

SCHOOL DISTRICT
OF
HANOVER TOWNSHIP

Hanover Township School District
Hanover, New Jersey

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015

Comprehensive Annual Financial Report

of the

Hanover Township School District

Hanover, New Jersey

For the Fiscal Year Ended June 30, 2015

Prepared by

Hanover Township Board of Education

Finance Department

HANOVER TOWNSHIP SCHOOL DISTRICT
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INTRODUCTORY SECTION

Hanover Township Public Schools

61 Highland Avenue
Whippany, New Jersey 07981-1399

Vanessa M. Wolsky
School Business Administrator/Board Secretary

973-515-2407
FAX 973-540-1023

November 20, 2015

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

Dear Board Members:

The Comprehensive Annual Financial Report of the Hanover Township School District (the "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 Board of Education (the "Board"). 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 basic financial statements and results of operations 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 Independent Auditors' Report, management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, financial trends, and the fiscal capacity of the District, 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 Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: The 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 Hanover Township School District and its schools constitute the District's reporting entity.

The Hanover Township School District is a K-8 operating school system serving the residents of Hanover Township in Morris County. Hanover Township is located in southeastern Morris County northeast of Morristown, the county seat. It borders on the Borough of Florham Park and Morris Township in the south, the Borough of Morris Plains in the west, Parsippany-Troy Hills Township in the north and East Hanover Township in the east. The School District is a constituent District of the Hanover Park Regional High School District.

The Honorable President and Members of the Board of Education
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The Hanover Township School District currently operates four schools based on a K-5 and 6-8 building/grade organization plan: the Bee Meadow, Mountview Road and Salem Drive Elementary Schools, which serve grades K-5, and the Memorial Junior School, which serves grades 6-8. The Bee Meadow School was constructed in 1974; the Mountview Road School was constructed in 1959, and an addition was made to it in 1966; the Salem Drive School was constructed in 1956 and a library addition was completed in 1994; the original section of the Memorial Junior School was constructed in 1953, and substantial additions were made to it in 1966 and 1974. Each elementary school received an addition for various purposes that were completed in 2004.

Significant educational program changes have been made since the schools were built, many state mandated. The new programs often require special spaces that were not conceived of when the schools were designed and built, and usually require substantially more space per pupil to properly accommodate the educational programs.

The District provides a full range of educational services appropriate to grade levels K through 8 for the students residing in Hanover Township. These include programs for regular, gifted and talented and special education students. The District completed the 2014-15 fiscal year with an average daily enrollment of 1,464 students, which is an increase of 19 students from the previous year's enrollment.

Elementary School (K-5)

The emphasis in the elementary curriculum includes instruction in mathematics, science, world languages, social studies, reading and language arts, art, music, physical education, computer technology, health and safety. Provisions are made for instruction in study skills, world language (Spanish), character education and media as appropriate for the grade level. New instructional materials in language arts literacy and mathematics support transition to the recently adopted national Common Core Standards.

Middle School (6-8)

The middle school offers a transitional program between the self-contained classroom experience of elementary school and the departmental organization of the high school.

The classes and faculty at each grade level are divided into teams, so that the faculty members in one group teach all the major subject areas to the students assigned to that team. Daily common preparation periods help the team teachers coordinate instruction and monitor student progress from one subject to another. Trips and other activities are frequently undertaken on a team basis.

The major subject areas for the middle school grades are language arts, mathematics, reading, science, social studies, physical education, health and world languages, currently French and Spanish.

Special subjects in the middle school are organized into a "cycle program". Every year, the students receive between nine and eighteen weeks of instruction in technology, music, art and computers.

The use of technology as an instructional tool in grades K-8 is consistently expanded and enhanced by the acquisition of new equipment and materials, and numerous opportunities for staff training. Computer upgrades in the computer labs at each school, coupled with creative applications of educational software and use of the Internet, result in motivating and productive learning experiences for students across the grades. Smartboard Technology is now available in all of our schools.

