$ -</u> | <u>\$ 105,570</u> | - |
| | | | | Fund Balance, June 30, 2015 | <u>\$ -</u> |

Analysis of Appropriations:

| | |
|---|------------------|
| Additions and Renovations to Central School | |
| Facilities Grant | \$ 1,827,494 |
| Bond Proceeds | 3,072,000 |
| Capital Reserve | <u>10</u> |
| | <u>4,899,504</u> |

| | |
|--|------------------|
| Additions and Renovations to Frank J. Smith School | |
| Facilities Grant | 2,016,063 |
| Bond Proceeds | 5,364,000 |
| Capital Reserve | <u>175</u> |
| | <u>7,380,238</u> |

| | |
|--|------------------|
| Additions and Renovations to Middle School | |
| Facilities Grant | 904,485 |
| Bond Proceeds | 1,356,000 |
| Capital Reserve | <u>728</u> |
| | <u>2,261,213</u> |

| | |
|-----------------------------|----------------------|
| Total Project Appropriation | <u>\$ 14,540,955</u> |
|-----------------------------|----------------------|

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| | |
|--|-------------------|
| Expenditures and Other Financing Uses | |
| Transfer Out | \$ <u>105,570</u> |
| Total Expenditures and Other Financing Uses | <u>105,570</u> |
| Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (105,570) |
| Fund Balance- Beginning of Year | <u>105,570</u> |
| Fund Balance- End of Year | <u>\$ -</u> |

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
ADDITIONS AND RENOVATIONS TO CENTRAL SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| | <u>Prior Periods</u> | <u>Current Year</u> | <u>Totals</u> | <u>Revised Authorized Cost</u> |
|---|----------------------|---------------------|-------------------|--|
| Revenues and Other Financing Sources | | | | |
| State Sources- SCC Grant | \$ 4,748,042 | | \$ 4,748,042 | \$ 4,748,042 |
| Bond Proceeds | 9,792,000 | | 9,792,000 | 9,792,000 |
| Transfer from Capital Reserve | 913 | - | 913 | 913 |
| | <u>14,540,955</u> | <u>-</u> | <u>14,540,955</u> | <u>14,540,955</u> |
| Expenditures and Other Financing Uses | | | | |
| Construction Services | 11,461,074 | | 11,461,074 | 11,461,074 |
| Purchased Professional Services | 2,098,414 | | 2,098,414 | 2,098,414 |
| Equipment | 585,282 | | 585,282 | 585,282 |
| Other Costs | 190,615 | - | 190,615 | 190,615 |
| Transfers | 100,000 | \$ 105,570 | 205,570 | 205,570 |
| | <u>14,435,385</u> | <u>105,570</u> | <u>14,540,955</u> | <u>14,540,955</u> |
| Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | <u>\$ 105,570</u> | <u>\$ (105,570)</u> | <u>\$ -</u> | <u>\$ -</u> |

Additional Project Information:

| | |
|----------------------------|------------------|
| Project Number | 1190-030-02-0590 |
| Grant Date | 08/07/02 |
| Bond Authorization Date | 01/15/03 |
| Bonds Authorized | \$ 9,792,000 |
| Bonds Issued | 9,792,000 |
| Original Authorized Cost | 13,587,955 |
| Additional Authorized Cost | 953,000 |
| Revised Authorized Cost | 14,540,955 |

Percentage Increase(Decrease) Over Original

| | |
|---------------------------------|--------|
| Authorized Cost | 7.01% |
| Percentage Completion | 100% |
| Original Target Completion Date | Aug-04 |
| Revised Target Completion Date | Jun-12 |

ENTERPRISE FUND

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
PROPRIETARY FUNDS
COMBINING STATEMENTS OF NET POSITION
AS OF JUNE 30, 2015**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

**COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

**COMBINING STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

FIDUCIARY FUNDS

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2015**

| | <u>Student Activity</u> | <u>Payroll</u> | <u>Total Agency Funds</u> |
|-------------------------------------|-----------------------------|------------------|-------------------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 39,740 | \$ 19,085 | \$ 58,825 |
| Total Assets | <u>\$ 39,740</u> | <u>\$ 19,085</u> | <u>\$ 58,825</u> |
| LIABILITIES | | | |
| Due to Student Groups | \$ 39,740 | | \$ 39,740 |
| Accrued Salaries and Wages | | \$ 2,908 | 2,908 |
| Flexible Spending | | 1,948 | 1,948 |
| Payroll Deductions and Withholdings | <u>-</u> | <u>14,229</u> | <u>14,229</u> |
| Total Liabilities | <u>\$ 39,740</u> | <u>\$ 19,085</u> | <u>\$ 58,825</u> |

**FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

THIS STATEMENT IS NOT APPLICABLE
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-7

**EAST HANOER TOWNSHIP BOARD OF EDUCATION
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| | <u>Balance, July 1, 2014</u> | <u>Cash Receipts</u> | <u>Cash Disbursements</u> | <u>Balance, June 30, 2015</u> |
|----------------------------|----------------------------------|--------------------------|-------------------------------|-----------------------------------|
| <u>Elementary Schools:</u> | | | | |
| Frank J. Smith | \$ 14,905 | \$ 14,183 | \$ 19,622 | \$ 9,466 |
| Central School | 9,831 | 29,068 | 31,256 | 7,643 |
| Middle School | <u>26,915</u> | <u>144,327</u> | <u>148,611</u> | <u>22,631</u> |
| Total All Schools | <u>\$ 51,651</u> | <u>\$ 187,578</u> | <u>\$ 199,489</u> | <u>\$ 39,740</u> |

**PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| | <u>Balance, July 1, 2014</u> | <u>Cash Receipts</u> | <u>Cash Disbursements</u> | <u>Balance, June 30, 2015</u> |
|-------------------------------------|--------------------------------------|--------------------------|-------------------------------|---------------------------------------|
| Payroll Deductions and Withholdings | \$ 13,824 | \$ 5,503,666 | \$ 5,503,261 | \$ 14,229 |
| Accrued Salaries and Wages | 2,909 | 7,272,791 | 7,272,792 | 2,908 |
| Flexible Spending | <u>2,933</u> | <u>8,380</u> | <u>9,365</u> | <u>1,948</u> |
| Total | <u>\$ 19,666</u> | <u>\$ 12,784,837</u> | <u>\$ 12,785,418</u> | <u>\$ 19,085</u> |

LONG-TERM DEBT

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| <u>Purpose</u> | <u>Date of Issue</u> | <u>Amount of Issue</u> | <u>Annual Maturities Date</u> | <u>Amount</u> | <u>Interest Rate</u> | <u>Balance, July 1, 2014</u> | <u>Matured</u> | <u>Balance, June 30, 2015</u> |
|-----------------|----------------------|------------------------|-------------------------------|---------------|----------------------|------------------------------|-------------------|-------------------------------|
| Refunding Bonds | 1/15/2012 | \$ 6,355,000 | 1/15/2016 | \$ 505,000 | 2.00% | | | |
| | | | 1/15/2017 | 520,000 | 2.00% | | | |
| | | | 1/15/2018 | 540,000 | 2.25% | | | |
| | | | 1/15/2019 | 560,000 | 2.38% | | | |
| | | | 1/15/2020 | 570,000 | 2.63% | | | |
| | | | 1/15/2021 | 575,000 | 3.00% | | | |
| | | | 1/15/2022 | 565,000 | 3.00% | | | |
| | | | 1/15/2023 | 555,000 | 3.00% | | | |
| | | | | | | \$ 4,890,000 | \$ 500,000 | \$ 4,390,000 |
| | | | | | | <u>\$ 4,890,000</u> | <u>\$ 500,000</u> | <u>\$ 4,390,000</u> |

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | <u>Original Budget</u> | <u>Adjustments</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|----------------------------|--------------------|---|----------------|---|
| REVENUES | | | | | |
| Local Sources | | | | | |
| Local Property Tax Levy | \$ 516,191 | - | \$ 516,191 | \$ 516,191 | - |
| Total Revenues | <u>516,191</u> | <u>-</u> | <u>516,191</u> | <u>516,191</u> | <u>-</u> |
| EXPENDITURES | | | | | |
| Regular Debt Service | | | | | |
| Interest | 121,763 | - | 121,763 | 121,762 | \$ 1 |
| Principal | <u>500,000</u> | <u>-</u> | <u>500,000</u> | <u>500,000</u> | <u>-</u> |
| Total Expenditures | <u>621,763</u> | <u>-</u> | <u>621,763</u> | <u>621,762</u> | <u>1</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (105,572) | - | (105,572) | (105,571) | 1 |
| Other Finance Sources | | | | | |
| Transfer In | <u>105,571</u> | <u>-</u> | <u>105,571</u> | <u>105,570</u> | <u>-</u> |
| Total Other Financing Sources | <u>105,571</u> | <u>-</u> | <u>105,571</u> | <u>105,570</u> | <u>-</u> |
| Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Sources | <u>(1)</u> | <u>-</u> | <u>(1)</u> | <u>(1)</u> | <u>1</u> |
| Fund Balance, Beginning of Year | <u>2</u> | <u>-</u> | <u>2</u> | <u>2</u> | <u>-</u> |
| Fund Balance, End of Year | <u>\$ 1</u> | <u>\$ -</u> | <u>\$ 1</u> | <u>\$ 1</u> | <u>\$ 1</u> |
| | | | Restricted Fund Balance Designated for Subsequent Year's Expenditures | <u>\$ 1</u> | |