The Honorable President and Members of the Board of Education
 Hanover Township School District
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The Board of Education also offers the Hanover Township School Age Child Care Program providing before and after school care as well as a summer program. The program is very popular and has been enhanced since its inception ten years ago providing a very affordable means to care for school age children living in Hanover Township.

2) ECONOMIC CONDITION AND OUTLOOK: Hanover Township encompasses 10.8 square miles of Morris County. The Township, comprised of Cedar Knolls and Whippany, is home to more than 13,000 residents. The Township presents an ideal suburban tapestry of residential neighborhoods, parkland and commercial & industrial businesses. Located in Hanover Township is the Morristown Airport, the third largest in the State of New Jersey. In addition, the Morris County Library and radio stations WMTR & WDHA are located in the Township. The Hanover Marriott and Courtyard by Marriott and Hilton are also conveniently located on Route 10. Bayer Corporation has moved into its new headquarters on the former Alcatel Lucent property on Whippany Road and a large amount of residential development is taking place throughout the Township.

3) MAJOR INITIATIVES: During the 2014-2015 school year the Board of Education and administration in consultation with parents and faculty established and ultimately accomplished four district wide goals.

DISTRICT GOALS FOR THE 2014-2015 SCHOOL YEAR

1. Improve use of technology to advance student achievement in mathematics K-8 and English Language Literacy (ELA) K-5 as measured by in-district assessments and the Educator Evaluation System.
2. Continue to improve the facilities including: media center; lavatories; common area; media systems in auditorium and exterior grounds.
3. Further enhance technology infrastructure, devices and internet presence for: Educator Evaluation System; PARCC; district website and teacher webpages.
4. Prepare for 2014 New Jersey Quality Single Accountability Continuum (NJQSAC) review process as measured by achieving 80% or better.

4) INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control system 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 awards, the District also is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by the District's management.

The Honorable President and Members of the Board of Education
Hanover Township School District
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November 20, 2015

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

5) BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure 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 the debt service fund. Project length budgets are approved for the capital improvements accounted for in the capital projects 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 canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as restrictions, commitments or assignments of 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 Basic Financial Statements", Note 1.

7) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. 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.

8) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. A schedule of insurance coverage is found on J-20.

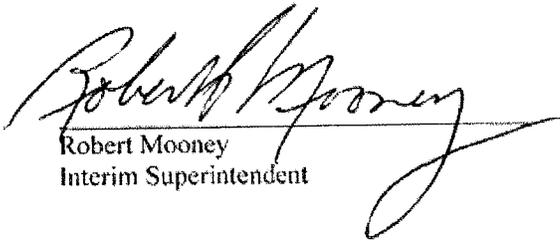
9) OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board. 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 Amendments of 1996 and the related Federal OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditor's report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

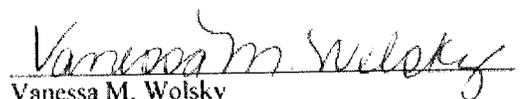
The Honorable President and Members of the Board of Education
Hanover Township School District
Page 5
November 20, 2015

10) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Hanover Township School Board of Education 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,