STATISTICAL SECTION

This part of the East Hanover Township Board of Education's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

Exhibits

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

J-1 to J-5

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

J-6 to J-9

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

J-10 to J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

J-14 and J-15

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs. J-16 to J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

| | Fiscal Year Ended June 30, | | | | | | | | | |
|--|----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|------------------------|---------------------|
| | 2006 | 2007 (Restated) | 2008 | 2009 | 2010 | 2011 | 2012 (1) | 2013 | 2014 (2) (Restated) | 2015 |
| Governmental Activities | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 106,529 | \$ 6,588,286 | \$ 6,893,035 | \$ 7,088,183 | \$ 7,448,345 | \$ 8,428,587 | \$ 9,018,662 | \$ 9,123,389 | \$ 7,191,639 | \$ 7,241,344 |
| Restricted | 251,656 | 261,133 | 263,053 | 263,799 | 414,508 | 314,012 | 1,021,031 | 1,478,155 | 1,385,630 | 1,891,884 |
| Unrestricted | <u>106,529</u> | <u>(275,424)</u> | <u>(344,397)</u> | <u>(263,667)</u> | <u>67,848</u> | <u>734,700</u> | <u>698,939</u> | <u>812,138</u> | <u>(3,328,191)</u> | <u>(4,048,693)</u> |
| Total Governmental Activities Net Position | <u>\$ 464,714</u> | <u>\$ 6,573,995</u> | <u>\$ 6,811,691</u> | <u>\$ 7,088,315</u> | <u>\$ 7,930,701</u> | <u>\$ 9,477,299</u> | <u>\$ 10,738,632</u> | <u>\$ 11,413,682</u> | <u>\$ 5,249,078</u> | <u>\$ 5,084,535</u> |
| Business-Type Activities | | | | | | | | | | |
| Net Investment in Capital Assets | | | | | | \$ 8,093 | \$ 8,607 | \$ 16,556 | \$ 11,717 | \$ 11,062 |
| Unrestricted | \$ 616 | \$ 6,372 | \$ 13,599 | \$ 18,910 | \$ 27,637 | 235,877 | 446,252 | 642,973 | 252,571 | 288,652 |
| Total Business-Type Activities Net Position | <u>\$ 616</u> | <u>\$ 6,372</u> | <u>\$ 13,599</u> | <u>\$ 18,910</u> | <u>\$ 27,637</u> | <u>\$ 243,970</u> | <u>\$ 454,859</u> | <u>\$ 659,529</u> | <u>\$ 264,288</u> | <u>\$ 299,714</u> |
| District-Wide | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 6,254,970 | \$ 6,588,286 | 6,893,035 | 7,088,183 | 7,448,345 | 8,436,680 | 9,027,269 | 9,139,945 | 7,203,356 | 7,252,406 |
| Restricted | 251,656 | 261,133 | 263,053 | 263,799 | 414,508 | 314,012 | 1,021,031 | 1,478,155 | 1,385,630 | 1,891,884 |
| Unrestricted | <u>107,145</u> | <u>(269,052)</u> | <u>(330,798)</u> | <u>(244,757)</u> | <u>95,485</u> | <u>970,577</u> | <u>1,145,191</u> | <u>1,455,111</u> | <u>(3,075,620)</u> | <u>(3,760,041)</u> |
| Total District Net Position | <u>\$ 6,613,771</u> | <u>\$ 6,580,367</u> | <u>\$ 6,825,290</u> | <u>\$ 7,107,225</u> | <u>\$ 7,958,338</u> | <u>\$ 9,721,269</u> | <u>\$ 11,193,491</u> | <u>\$ 12,073,211</u> | <u>\$ 5,513,366</u> | <u>\$ 5,384,249</u> |

Source: District's Financial Records

Note 1 - Net Position at June 30, 2012 is restated to reflect the implementation of GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" and GASB Statement "Items Previously Reported in Assets and Liabilities".

Note 2- Net Position at June 30, 2014 has been restated to reflect the implementation of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" and for corrections of the capital assets.

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

| | Fiscal Year Ended June 30, | | | | | | | | | |
|--|----------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Expenses | | | | | | | | | | |
| Governmental Activities | | | | | | | | | | |
| Instruction | | | | | | | | | | |
| Regular | \$ 7,234,255 | \$ 7,316,648 | \$ 7,375,642 | \$ 7,242,000 | \$ 7,335,791 | \$ 7,273,332 | \$ 7,300,500 | \$ 7,627,472 | \$ 7,433,337 | \$ 8,936,445 |
| Special Education | 3,377,737 | 3,900,588 | 4,114,560 | 3,921,340 | 4,105,242 | 3,971,192 | 3,994,843 | 4,166,051 | 3,695,472 | 4,235,965 |
| Other Instruction | 304,639 | 482,462 | 501,997 | 515,643 | 535,460 | 689,777 | 659,204 | 521,872 | 727,235 | 869,224 |
| School Sponsored Activities and Athletics | 112,825 | 135,753 | 138,141 | 156,545 | 153,907 | 165,258 | 143,543 | 220,893 | 162,914 | 334,569 |
| Support Services: | | | | | | | | | | |
| Student & Instruction Related Services | 1,772,106 | 1,992,862 | 2,123,891 | 2,183,912 | 2,164,484 | 1,988,873 | 2,065,190 | 2,281,958 | 2,617,070 | 3,259,064 |
| General Administration | 511,748 | 1,049,983 | 1,033,427 | 739,616 | 600,557 | 459,408 | 450,156 | 568,071 | 483,623 | 614,681 |
| School Administrative Services | 894,622 | 508,755 | 584,160 | 1,046,552 | 1,216,253 | 1,111,225 | 1,240,938 | 1,319,443 | 1,337,113 | 1,644,589 |
| Plant Operations And Maintenance | 1,537,161 | 1,456,878 | 1,488,315 | 1,601,921 | 1,648,716 | 1,529,296 | 1,600,416 | 1,465,983 | 1,744,199 | 1,696,158 |
| Pupil Transportation | 990,168 | 977,532 | 974,757 | 1,042,949 | 1,022,589 | 1,039,319 | 1,031,678 | 1,127,879 | 1,070,623 | 1,139,088 |
| Central Services | 448,225 | 507,052 | 588,070 | 584,705 | 454,181 | 438,247 | 394,801 | 354,931 | 348,388 | 422,750 |
| Interest and Other Charges | 325,875 | 325,677 | 367,679 | 300,734 | 302,318 | 198,129 | 224,477 | 195,977 | 181,256 | 171,960 |
| Total Governmental Activities Expenses | 17,509,361 | 18,654,190 | 19,290,639 | 19,335,917 | 19,539,498 | 18,864,056 | 19,105,746 | 19,850,530 | 19,801,230 | 23,324,493 |
| Business-Type Activities: | | | | | | | | | | |
| Food Service | 15,733 | 14,606 | 15,205 | 15,979 | 10,794 | 11,556 | 21,371 | 14,436 | 17,690 | 17,816 |
| Summer Program | - | - | 2,363 | 1,200 | - | 260,035 | 338,674 | 429,154 | 489,527 | 609,313 |
| Total Business-Type Activities Expense | 15,733 | 14,606 | 17,568 | 17,179 | 10,794 | 271,591 | 360,045 | 443,590 | 507,217 | 627,129 |
| Total District Expenses | \$ 17,525,094 | \$ 18,668,796 | \$ 19,308,207 | \$ 19,353,096 | \$ 19,550,292 | \$ 19,135,647 | \$ 19,465,791 | \$ 20,294,120 | \$ 20,308,447 | \$ 23,951,622 |
| Program Revenues | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Charges For Services | | | | | | \$ 41,573 | \$ 60,449 | \$ 55,710 | \$ 104,344 | \$ 85,255 |
| Operating Grants And Contributions | \$ 2,612,953 | \$ 3,283,268 | \$ 3,341,698 | \$ 2,522,100 | \$ 3,022,004 | 2,306,293 | 2,743,373 | 3,101,787 | 2,869,549 | 5,076,324 |
| Capital Grants And Contributions | - | - | - | - | - | 153,710 | 27,269 | 13,020 | 4,284 | 82,600 |
| Total Governmental Activities Program Revenues | 2,612,953 | 3,283,268 | 3,341,698 | 2,522,100 | 3,022,004 | 2,501,576 | 2,831,091 | 3,170,517 | 2,978,177 | 5,244,179 |
| Business-Type Activities: | | | | | | | | | | |
| Charges For Services | | | | | | | | | | |
| Food Service | \$ 13,571 | \$ 14,126 | \$ 15,044 | \$ 17,258 | \$ 15,612 | \$ 15,160 | \$ 13,817 | \$ 12,911 | \$ 11,321 | \$ 10,610 |
| After School Child Care Program | | | 5,145 | | | 469,593 | 557,055 | 622,549 | 577,605 | 706,399 |
| Operating Grants And Contributions | 4,095 | 4,888 | 4,515 | 5,210 | 3,845 | 2,976 | - | - | - | - |
| Total Business Type Activities Program Revenues | 17,666 | 19,014 | 24,704 | 22,468 | 19,457 | 487,729 | 570,872 | 635,460 | 588,926 | 717,009 |
| Total District Program Revenues | \$ 2,630,619 | \$ 3,302,282 | \$ 3,366,402 | \$ 2,544,568 | \$ 3,041,461 | \$ 2,989,305 | \$ 3,401,963 | \$ 3,805,977 | \$ 3,567,103 | \$ 5,961,188 |

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

| | Fiscal Year Ended June 30, | | | | | | | | | |
|---|----------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental Activities | \$ (14,896,408) | \$ (15,370,922) | \$ (15,948,941) | \$ (16,813,817) | \$ (16,517,494) | \$ (16,362,480) | \$ (16,274,655) | \$ (16,680,013) | \$ (16,823,053) | \$ (18,080,314) |
| Business-Type Activities | 1,933 | 4,408 | 7,136 | 5,289 | 8,663 | 216,138 | 210,827 | 191,870 | 81,709 | 89,880 |
| Total District-Wide Net Expense | <u>\$ (14,894,475)</u> | <u>\$ (15,366,514)</u> | <u>\$ (15,941,805)</u> | <u>\$ (16,808,528)</u> | <u>\$ (16,508,831)</u> | <u>\$ (16,146,342)</u> | <u>\$ (16,063,828)</u> | <u>\$ (16,488,143)</u> | <u>\$ (16,741,344)</u> | <u>\$ (17,990,434)</u> |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Property Taxes Levied For General Purposes, Net | \$ 13,466,716 | \$ 14,218,199 | \$ 15,228,543 | \$ 15,837,685 | \$ 16,431,592 | \$ 17,013,656 | \$ 16,670,904 | \$ 16,523,260 | \$ 16,762,710 | \$ 17,089,582 |
| Taxes Levied For Debt Service | 651,326 | 649,486 | 652,276 | 840,054 | 846,839 | 865,413 | 796,570 | 856,272 | 516,463 | 516,191 |
| Restricted Grants And Contributions | | | | | | | | | | |
| Unrestricted Grants And Contributions | 155,602 | 155,557 | 188,951 | 133,679 | 21,922 | | | | 368 | 17,854 |
| Tuition Received | | | | | | | | | | |
| Investment Earnings | 128,128 | | | | | | | | | |
| Miscellaneous Income | 84,130 | 308,478 | 116,867 | 279,023 | 59,527 | 30,009 | 68,514 | 55,707 | 118,077 | 237,690 |
| Gain on Disposal of Capital Assets | 6,555 | | | | | | | | (3,540) | - |
| Transfers | 99 | 42 | - | - | - | - | - | - | 476,950 | 54,454 |
| Total Governmental Activities | <u>14,492,556</u> | <u>15,331,762</u> | <u>16,186,637</u> | <u>17,090,441</u> | <u>17,359,880</u> | <u>17,909,078</u> | <u>17,535,988</u> | <u>17,435,239</u> | <u>17,871,028</u> | <u>17,915,771</u> |
| Business-Type Activities: | | | | | | | | | | |
| Miscellaneous Income | 99 | 88 | 91 | 22 | 64 | 195 | 62 | 12 | - | - |
| Transfers | (99) | (42) | - | - | - | - | - | - | (476,950) | (54,454) |
| Total Business-Type Activities | <u>-</u> | <u>46</u> | <u>91</u> | <u>22</u> | <u>64</u> | <u>195</u> | <u>62</u> | <u>12</u> | <u>(476,950)</u> | <u>(54,454)</u> |
| Total District-Wide | <u>\$ 14,492,556</u> | <u>\$ 15,331,808</u> | <u>\$ 16,186,728</u> | <u>\$ 17,090,463</u> | <u>\$ 17,359,944</u> | <u>\$ 17,909,273</u> | <u>\$ 17,536,050</u> | <u>\$ 17,435,251</u> | <u>\$ 17,394,078</u> | <u>\$ 17,861,317</u> |
| Change in Net Position | | | | | | | | | | |
| Governmental Activities | \$ (403,852) | \$ (39,160) | \$ 237,696 | \$ 276,624 | \$ 842,386 | \$ 1,546,598 | \$ 1,261,333 | \$ 755,226 | \$ 1,047,975 | \$ (164,543) |
| Business-Type Activities | 1,933 | 4,454 | 7,227 | 5,311 | 8,727 | 216,333 | 210,889 | 191,882 | (395,241) | 35,426 |
| Total District | <u>\$ (401,919)</u> | <u>\$ (34,706)</u> | <u>\$ 244,923</u> | <u>\$ 281,935</u> | <u>\$ 851,113</u> | <u>\$ 1,762,931</u> | <u>\$ 1,472,222</u> | <u>\$ 947,108</u> | <u>\$ 652,734</u> | <u>\$ (129,117)</u> |

Source: District's Financial Records

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)

| | Fiscal Year Ended June 30, | | | | | | | | | |
|---|----------------------------|---------------------|---------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| General Fund | | | | | | | | | | |
| Reserved | \$ 697,486 | \$ 378,277 | \$ 520,308 | \$ 633,271 | \$ 916,417 | | | | | |
| Unreserved | 354,188 | 261,092 | 127,910 | 26,697 | 36,064 | | | | | |
| Restricted | | | | | | \$ 780,137 | \$ 1,247,812 | \$ 1,879,339 | \$ 1,850,831 | \$ 2,366,212 |
| Assigned | | | | | | 201,226 | 511,038 | 62,316 | 638,725 | 78,522 |
| Unassigned | - | - | - | - | - | 358,870 | 315,420 | 301,886 | 309,642 | 177,631 |
| Total General Fund | <u>\$ 1,051,674</u> | <u>\$ 639,369</u> | <u>\$ 648,218</u> | <u>\$ 659,968</u> | <u>\$ 952,481</u> | <u>\$ 1,340,233</u> | <u>\$ 2,074,270</u> | <u>\$ 2,243,541</u> | <u>\$ 2,799,198</u> | <u>\$ 2,622,365</u> |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved | \$ 562,918 | \$ 4,023,445 | \$ 470,976 | \$ 47,347 | \$ 25,100 | | | | | |
| Unreserved | 5,261,558 | 108,690 | 803,543 | 698,186 | 479,936 | | | | | |
| Restricted | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 527,067 | \$ 395,582 | \$ 205,571 | \$ 105,572 | \$ 1 |
| Total All Other Governmental Funds | <u>\$ 5,824,476</u> | <u>\$ 4,132,135</u> | <u>\$ 1,274,519</u> | <u>\$ 745,533</u> | <u>\$ 505,036</u> | <u>\$ 527,067</u> | <u>\$ 395,582</u> | <u>\$ 205,571</u> | <u>\$ 105,572</u> | <u>\$ 1</u> |

Source: District's Financial Records

Beginning with Fiscal Year 2012, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Reclassification of prior year fund balance amounts to comply with Statement No. 54 is not required.

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)