Robert Mooney
Interim Superintendent



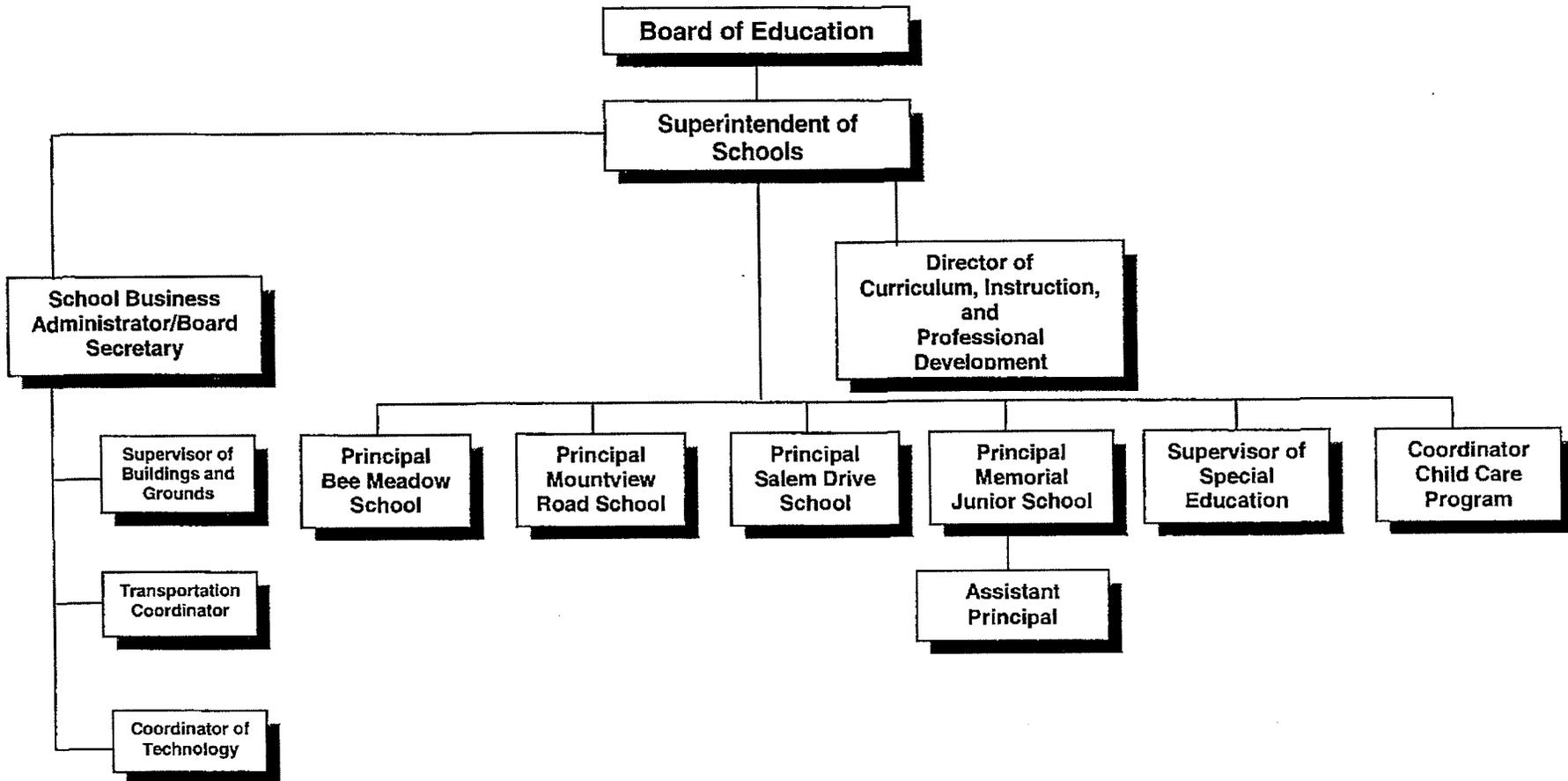
Vanessa M. Wolsky
School Business Administrator/Board Secretary

POLICY

HANOVER TOWNSHIP BOARD OF EDUCATION

ADMINISTRATION
1110/Page 1 of 1
Organizational Chart

1110 ORGANIZATIONAL CHART



Adopted: 12/20/71
Revised: 12/18/72
Revised: 4/28/87
Revised: 10/22/91

org chart 2013.doc

Revised: 11/15/94
Revised: 03/18/97
Revised: 12/15/98
Revised: 11/15/01
Revised: 11/30/01
Revised: 8/26/03
Revised: 9/23/08
Revised: 10/29/13

Note: Each administrator with instructional responsibilities will be assigned to provide leadership, coordination, and support for specific components of the overall instructional program.