| | Fiscal Year Ended June 30, | | | | | | | | | |
|---|----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Revenues | | | | | | | | | | |
| Tax Levy | \$ 14,118,042 | \$ 14,867,685 | \$ 15,880,819 | \$ 16,677,739 | \$ 17,278,431 | \$ 17,879,069 | \$ 17,467,474 | \$ 17,379,532 | \$ 17,279,173 | \$ 17,605,773 |
| Tuition Charges | | | | | | | 60,449 | 55,710 | 80,660 | 68,300 |
| Interest Earnings | 128,128 | | | | | | | | | |
| Miscellaneous | 84,130 | 308,478 | 116,867 | 279,023 | 59,527 | 151,414 | 124,034 | 102,333 | 149,275 | 399,814 |
| State Sources | 2,487,407 | 3,150,311 | 3,248,426 | 2,353,107 | 2,500,747 | 2,067,982 | 2,346,441 | 2,773,110 | 2,581,464 | 2,728,931 |
| Federal Sources | 281,148 | 288,514 | 282,223 | 302,673 | 543,179 | 312,189 | 344,012 | 295,071 | 285,223 | 289,775 |
| Private Sources | - | - | - | - | - | - | - | - | - | - |
| Total Revenue | 17,098,855 | 18,614,988 | 19,528,335 | 19,612,542 | 20,381,884 | 20,410,654 | 20,342,410 | 20,605,756 | 20,375,795 | 21,092,593 |
| Expenditures | | | | | | | | | | |
| Instruction | | | | | | | | | | |
| Regular Instruction | 7,154,513 | 7,294,219 | 7,309,836 | 7,140,499 | 7,254,801 | 7,221,167 | 7,176,330 | 7,521,613 | 7,280,961 | 7,557,356 |
| Special Education Instruction | 3,354,462 | 3,879,284 | 4,090,088 | 3,865,377 | 4,057,394 | 3,950,105 | 3,941,165 | 4,119,061 | 3,630,579 | 3,610,983 |
| Other Special Instruction | | | | | | | - | | | |
| Other Instruction | 301,495 | 478,930 | 498,001 | 508,351 | 529,406 | 685,326 | 648,958 | 513,508 | 714,168 | 715,642 |
| School Sponsored Activities and Athletics | 111,757 | 135,753 | 138,001 | 156,679 | 154,195 | 164,070 | 141,143 | 219,783 | 159,881 | 296,814 |
| Support Services: | | | | | | | | | | |
| Student and Inst. Related Services | 1,738,801 | 1,980,936 | 2,110,042 | 2,153,061 | 2,138,540 | 1,976,767 | 2,036,949 | 2,250,534 | 2,419,480 | 2,828,558 |
| General Administration | 508,351 | 505,863 | 580,840 | 728,956 | 593,669 | 456,881 | 444,392 | 563,071 | 477,441 | 550,189 |
| School Administrative Services | 884,851 | 1,040,978 | 1,023,231 | 1,031,935 | 1,204,492 | 1,102,669 | 1,218,594 | 1,299,835 | 1,309,814 | 1,361,043 |
| Central Services | 445,555 | 504,118 | 584,651 | 576,272 | 448,692 | 437,197 | 392,091 | 349,967 | 341,037 | 397,838 |
| Plant Operations And Maintenance | 1,524,612 | 1,448,718 | 1,479,030 | 1,579,028 | 1,629,523 | 1,521,005 | 1,579,941 | 1,448,662 | 1,719,300 | 1,615,423 |
| Pupil Transportation | 955,105 | 975,012 | 971,890 | 1,027,598 | 1,009,733 | 1,037,967 | 1,028,368 | 1,124,733 | 1,065,476 | 1,121,141 |
| Employee Benefits | | | | | | | | | | |
| Special Schools | | | | | | | | | | |
| Charter Schools | | | | | | | | | | |
| Capital Outlay | 3,889,234 | 2,737,221 | 2,861,252 | 397,853 | 462,585 | 597,022 | 260,333 | 302,127 | 623,034 | 713,248 |
| Debt Service | | | | | | | | | | |
| Principal | 414,130 | 404,506 | 421,259 | 607,051 | 535,000 | 620,000 | 680,000 | 728,000 | 485,000 | 500,000 |
| Cost of Issuance | | | | | | 106,225 | | | | |
| Advance Refunding Escrow | | | | | | 124,310 | | | | |
| Interest and Other Charges | 345,107 | 329,994 | 308,981 | 357,117 | 311,839 | 248,672 | 191,494 | 185,602 | 170,916 | 161,216 |
| Total Expenditures | 21,627,973 | 21,715,532 | 22,377,102 | 20,129,777 | 20,329,869 | 20,249,383 | 19,739,758 | 20,626,496 | 20,397,087 | 21,429,451 |
| Excess (Deficiency) of Revenues | | | | | | | | | | |
| Over (Under) Expenditures | (4,529,118) | (3,100,544) | (2,848,767) | (517,235) | 52,015 | 161,271 | 602,652 | (20,740) | (21,292) | (336,858) |

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)

| | 2006 | | 2007 | | 2008 | | 2009 | | Fiscal Year Ended June 30, | | 2012 | | 2013 | | 2014 | | 2015 | |
|---|-----------------------|-----------------------|-----------------------|---------------------|------------------|-------------------|-------------------|--------------------|----------------------------|---------------------|------------|--|------|--|------|--|------|--|
| | | | | | | | | | 2010 | 2011 | | | | | | | | |
| Other Financing Sources (Uses) | | | | | | | | | | | | | | | | | | |
| Bond Proceeds | | | | \$ 953,000 | | | | | | \$ 6,355,000 | | | | | | | | |
| Premium on Bond Proceeds | | | | | | | | | | 22,412 | | | | | | | | |
| Payment to Refunded Bond Escrow Agent | | | | | | | | | | (6,129,000) | | | | | | | | |
| Capital Leases (Non-Budgeted) | | | | 42,856 | | | | | | | | | | | | | | |
| Transfers In | \$ 74,623 | | 138,289 | | \$ 1,208 | \$ 6,154 | \$ 2,078 | 260,722 | \$ 48,377 | \$ 576,950 | \$ 160,024 | | | | | | | |
| Transfers Out | (74,524) | (138,247) | (1,208) | (6,154) | (2,078) | (260,722) | - | (48,377) | (100,000) | (105,570) | | | | | | | | |
| Total Other Financing Sources (Uses) | <u>99</u> | <u>995,898</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>248,412</u> | <u>-</u> | <u>-</u> | <u>476,950</u> | <u>54,454</u> | | | | | | | | |
| Net Change in Fund Balances | <u>\$ (4,529,019)</u> | <u>\$ (2,104,646)</u> | <u>\$ (2,848,767)</u> | <u>\$ (517,235)</u> | <u>\$ 52,015</u> | <u>\$ 409,683</u> | <u>\$ 602,652</u> | <u>\$ (20,740)</u> | <u>\$ 455,658</u> | <u>\$ (282,404)</u> | | | | | | | | |
| Debt Service as a Percentage of | | | | | | | | | | | | | | | | | | |
| Noncapital Expenditures | 4.28% | 3.87% | 3.74% | 4.89% | 4.26% | 4.42% | 4.47% | 4.50% | 3.32% | 3.19% | | | | | | | | |

Source: District's Financial Records

* Noncapital expenditures are total expenditures less capital outlay.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(Unaudited)**

| <u>Fiscal Year Ended June 30,</u> | <u>Interest on Investments</u> | <u>Sale of Assets</u> | <u>Tuition</u> | <u>Prior Year Refunds</u> | <u>Transportation Fees</u> | <u>Cancel Prior Year Accounts Payable</u> | <u>E-Rate</u> | <u>Operating Lease Proceeds</u> | <u>Miscellaneous</u> | <u>Total</u> |
|-----------------------------------|--------------------------------|-----------------------|----------------|---------------------------|----------------------------|---|---------------|---------------------------------|----------------------|--------------|
| 2006 | \$ 53,604 | | | | | | | | \$ 84,130 | 137,734 |
| 2007 | 55,463 | | | | | | | | 114,699 | 170,162 |
| 2008 | 54,610 | | | | | | | | 61,048 | 115,658 |
| 2009 | 30,257 | \$ 130,400 | | | | | | | 112,212 | 272,869 |
| 2010 | 8,431 | | | | | | | | 49,018 | 57,449 |
| 2011 | 2,333 | | \$ 41,573 | | | | | | 26,954 | 70,860 |
| 2012 | | 2,667 | 60,449 | \$ 64,317 | | | | | 1,530 | 128,963 |
| 2013 | | | 55,710 | 27,792 | | | | | 27,915 | 111,417 |
| 2014 | | | 80,660 | 22,676 | \$ 23,684 | | \$ 8,265 | | 87,136 | 222,421 |
| 2015 | 3,879 | | 68,300 | 19,268 | 16,253 | \$ 126,830 | 4,978 | \$ 60,330 | 22,405 | 322,243 |

Source: District's Financial Records

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN YEARS
 (Unaudited)**

| Fiscal Year Ended June 30, | Vacant Land | Residential | Farm Reg. | Qfarm | Commercial | Industrial | Apartment | Total Assessed Value | Public Utilities | Net Valuation Taxable | Estimated Actual (County Equalized) Value | Total Direct School Tax Rate ^a |
|----------------------------|--------------|------------------|-----------|-------|----------------|----------------|------------|----------------------|------------------|-----------------------|---|---|
| 2006 | \$27,842,000 | \$ 1,392,164,500 | | | \$ 860,768,600 | \$ 158,651,300 | | \$ 2,439,426,400 | \$ 2,204,322 | \$ 2,441,630,722 | \$ 3,263,474,645 | \$ 0.489 |
| 2007 | 28,357,400 | 1,398,387,900 | | | 858,164,200 | 159,026,300 | | 2,443,935,800 | 2,450,212 | 2,446,386,012 | 3,451,954,019 | 0.610 |
| 2008 | 25,273,000 | 1,412,610,900 | | | 903,419,300 | 158,521,600 | | 2,499,824,800 | 2,382,719 | 2,502,207,519 | 3,734,169,526 | 0.648 |
| 2009 | 23,661,400 | 1,413,759,500 | | | 832,574,597 | 200,519,200 | | 2,470,514,697 | 2,650,113 | 2,473,164,810 | 3,678,662,516 | 0.693 |
| 2010 | 22,852,400 | 1,417,254,300 | | | 820,763,797 | 200,142,200 | \$ 224,300 | 2,461,236,997 | 2,037,625 | 2,463,274,622 | 4,044,758,170 | 0.714 |
| 2011 | 22,432,600 | 1,418,273,800 | | | 820,963,397 | 200,566,400 | | 2,462,236,197 | 2,037,625 | 2,464,273,822 | 3,836,789,266 | 0.717 |
| 2012 | 21,921,200 | 1,418,233,400 | | | 821,059,097 | 200,816,300 | | 2,462,029,997 | 2,045,837 | 2,464,075,834 | 3,412,374,787 | 0.708 |
| 2013 | 20,842,200 | 1,423,277,600 | | | 817,689,997 | 201,316,300 | | 2,463,126,097 | 2,045,837 | 2,465,171,934 | 3,410,921,059 | 0.708 |
| 2014 | 20,748,400 | 1,424,081,700 | | | 884,469,197 | 202,322,900 | | 2,531,622,197 | 2,045,837 | 2,533,668,034 | 3,538,256,041 | 0.689 |
| 2015 | 21,366,100 | 1,426,212,000 | | | 882,190,797 | 202,322,900 | | 2,532,091,797 | 1,974,647 | 2,534,066,444 | 3,583,486,834 | 0.704 |

Source: County Abstract of Ratables

N/A - Information is not available.

§ a Tax rates are per \$100

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
(Unaudited)
(rate per \$100 of assessed value)**

| Assessment Year | Hanover Park Regional District | East Hanover School District | East Hanover Township | Morris County | <u>Total</u> |
|--------------------|---|---------------------------------------|-----------------------------|------------------|--------------|
| 2006 | \$ 0.35 | \$ 0.60 | \$ 0.49 | \$ 0.34 | \$ 1.78 |
| 2007 | 0.39 | 0.61 | 0.51 | 0.34 | 1.850 |
| 2008 | 0.38 | 0.65 | 0.52 | 0.34 | 1.890 |
| 2009 | 0.39 | 0.69 | 0.59 | 0.29 | 1.960 |
| 2010 | 0.42 | 0.714 | 0.56 | 0.38 | 2.070 |
| 2011 | 0.372 | 0.717 | 0.463 | 0.576 | 2.129 |
| 2012 | 0.428 | 0.708 | 0.569 | 0.370 | 2.075 |
| 2013 | 0.431 | 0.708 | 0.595 | 0.352 | 2.086 |
| 2014 | 0.448 | 0.689 | 0.609 | 0.348 | 2.094 |
| 2015 | 0.472 | 0.704 | 0.608 | 0.356 | 2.140 |

Source: County Abstract of Ratables

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
PRINCIPAL PROPERTY TAXPAYERS,
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

| Taxpayer | 2015 | | 2006 | |
|--------------------------------|------------------------|--|------------------------|--|
| | Taxable Assessed Value | % of Total District Net Assessed Value | Taxable Assessed Value | % of Total District Net Assessed Value |
| Novartis | \$ 415,030,700 | 16.38% | Not Available | |
| Mondelez Global Inc | 36,987,600 | 1.46% | | |
| Mondelez Global Inc | 25,000,000 | 0.99% | | |
| New Hanover L.L.C. | 24,917,000 | 0.98% | | |
| Givaudan Fragrances Corp | 21,400,000 | 0.84% | | |
| EH Route 10 Realty Co. | 21,400,000 | 0.84% | | |
| Givaudan Flavors Corp | 19,872,200 | 0.78% | | |
| Castle Ridge Plaza | 18,500,000 | 0.73% | | |
| Paradigm East Hanover LLC | 17,024,777 | 0.67% | | |
| Eric Reichard D.R. Company LLC | 15,500,000 | 0.61% | | |
| | <u>\$ 615,632,277</u> | <u>24.29%</u> | <u>\$ -</u> | <u>0.00%</u> |

Source: Municipal Tax Assessor

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)**

| Fiscal Year Ended June 30, | Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years |
|-------------------------------------|-------------------------------------|---|-----------------------|---------------------------------------|
| | | Amount | Percentage of Levy | |
| 2006 | \$ 14,118,042 | \$ 14,118,042 | 100.00% | N/A |
| 2007 | 14,867,685 | 14,867,685 | 100.00% | N/A |
| 2008 | 15,880,819 | 15,880,819 | 100.00% | N/A |
| 2009 | 16,677,739 | 16,677,739 | 100.00% | N/A |
| 2010 | 17,278,431 | 17,278,431 | 100.00% | N/A |
| 2011 | 17,879,069 | 17,879,069 | 100.00% | N/A |
| 2012 | 17,467,474 | 17,467,474 | 100.00% | N/A |
| 2013 | 17,379,532 | 17,379,532 | 100.00% | N/A |
| 2014 | 17,279,173 | 17,279,173 | 100.00% | N/A |
| 2015 | 17,605,773 | 17,605,773 | 100.00% | N/A |

Source: District Financial Records

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)

| Fiscal Year Ended June 30, | <u>Governmental Activities</u> | | Total District | Population | * Per Capita |
|-------------------------------------|--------------------------------|-------------------|----------------|------------|--------------|
| | General Obligation Bonds | Capital Leases | | | |
| 2006 | \$ 7,919,000 | \$ 229,960 | \$ 8,148,960 | 11,388 | \$ 716 |
| 2007 | 8,542,000 | 198,310 | 8,740,310 | 11,311 | 773 |
| 2008 | 8,197,000 | 122,051 | 8,319,051 | 11,338 | 734 |
| 2009 | 7,712,000 | | 7,712,000 | 11,372 | 678 |
| 2010 | 7,177,000 | | 7,177,000 | 11,165 | 643 |
| 2011 | 6,783,000 | | 6,783,000 | 11,219 | 605 |
| 2012 | 6,103,000 | | 6,103,000 | 11,306 | 540 |
| 2013 | 5,375,000 | | 5,375,000 | 11,306 | 475 |
| 2014 | 4,890,000 | | 4,890,000 | 11,289 | 433 |
| 2015 | 4,390,000 | | 4,390,000 | 11,289 | 389 |

Source: District's Financial records and the Department of Education

Note:

GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2006 only nine years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

*Estimated

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(Unaudited)**

General Bonded Debt Outstanding

| Fiscal Year Ended June 30, | General Obligation Bonds | Deductions | Net General Bonded Debt Outstanding | Percentage of Actual Taxable Value ^a of Property | Per Capita ^b |
|-------------------------------------|--------------------------------|------------|---|--|-------------------------|
| 2006 | \$ 7,919,000 | | \$ 7,919,000 | 0.32% | 695 |
| 2007 | 8,542,000 | | 8,542,000 | 0.35% | 755 |
| 2008 | 8,197,000 | | 8,197,000 | 0.33% | 723 |
| 2009 | 7,712,000 | | 7,712,000 | 0.31% | 678 |
| 2010 | 7,177,000 | | 7,177,000 | 0.29% | 643 |
| 2011 | 6,783,000 | | 6,783,000 | 0.28% | 605 |
| 2012 | 6,103,000 | | 6,103,000 | 0.25% | 540 |
| 2013 | 5,375,000 | | 5,375,000 | 0.22% | 475 |
| 2014 | 4,890,000 | | 4,890,000 | 0.19% | 433 |
| 2015 | 4,390,000 | | 4,390,000 | 0.17% | 389 |

Source: District Financial Records and Abstract of Ratables

Notes:

a See Exhibit J-6 for property tax data.

b See Exhibit J-14 for population data.

Note:

GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2006 only nine years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
DECEMBER 31, 2014
(Unaudited)**

| | <u>Total Debt</u> |
|---|----------------------|
| Municipal Debt: (1) | |
| East Hanover Township Board of Education | \$ 4,890,000 |
| Regional High School - Township's Share | 10,251,237 |
| Township of East Hanover | <u>24,288,926</u> |
| | 39,430,163 |
| Overlapping Debt Apportioned to the Municipality: | |
| Morris County: | |
| County of Morris (A) | <u>9,362,845</u> |
| Total Direct and Overlapping Debt | <u>\$ 48,793,008</u> |

Source:

(1) Township's 2014 Annual Debt Statement

(A) The debt for this entity was apportioned to East Hanover by dividing the municipality's 2014 equalized value by the total 2014 equalized value for Morris County.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)**

Legal Debt Margin Calculation for Fiscal Year 2015

| | | |
|---|----|-----------------------|
| Equalized Valuation Basis | | |
| 2014 | \$ | 3,582,822,243 |
| 2013 | | 3,442,384,482 |
| 2012 | | <u>3,409,541,611</u> |
| | \$ | <u>10,434,748,336</u> |
| Average Equalized Valuation Of Taxable Property | | \$ 3,478,249,445 |
| Debt Limit (3% of Average Equalization) | | \$ 104,347,483 |
| Total Net Debt Applicable to Limit | | <u>4,390,000</u> |
| Legal Debt Margin | | <u>\$ 99,957,483</u> |

| | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|---|----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|
| Debt Limit | \$ 88,423,662 | \$ 96,972,895 | \$ 103,145,699 | \$ 104,722,629 | \$ 113,820,788 | \$ 115,655,910 | \$ 115,255,469 | \$ 108,989,593 | \$ 105,301,995 | \$ 104,347,483 |
| Total Net Debt Applicable To Limit | <u>7,919,000</u> | <u>8,542,000</u> | <u>8,197,000</u> | <u>7,712,000</u> | <u>7,177,000</u> | <u>6,783,000</u> | <u>6,103,000</u> | <u>5,375,000</u> | <u>4,890,000</u> | <u>4,390,000</u> |
| Legal Debt Margin | <u>\$ 80,504,662</u> | <u>\$ 88,430,895</u> | <u>\$ 94,948,699</u> | <u>\$ 97,010,629</u> | <u>\$ 106,643,788</u> | <u>\$ 108,872,910</u> | <u>\$ 109,152,469</u> | <u>\$ 103,614,593</u> | <u>\$ 100,411,995</u> | <u>\$ 99,957,483</u> |
| Total Net Debt Applicable to the Limit as a Percentage of Debt Limit | 8.96% | 8.81% | 7.94% | 7.36% | 6.31% | 5.86% | 5.30% | 4.93% | 4.64% | 4.21% |