**HANOVER TOWNSHIP SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2015**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Salvatore A. Azzarello, President	2017
Stephen E. Furda, Vice President	2016
Daniel J. Breen	2016
Brian Cahill	2017
Nicholas Duva	2015
Catherine Slattery	2016
Rose McCauley	2015
Carol Tognetti	2015
Glenn P. Yannotta	2017

<u>Other Officers</u>	<u>Title</u>
Scott R. Pepper	Superintendent of Schools
Vanessa M. Wolsky	School Business Administrator/Board Secretary

HANOVER TOWNSHIP SCHOOL DISTRICT

Consultants and Advisors

Architect

Mr. Anthony Gianforcaro
Gianforcaro Architects & Engineers
555 East Main Street
Chester, NJ 07930

Audit Firm

Nisivoccia LLP, CPAs
200 Valley Road Suite 300
Mount Arlington, NJ 07856-1320
And
Lawrence Business Park
11 Lawrence Road
Newton, New Jersey 07860

Attorneys

Schwartz, Simon, Edelstein & Celso, LLC
100 South Jefferson Road, Suite 200
Whippany, NJ 07981

Insurance Advisors

Henry O. Baker Insurance Group
7 S. Warren Street
Dover, NJ 07801

Official Depository

PNC Bank, N.A.
Route 10
Whippany, NJ 07981

FINANCIAL SECTION



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

Independent Auditors' Report

The Honorable President and Members
 of the Board of Education
 Hanover Township School District
 County of Morris, 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 Board of Education of the Hanover Township School District (the "District") in the County of Morris, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District'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.

Auditors' 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 *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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As discussed in Note 8 to the basic financial statements, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* during the fiscal year ended June 30, 2015. Our opinions are not modified with respect to this matter. The implementation resulted in the restatement of certain balances on the Statement of Net Position and the ending balance for Net Position for the Governmental Activities as of June 30, 2014 as detailed in Note 17 to the basic financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, which follows this report, the required supplementary information pension schedules and the budgetary comparison information in Exhibits C-1 through C-3 and I-3 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 District’s basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey’s OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Honorable President and Members

The Honorable President and Members
of the Board of Education
Hanover Township School District
Page 3

The accompanying supplementary schedules such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards 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 supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying other information such as the introductory and statistical sections has 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2015 on our consideration of the District'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 District's internal control over financial reporting and compliance

November 20, 2015
Mount Arlington, New Jersey

NISIVOCCIA LLP



Raymond G. Sarinelli
Licensed Public School Accountant #864
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Management Discussion and Analysis (Unaudited)

This section of Hanover Township School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending 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

- ◆ Overall revenue of governmental and business-type activities was \$31,446,765 which consisted primarily of property taxes of \$23,591,364. Overall expenses were \$31,655,651.
- ◆ The General Fund had revenues of \$26,992,854 and expenditures of \$27,292,992. The General Fund's fund balance (budgetary basis) decreased \$611,128 from 2014.
- ◆ The District appropriated \$500,000 of fund balance at June 30, 2014 to aid in funding the FY 2015 budget and appropriated \$400,000 of fund balance at June 30, 2015 to aid in funding the FY 2016 budget.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary 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 such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the District operates like a business, such as food services for the milk program and child care services.
- *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.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1
Organization of Hanover Township School District's Financial Report

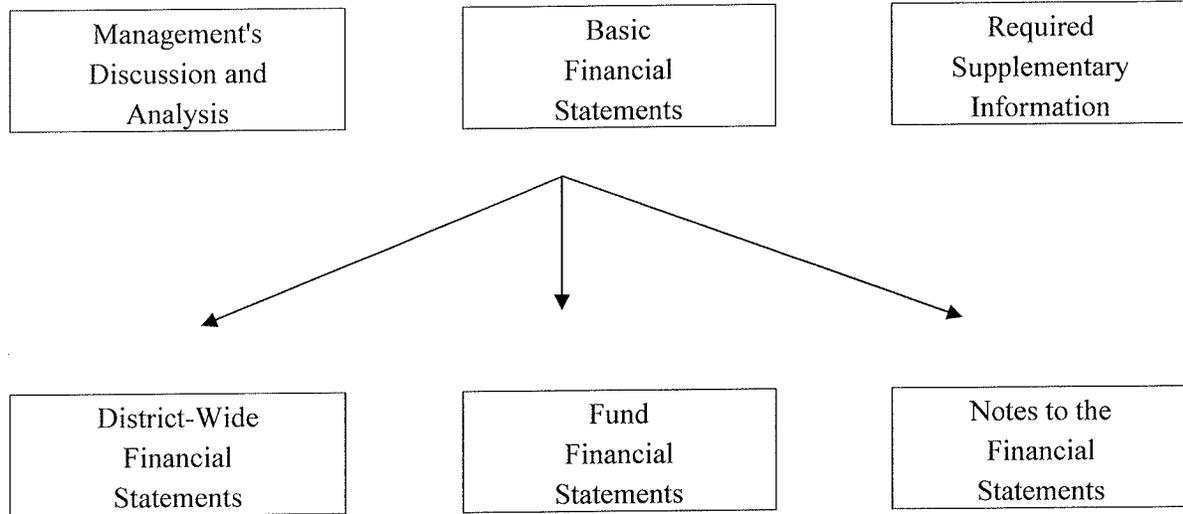


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

		Fund Financial Statements		
	District-Wide 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 special education and building maintenance	Activities the District operates similar to private businesses: food services and child care services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue 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 revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred inflows and outflows and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net position* and how they have changed. Net position – the difference between the District's assets, deferred inflows and outflows and liabilities – is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's milk program and child care program are included here.

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 establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you 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, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District uses *internal service funds* (the other kind of proprietary fund) to report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.

- *Fiduciary funds*: The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.
- *Notes to the Basic Financial Statements*: Provide additional information essential to a full understanding of the District-wide and fund financial statements.

Financial Analysis of the District as a Whole

Net Position. The Statement of Net Position provides one perspective of the District as a whole. Figure A-3 provides a summary of the District's net position as of June 30, 2014 and 2015. The District's *combined* net position was \$4,714,293 on June 30, 2015, \$208,886 or 4.24% less than it was the year before. It is important to note here that depreciation of the District's capital assets is computed in the total. The depreciation factored into the District's net position for 2014/15 is \$930,712. This same amount is also factored in as an expense in this year's financial statements.

Figure A-3

Condensed Statement of Net Position

	Government Activities		Business-Type Activities		Total School District		Percentage Change 2014/15
	2013/14 *	2014/15	2013/14	2014/15	2013/14	2014/15	
Current and Other Assets	\$ 2,619,219	\$ 2,001,583	\$ 590,340	\$ 721,714	\$ 3,209,559	\$ 2,723,297	-15.15%
Capital Assets, Net	18,454,077	18,609,494			18,454,077	18,609,494	0.84%
Total Assets	<u>21,073,296</u>	<u>20,611,077</u>	<u>590,340</u>	<u>721,714</u>	<u>21,663,636</u>	<u>21,332,791</u>	-1.53%
Deferred Outflows of Resources	<u>128,902</u>	<u>541,324</u>			<u>128,902</u>	<u>541,324</u>	319.95%
Long-Term Debt Outstanding	15,681,315	15,256,707			15,681,315	15,256,707	-2.71%
Other Liabilities	982,139	1,081,343	205,905	244,272	1,188,044	1,325,615	11.58%
Total Liabilities	<u>16,663,454</u>	<u>16,338,050</u>	<u>205,905</u>	<u>244,272</u>	<u>16,869,359</u>	<u>16,582,322</u>	-1.70%
Deferred Inflows of Resources		<u>577,500</u>				<u>577,500</u>	100.00%
Net Position:							
Net Investment in Capital Assets	13,346,166	14,081,901			13,346,166	14,081,901	5.51%
Restricted	564,241	347,380			564,241	347,380	-38.43%
Unrestricted/(Deficit)	<u>(9,371,663)</u>	<u>(10,192,430)</u>	<u>384,435</u>	<u>477,442</u>	<u>(8,987,228)</u>	<u>(9,714,988)</u>	8.10%
Total Net Position	<u>\$ 4,538,744</u>	<u>\$ 4,236,851</u>	<u>\$ 384,435</u>	<u>\$ 477,442</u>	<u>\$ 4,923,179</u>	<u>\$ 4,714,293</u>	-4.24%