Source: Annual Debt Statements

Note:
GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2006 only nine years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)**

| <u>Year</u> | <u>Population</u> * | <u>County Per Capita Personal Income</u> | <u>Unemployment Rate</u> |
|-------------|---------------------|--|------------------------------|
| 2005 | 11,426 | \$ 60,234 | 3.5% |
| 2006 | 11,388 | 62,260 | 3.5% |
| 2007 | 11,311 | 66,857 | 3.2% |
| 2008 | 11,338 | 69,900 | 4.2% |
| 2009 | 11,372 | 71,990 | 7.2% |
| 2010 | 11,165 | 67,544 | 7.3% |
| 2011 | 11,219 | 68,725 | 7.1% |
| 2012 | 11,306 | 71,933 | 7.4% |
| 2013 | 11,306 | 74,057 | 6.4% |
| 2014 | 11,289 | 75,054 | 5.2% |

Source: New Jersey State Department of Education

*- Estimated

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
PRINCIPAL EMPLOYERS,
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

| <u>Employer</u> | <u>2015</u> | | <u>2006</u> | |
|-----------------|------------------|---|------------------|---|
| | <u>Employees</u> | <u>Percentage of Total Municipal Employment</u> | <u>Employees</u> | <u>Percentage of Total Municipal Employment</u> |

INFORMATION NOT AVAILABLE

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
 (Unaudited)

| <u>Function/Program</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Instruction | | | | | | | | | | |
| Regular | | | | | | | 66.0 | 64.8 | 65.5 | 64.0 |
| Special Education | | | | | | | 41.2 | 62.0 | 44.0 | 40.7 |
| Other Special Education | | | | | | | | | | |
| Vocational | | | | | | | | | | |
| Other Instruction | | | | | | | 4.8 | 5.0 | 5.0 | 6.9 |
| Nonpublic School Programs | | | | | | | | | | |
| Adult/Continuing Education Programs | | | | | | | | | | |
| Support Services: | | | | | | | | | | |
| Student and Instruction Related Services | | | | | | | | | | |
| General Administration | | | | | | | 17.6 | 15.9 | 17.0 | 28.3 |
| School Administrative Services | | | | | | | 2.1 | 2.0 | 2.0 | 2.0 |
| Other Administrative Services | | | | | | | 10.5 | 11.5 | 10.5 | 10.5 |
| Central Services | | | | | | | 3.0 | 3.0 | 3.5 | 3.5 |
| Administrative Information Technology | | | | | | | | | | |
| Plant Operations And Maintenance | | | | | | | 17.7 | 27.5 | 25.5 | 26.5 |
| Pupil Transportation | | | | | | | 4.6 | 7.5 | 6.1 | 6.5 |
| Other Support Services | | | | | | | | | | |
| Special Schools | | | | | | | | | | |
| Food Service | | | | | | | | | | |
| Child Care | - | - | - | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | 167.5 | 199.2 | 179.1 | 188.9 |

Source: District Personnel Records

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
OPERATING STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)**

| Fiscal Year | Enrollment ^a | Operating Expenditures ^b | Cost Per Pupil ^c | Percentage Change | Teaching Staff | Pupil/Teacher Ratio | | Average Daily Enrollment (ADE) | Average Daily Attendance (ADA) | % Change in Average Daily Enrollment | Student Attendance Percentage |
|-------------|-------------------------|-------------------------------------|-----------------------------|-------------------|----------------|---------------------|---------------|--------------------------------|--------------------------------|--------------------------------------|-------------------------------|
| | | | | | | Elementary | Middle School | | | | |
| 2006 | 1,163 | \$ 16,987,707 | \$ 14,607 | 2.34% | N/A | N/A | N/A | 1,163 | 1,123 | 2.11% | 96.56% |
| 2007 | 1,167 | 18,243,811 | 15,633 | 7.03% | N/A | N/A | N/A | 1,167 | 1,110 | 0.34% | 95.12% |
| 2008 | 1,121 | 18,785,610 | 16,758 | 7.20% | N/A | N/A | N/A | 1,121 | 1,079 | -3.94% | 96.25% |
| 2009 | 1,150 | 18,767,756 | 16,320 | -2.61% | N/A | N/A | N/A | 1,150 | 1,107 | 2.59% | 96.26% |
| 2010 | 1,149 | 19,020,445 | 16,554 | 1.43% | N/A | N/A | N/A | 1,149 | 1,108 | -0.09% | 96.43% |
| 2011 | 1,118 | 18,553,154 | 16,595 | 0.25% | N/A | N/A | N/A | 1,118 | 1,008 | -2.70% | 90.16% |
| 2012 | 1,114 | 18,607,931 | 16,704 | 0.66% | N/A | N/A | N/A | 1,112 | 1,072 | -0.54% | 96.40% |
| 2013 | 1,053 | 19,410,767 | 18,434 | 10.36% | 01:10.7 | 01:12.3 | 01:08.8 | 1,082 | 1,036 | -2.70% | 95.75% |
| 2014 | 1,015 | 19,118,137 | 18,836 | 12.76% | 01:10.3 | 01:11.1 | 01:09.1 | 1,021 | 980 | -8.18% | 95.98% |
| 2015 | 997 | 20,054,987 | 20,115 | 9.12% | 01:10.2 | 01:11.0 | 01:09.1 | 997 | 956 | -2.35% | 95.89% |

Sources: District Financial Records and Personnel Records

- Note:
- a Enrollment based on annual October district count.
 - b Operating expenditures equal total expenditures less debt service and capital outlay.
 - c Cost per pupil represents operating expenditures divided by enrollment.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)**

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <u>District Building</u> | | | | | | | | | | |
| <u>Elementary</u> | | | | | | | | | | |
| Central School | | | | | | | | | | |
| Square Feet | 48,369 | 48,369 | 58,328 | 58,328 | 58,328 | 58,328 | 58,328 | 58,328 | 58,328 | 58,328 |
| Capacity (students) | | | | | | | 374 | 374 | 374 | 374 |
| Enrollment | 373 | 373 | 394 | 394 | 394 | 394 | 364 | 364 | 329 | 316 |
| Frank J. Smith School | | | | | | | | | | |
| Square Feet | 29,830 | 29,830 | 39,197 | 39,197 | 39,197 | 39,197 | 39,197 | 39,197 | 39,197 | 39,197 |
| Capacity (students) | | | | | | | 425 | 425 | 425 | 425 |
| Enrollment | 355 | 355 | 344 | 344 | 344 | 344 | 351 | 351 | 316 | 313 |
| <u>Middle School</u> | | | | | | | | | | |
| Square Feet | 59,688 | 59,688 | 60,502 | 60,502 | 60,502 | 60,502 | 60,502 | 60,502 | 60,502 | 60,502 |
| Capacity (students) | | | | | | | 383 | 383 | 383 | 425 |
| Enrollment | 402 | 402 | 384 | 384 | 384 | 384 | 399 | 399 | 370 | 368 |
| <u>Other</u> | | | | | | | | | | |
| Board of Education Offices | | | | | | | | | | |
| Square Feet | 7,083 | 7,083 | 7,083 | 7,083 | 7,083 | 7,083 | 7,083 | 7,083 | 7,083 | 7,083 |
| Number of Schools at June 30, 2015 | | | | | | | | | | |
| Elementary = 2 | | | | | | | | | | |
| Middle School = 1 | | | | | | | | | | |
| Other = 1 | | | | | | | | | | |

Source: District Records

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN YEARS
(Unaudited)**

| | <u>Project # (s)</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|--------------------------|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| School Facilities | | | | | | | | | | | |
| Frank J. Smith School | N/A | \$ 62,735 | \$ 74,505 | \$ 48,966 | \$ 65,512 | \$ 59,770 | \$ 55,823 | \$ 74,073 | \$ 66,961 | \$ 117,630 | \$ 93,918 |
| Central School | N/A | 109,785 | 130,384 | 85,690 | 114,645 | 104,599 | 97,692 | 110,167 | 100,720 | 140,030 | 139,756 |
| Middle School | N/A | 125,470 | 149,010 | 97,932 | 131,023 | 119,241 | 111,368 | 114,248 | 105,971 | 181,566 | 154,586 |
| Administration Building | N/A | <u>15,684</u> | <u>18,626</u> | <u>12,242</u> | <u>16,378</u> | <u>14,949</u> | <u>13,964</u> | <u>15,379</u> | <u>14,060</u> | <u>21,256</u> | <u>16,971</u> |
| Total School Facilities | | <u>\$ 313,674</u> | <u>\$ 372,525</u> | <u>\$ 244,830</u> | <u>\$ 327,558</u> | <u>\$ 298,559</u> | <u>\$ 278,847</u> | <u>\$ 313,867</u> | <u>\$ 287,712</u> | <u>\$ 460,482</u> | <u>\$ 405,231</u> |

Source: District Records

Note:

Beginning in fiscal year 2002, the New Jersey State Department of Education required Districts to report maintenance expenditures by location, therefore, ten years of data is not required or available.

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
INSURANCE SCHEDULE
JUNE 30, 2015
(Unaudited)

| | <u>Coverage</u> | <u>Deductible</u> |
|---|-----------------|-------------------|
| School Package Policy - NJSBAIG | | |
| Property: | | |
| Blanket Building and Content | \$ 350,000,000 | \$ 5,000 |
| Extra Expense (Per Occurance) | 50,000,000 | 5,000 |
| Valuable Papers and Records (Per Occurance) | 10,000,000 | 5,000 |
| Demolition and Increased Constuction (Per Occurance) | 10,000,000 | |
| Equipment Breakdown | 100,000,000 | 1,000 |
| Accounts Receivable (Per Occurance) | 250,000 | |
| Pollutant Cleanup and Removal (Per Occurance) | 250,000 | |
| Arson Reward & Fire Department Service Charge (Per Occurance) | 10,000 | |
| Per Occurance/ Annual Aggregate: | | |
| All Flood Zones | 75,000,000 | 10,000 |
| Special Flood Zones | 15,000,000 | 500,000 |
| Earthquakes | 50,000,000 | |
| Terrorism | 1,000,000 | |
| Computer Equipment | 123,000 | 1,000 |
| Comprehensive General Liability | 16,000,000 | 1,000 |
| Comprehensive Automotive Liability | 16,000,000 | 1,000 |
| Workers' Compensation - NJSIG | 2,000,000 | N/A |
| School Board Legal Liability - NJSIG | | |
| Director's and Officer's Policy | 16,000,000 | 5,000 |
| Public Employees' Faithful Performance Blanket | | |
| Position Bond: | | |
| NJSIG | | |
| Board Secretary/School Business Administrator | 250,000 | 1,000 |
| Treasurer | 225,000 | 1,000 |
| General Employees | 250,000 | 1,000 |
| Theft, Forgery, Computer Fraud | 25,000 Ea | 500 |

SINGLE AUDIT SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA

DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLosi, CPA
KATHLEEN WANG, CPA
ROBERT AMPONSAH, CPA

ELIZABETH A. SHICK, CPA, RMA, PSA
ANDREW PARENTE, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA

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

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
East Hanover Township Board of Education
East Hanover, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Hanover Township Board of Education as of and for the fiscal year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the East Hanover Township Board of Education's basic financial statements and have issued our report thereon dated December 4, 2015.

Internal Control Over Financial Reporting

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

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

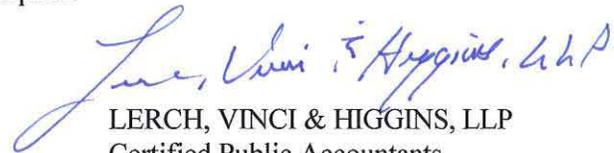
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the East Hanover Township Board of Education’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 and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

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 East Hanover Township Board of Education’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 East Hanover Township Board of Education’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants



Paul J. Lerch
Public School Accountant
PSA Number CS01118

Fair Lawn, New Jersey
December 4, 2015



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
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DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA

**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL
ASSISTANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR 15-08**

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
East Hanover Township Board of Education
East Hanover, New Jersey

Report on Compliance for Each Major State Program

We have audited the East Hanover Township Board of Education's compliance with the types of compliance requirements described in the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the East Hanover Township Board of Education's major state programs for the fiscal year ended June 30, 2015. The East Hanover Township Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the East Hanover Township Board of Education's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and Circulars require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the East Hanover Township Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the East Hanover Township Board of Education's compliance.

Opinion on Each Major State Program

In our opinion, the East Hanover Township Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the East Hanover Township Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the East Hanover Township Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the East Hanover Township Board of Education's internal control over compliance.

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

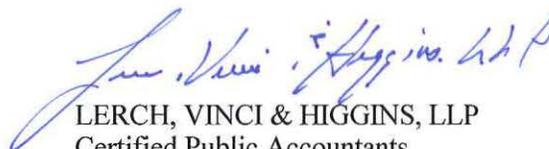
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

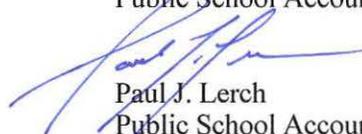
Report on Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 15-08

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Hanover Township Board of Education as of and for the fiscal year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements. We issued our report thereon dated December 4, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures,

including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants



Paul J. Lerch
Public School Accountant
PSA Number CS01118

Fair Lawn, New Jersey
December 4, 2015

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| Federal/Grantor/Pass-Through Grantor/ Program Title | Federal CFDA Number | Grant or State Project Number | Grant Period | Award Amount | Balance July 1, 2014 | Carryover Amount | Cash Received | Budgetary Expenditures | Adjustment | Refund of Prior Years' Balances | Balance, June 30, 2015 | | | Memo Only GAAP Receivable | |
|---|---------------------------|----------------------------------|-----------------|-----------------|-------------------------|---------------------|-------------------|---------------------------|-------------|---------------------------------------|-------------------------|---------------------|-------------------|---------------------------------|----------------------|
| | | | | | | | | | | | (Account Receivable) | Unearned Revenue | Due to Grantor | | |
| Special Revenue Fund: | | | | | | | | | | | | | | | |
| U.S. Department of Education | | | | | | | | | | | | | | | |
| Passed-through State Department of Education | | | | | | | | | | | | | | | |
| NCLB | | | | | | | | | | | | | | | |
| Title II A | 84.367 | NCLB111115 | 9/1/14-8/31/15 | \$ 18,515 | | \$ 7,476 | \$ 17,057 | \$ 24,533 | | | | \$ (1,458) | \$ 1,458 | | * \$ (1,458) |
| Title II- A, Carryover | 84.367 | NCLB111114 | 9/1/13-8/31/14 | 18,590 | \$ (8,033) | (7,476) | 15,509 | | | | | | | | * |
| Title II - A-C/O | 84.367 | NCLB119010 | 9/1/09-8/31/10 | 22,358 | 1,061 | | | | | \$ 1,061 | | | | | * |
| I.D.E.I.A Part B, Basic Regular | 84.027 | FT-1114-15 | 9/1/14-8/31/15 | 247,165 | | 8,636 | 215,624 | 250,841 | | | | (31,541) | 4,960 | | * (31,541) |
| I.D.E.I.A Part B, Basic Regular | 84.027 | FT-1113-14 | 9/1/13-8/31/14 | 243,876 | (13,957) | (8,636) | 22,593 | | | | | - | | | * - |
| I.D.E.I.A Preschool | 84-173 | PS-1114-15 | 9/1/14-8/31/15 | 13,741 | | 660 | 8,747 | 14,401 | | | | (4,994) | - | | * (4,994) |
| I.D.E.I.A Preschool | 84-173 | PS-1113-14 | 9/1/13-8/31/14 | 13,825 | (4,341) | | 4,341 | | | | | - | - | | * - |
| I.D.E.I.A Preschool | 84-173 | PS-1111-12 | 9/1/11-8/31/12 | - | - | (660) | 660 | - | - | - | - | - | - | - | * - |
| Total Special Revenue Fund | | | | | <u>(25,270)</u> | <u>-</u> | <u>284,531</u> | <u>289,775</u> | <u>-</u> | <u>1,061</u> | <u>(37,993)</u> | <u>6,418</u> | <u>-</u> | | * <u>(37,993)</u> |
| Total Federal Awards | | | | | <u>\$ (25,270)</u> | <u>\$ -</u> | <u>\$ 284,531</u> | <u>\$ 289,775</u> | <u>\$ -</u> | <u>\$ 1,061</u> | <u>\$ (37,993)</u> | <u>\$ 6,418</u> | <u>\$ -</u> | | * <u>\$ (37,993)</u> |