* Restated

Changes in Net Position. The District's *combined* net position was \$4,714,293 on June 30, 2015, \$208,886 or 4.24% less than it was the year before. (See Figure A-3). The decrease in the District's financial position came from its governmental activities, as net position went from \$4,538,744 to \$4,236,851 offset by the increase in net position of the business-type activities of \$93,007 (See Figure A-4) for the fiscal year ended June 30, 2015.

Figure A-4

Changes in Net Position from Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	Change
Revenue:							
Program Revenue:							
Charges for Services			\$ 1,022,570	\$ 1,074,636	\$ 1,022,570	\$ 1,074,636	5.09%
Operating Grants and Contributions	\$ 3,284,389	\$ 6,053,224	14,104	14,175	3,298,493	6,067,399	83.94%
General Revenue:							
Property Taxes	22,312,382	23,591,364			22,312,382	23,591,364	5.73%
Unrestricted State Aid	332,392	371,656			332,392	371,656	11.81%
Other	323,390	341,538	230	172	323,620	341,710	5.59%
Total Revenue	<u>26,252,553</u>	<u>30,357,782</u>	<u>1,036,904</u>	<u>1,088,983</u>	<u>27,289,457</u>	<u>31,446,765</u>	15.23%
Expenses:							
Instruction	15,682,580	18,385,303			15,682,580	18,385,303	17.23%
Pupil and Instruction Services	4,297,023	4,719,736			4,297,023	4,719,736	9.84%
Administrative and Business	2,479,948	3,007,705			2,479,948	3,007,705	21.28%
Maintenance and Operations	2,582,194	2,922,902			2,582,194	2,922,902	13.19%
Transportation	1,364,055	1,390,033			1,364,055	1,390,033	1.90%
Other	215,342	233,996	942,290	995,976	1,157,632	1,229,972	6.25%
Total Expenses	<u>26,621,142</u>	<u>30,659,675</u>	<u>942,290</u>	<u>995,976</u>	<u>27,563,432</u>	<u>31,655,651</u>	14.85%
Increase/(Decrease) in							
Net Position	<u>\$ (368,589)</u>	<u>\$ (301,893)</u>	<u>\$ 94,614</u>	<u>\$ 93,007</u>	<u>\$ (273,975)</u>	<u>\$ (208,886)</u>	-23.76%

Revenue Sources. The District's total revenue for the 2014/15 school year was \$31,446,765. (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$23,591,364 of the total, or 75.02 percent. (See Figure A-5). Another 20.48 percent came from state and federal aid for specific programs and the remainder from miscellaneous sources. It is important to note that of the Categorical Grants amount of \$3,080,052, over \$1.4 million is included in funds that are not paid to the District, but are included in funding for Pension Contributions and Post Retirement Contributions that the State of New Jersey is paying on behalf of the District. Hanover Township School District basically conducts its operations from the revenues it receives from its local taxpayers.

Figure A-5**Sources of Revenue for Fiscal Year 2015**

	<u>Amount</u>	<u>Percentage</u>
Sources of Income:		
State Formula Aid	\$ 3,359,003	10.68%
Property Taxes	23,591,364	75.02%
Federal and State Categorical Grants	3,080,052	9.79%
Charges for Services	1,074,636	3.42%
Other	341,710	1.09%
	<u>\$ 31,446,765</u>	<u>100.00%</u>

The total cost of all programs and services was \$31,655,651. The District's expenses are predominantly related to instruction and instruction services which comprise 71.30% of total expenses.