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Not Subject to Single Audit

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

| State Grantor/Program Title | Grant or State Project Number | Grant Period | Award Amount | Balance, July 1, 2014 | Carryover Amount | Cash Received | Budgetary Expenditures | Refund of Prior Years' | | Balance, June 30, 2015 | | | Memo GAAP Receivable | Memo Cumulative Total Expenditures |
|--|-------------------------------|----------------|------------------|-----------------------|------------------|---------------------|------------------------|------------------------|-------------|------------------------|------------------|------------------|----------------------|------------------------------------|
| | | | | | | | | Balances | Adjustment | (Accounts Receivable) | Unearned Revenue | Due to Grantor | | |
| State Department of Education | | | | | | | | | | | | | | |
| General Fund: | | | | | | | | | | | | | | |
| Special Education Aid | 15-495-034-5120-089 | 7/1/14-6/30/15 | \$ 571,367 | | | \$ 516,180 | \$ 571,367 | | | \$ (55,187) | | | | \$ 571,367 |
| Special Education Aid | 14-495-034-5120-089 | 7/1/13-6/30/14 | 571,367 | \$ (53,538) | | 53,538 | | | | | | | | |
| Security Aid | 15-495-034-5120-084 | 7/1/14-6/30/15 | 15,362 | | | 14,107 | 15,362 | | | (1,255) | | | | 15,362 |
| Security Aid | 14-495-034-5120-084 | 7/1/13-6/30/14 | 15,362 | (1,825) | | 1,825 | | | | | | | | |
| Adjustment Aid | 15-495-034-5120-085 | 7/1/14-6/30/15 | 368 | | | 368 | 368 | | | | | | | 368 |
| Per Pupil Growth Aid | 15-495-034-5120-097 | 7/1/14-6/30/15 | 9,370 | | | 8,743 | 9,370 | | | (627) | | | | 9,370 |
| PARCC Readiness Aid | 15-495-034-5120-098 | 7/1/14-6/30/15 | 9,370 | | | 8,743 | 9,370 | | | (627) | | | | 9,370 |
| Transportation Aid | 15-495-034-5120-014 | 7/1/14-6/30/15 | 60,665 | | | 55,648 | 60,665 | | | (5,017) | | | | 60,665 |
| Transportation Aid | 14-495-034-5120-014 | 7/1/13-6/30/14 | 60,665 | (5,475) | | 5,475 | | | | | | | | - |
| Extraordinary Aid | 15-100-034-5120-473 | 7/1/14-6/30/15 | 223,531 | | | - | 223,531 | | | (223,531) | | | | - |
| Extraordinary Aid | 13-100-034-5120-473 | 7/1/13-6/30/14 | 258,422 | (258,422) | | 258,422 | | | | | | | | 223,531 |
| Nonpublic School Transportation Aid | N/A | 7/1/14-6/30/15 | 13,746 | | | - | 13,746 | | | (13,746) | | \$ (13,746) | | 13,746 |
| Nonpublic School Transportation Aid | N/A | 7/1/13-6/30/14 | 12,846 | (12,846) | | 12,846 | | | | | | | | - |
| Reimbursed TPAF Social Security Contribution | 15-495-034-5094-003 | 7/1/14-6/30/15 | 603,993 | | | 603,993 | 603,993 | | | | | | | 603,993 |
| On-Behalf TPAF Pension Contribution | 15-495-034-5094-006 | 7/1/14-6/30/15 | 412,972 | | | 412,972 | 412,972 | | | | | | | 412,972 |
| On-Behalf TPAF Pension Contribution - NCGI | 15-495-034-5094-007 | 7/1/14-6/30/15 | 29,711 | | | 29,711 | 29,711 | | | | | | | 29,711 |
| On-Behalf TPAF Post Retirement Medical Contribution | 15-495-034-5094-001 | 7/1/14-6/30/15 | 702,760 | - | - | 702,760 | 702,760 | - | - | - | - | - | - | - |
| Total General Fund | | | 2,413,781 | (332,106) | - | 2,685,331 | 2,653,215 | - | - | (299,990) | - | - | (13,746) | 2,653,215 |
| New Jersey Nonpublic Aid | | | | | | | | | | | | | | |
| Textbook Aid | 15-100-034-5120-064 | 7/1/14-6/30/15 | 6,435 | | | 6,435 | 6,435 | | | | | | | 6,435 |
| Technology | 15-100-034-5120-373 | 7/1/14-6/30/15 | 3,456 | | | 3,456 | 3,456 | | | | | | | 3,456 |
| Nursing Services | 15-100-034-5120-070 | 7/1/14-6/30/15 | 10,244 | | | 10,244 | 10,244 | | | | | | | 10,244 |
| Auxiliary Services | | | | | | | | | | | | | | |
| Compensatory Education | 15-100-034-5120-067 | 7/1/14-6/30/15 | 11,646 | | | 11,646 | 8,600 | | | | | \$ 3,046 | | 8,600 |
| Compensatory Education | 14-100-034-5120-067 | 7/1/13-6/30/14 | 13,696 | 2,226 | | | | \$ 2,226 | | | | | | - |
| Handicapped Services | | | | | | | | | | | | | | |
| Examination and Classification Initial | 15-100-034-5120-066 | 7/1/14-6/30/15 | 7,029 | | | 7,029 | 3,426 | | | | | 3,603 | | 3,426 |
| Examination and Classification Initial | 14-100-034-5120-066 | 7/1/13-6/30/14 | 19,263 | 7,485 | | | | 7,485 | | | | - | | - |
| Corrective Speech | 15-100-034-5120-066 | 7/1/14-6/30/15 | 11,486 | | | 11,486 | 5,831 | | | | | 5,655 | | 5,831 |
| Corrective Speech | 14-100-034-5120-066 | 7/1/13-6/30/14 | 9,374 | 3,203 | | | | 3,203 | | | | - | | - |
| Supplementary Instruction | 15-100-034-5120-066 | 7/1/14-6/30/15 | 8,631 | | | 8,631 | 4,708 | | | | | 3,923 | | - |
| Supplementary Instruction | 14-100-034-5120-066 | 7/1/13-6/30/14 | 6,938 | 1,803 | - | - | - | 1,803 | - | - | - | - | - | 4,708 |
| Total Special Revenue Fund | | | | 14,717 | - | 58,927 | 42,700 | 14,717 | - | - | - | 16,227 | - | 42,700 |
| Total State Awards | | | | (317,389) | - | 2,744,258 | 2,695,915 | 14,717 | - | (299,990) | - | 16,227 | (13,746) | 2,695,915 |
| Less: Amounts not Utilized in Single Audit and Major Program Determination | | | | | | | | | | | | | | |
| | | | | - | - | (1,145,443) | (1,145,443) | - | - | - | - | - | - | (1,145,443) |
| Total Subject to Single Audit | | | | \$ (317,389) | \$ - | \$ 1,598,815 | \$ 1,550,472 | \$ 14,717 | \$ - | \$ (299,990) | \$ - | \$ 16,227 | \$ (13,746) | \$ 1,550,472 |

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 GENERAL

The accompanying schedules present the activity of all federal and state financial assistance programs of the East Hanover Township Board of Education. The Board of Education is defined in Note 1(A) to the Board's financial statements. All federal financial assistance received directly from federal agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are prepared and presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Notes 1(C) to the Board's financial statements. The information in these schedules is presented in accordance with requirements of U.S. OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations" and New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in these schedules may differ from the amounts presented in, or used in the preparation of, the financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

The financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on a modified accrual basis with the exception of the revenue recognition of the delayed state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes, those payments are not recognized until the subsequent year due to the state deferral and recording of certain state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, which may include the delayed state aid payments, whereas the GAAP basis does not. The special revenue fund also recognizes the delayed state aid payments in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is an increase of \$33,016 for the general fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's financial statements on a GAAP basis as presented as follows:

| | <u>Federal</u> | <u>State</u> | <u>Total</u> |
|----------------------------|-------------------|---------------------|---------------------|
| General Fund | | \$ 2,686,231 | \$ 2,686,231 |
| Special Revenue Fund | \$ 289,775 | 42,700 | 332,475 |
| Total Financial Assistance | <u>\$ 289,775</u> | <u>\$ 2,728,931</u> | <u>\$ 3,018,706</u> |

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the District's fiscal year and grant program years.

NOTE 5 OTHER INFORMATION

TPAF Social Security contributions in the amount of \$603,993 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2015. The amount reported as TPAF Pension System Contributions in the amount of \$702,760 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$442,683 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2015.

NOTE 6 ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the District's financial statements and the amount subject to State single audit and major program determination.

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Part I – Summary of Auditor’s Results

Financial Statement Section

| | | |
|--|-------------------|-----------------------------|
| Type of auditor's report issued: | <u>Unmodified</u> | |
| Internal control over financial reporting: | | |
| 1) Material weakness(es) identified? | _____ yes | _____ X _____ no |
| 2) Were significant deficiency(ies) identified that were not considered to be material weaknesses? | _____ yes | _____ X _____ none reported |
| Noncompliance material to the basic financial statements noted? | _____ yes | _____ X _____ no |

Federal Awards Section- Not Applicable

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Part I – Summary of Auditor’s Results

State Awards Section

Internal Control over compliance:

- 1) Material weakness(es) identified? _____ yes X no
- 2) Were significant deficiency(ies) identified that were not considered to be material weaknesses? _____ yes X none reported

Type of auditor's report on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 15-08, as amended? _____ yes X none

Identification of major programs:

| <u>State Grant/Project Number (s)</u> | <u>Name of State Program</u> |
|---------------------------------------|--|
| <u>495-034-5120-089</u> | <u>Special Education Aid</u> |
| <u>495-034-5120-084</u> | <u>Security Aid</u> |
| <u>495-034-5120-085</u> | <u>Adjustment Aid</u> |
| <u>495-034-5120-097</u> | <u>Per Pupil Growth Aid</u> |
| <u>495-034-5120-098</u> | <u>PARCC Readiness Aid</u> |
| <u>495-034-5094-003</u> | <u>TPAF Reimbursable Social Security</u> |
| _____ | _____ |

Dollar threshold used to distinguish between Type A and Type B Programs \$ 300,000

Auditee qualified as low-risk auditee? X yes _____ no

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Part 2 - Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements in accordance with Government Auditing Standards.

THERE ARE NONE.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Part 3 - Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 15-08.

CURRENT YEAR FEDERAL AWARDS

NOT APPLICABLE

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Part 3 - Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 15-08.

CURRENT YEAR STATE AWARDS

THERE ARE NONE.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (section .315(a)(b)) and New Jersey OMB's Circular 04-04.

STATUS OF PRIOR YEAR FINDINGS

There were none.