Figure A-6**Expenses for Fiscal Year 2015**

	<u>Amount</u>	<u>Percentage</u>
Expense Category:		
Instruction	\$ 18,385,303	55.30%
Pupil and Instruction Services	4,719,736	16.00%
Administrative and Business	3,007,705	9.72%
Maintenance and Operations	2,922,902	9.92%
Transportation	1,390,033	4.80%
Other	1,229,972	4.26%
	<u>\$ 31,655,651</u>	<u>100.00%</u>

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Figure A-7 shows the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

As discussed elsewhere in this commentary, the financial position of the District remains more or less stable. Maintaining existing programs and the provision of a multitude of special programs and services for disabled pupils place great demands on the District's resources.

Figure A-7 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions:

Figure A-7

Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2013/2014	2014/2015	2013/2014	2014/2015
Instruction	\$ 15,682,580	\$ 18,385,303	\$ 12,597,352	\$ 12,680,576
Pupil and Instruction Services	4,297,023	4,719,736	4,166,349	4,719,736
Administrative and Business	2,479,948	3,007,705	2,479,948	2,717,460
Maintenance and Operations	2,582,194	2,922,902	2,582,194	2,922,902
Transportation	1,364,055	1,390,033	1,295,568	1,331,781
Other	215,342	233,996	215,342	233,996
	<u>\$ 26,621,142</u>	<u>\$ 30,659,675</u>	<u>\$ 23,336,753</u>	<u>\$ 24,606,451</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student. Also included are extracurricular activities expenses related to student activities provided by the school district which are designed to provide opportunities for students to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Pupil and instructional services include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development. Curriculum and staff development expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public is also included in this figure.

General administration, school administration and central services include expenses associated with administrative and financial supervision of the District including, but not limited to, legal and communication costs.

Operation and maintenance of facilities activities involve keeping the school grounds, buildings and equipment in an effective working condition.

Pupil transportation includes activities involved with the conveyance of students to and from school as provided by state law, as well as to and from all other school activities.

Other expenses include the cost of debt for the school district.

Business-Type Activities

Net position from the District's business-type activities increased \$93,007. (Refer to Figure A-4). School Age Child Care fees and enrollment increased in 2014/15.

Capital Asset and Debt Administration**Figure A-8**

	Capital Assets (Net of Depreciation)						Percentage Change 2014/15
	Government Activities		Business-Type Activities		Total School District		
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	
Land	\$ 288,109	\$ 288,109			\$ 288,109	\$ 288,109	0.00%
Construction in Progress	5,000	5,000			5,000	5,000	0.00%
Site Improvements	387,941	390,515			387,941	390,515	0.66%
Buildings and Improvements	17,099,324	17,287,614			17,099,324	17,287,614	1.10%
Machinery and Equipment	673,703	638,256			673,703	638,256	-5.26%
Total Capital Assets (Net of Depreciation)	\$ 18,454,077	\$ 18,609,494	\$ -0-	\$ -0-	\$ 18,454,077	\$ 18,609,494	0.84%

Overall capital assets increased \$155,417 from fiscal year 2014 to fiscal year 2015. Capital additions of \$1,090,828 were offset by depreciation expenses of \$930,712 for the year. Additionally, there were net deletions of \$4,699.

The capital asset expenditures during fiscal year 2015 were mainly physical plant improvements.

Long-term Debt

At June 30, 2015, the School District had \$15,256,707 of outstanding long-term liabilities – a decrease of \$479,503 from last year – as shown in Figure A-9. Of this amount \$870,951 is for compensated absences, \$2,520,382 for capital leases and \$2,120,000 for bonds for school construction.

Figure A-9**Outstanding Long-Term Debt**

	Total School District		Percentage Change
	2013/14 *	2014/15	
General Obligation Bonds (Financed with Property Taxes)	\$ 2,405,000	\$ 2,120,000	-13.44%
Net Pension Liability	9,690,479	9,745,374	0.56%
Net General Obligation Bonds	12,095,479	11,865,374	-1.94%
Capital Leases	2,702,911	2,520,382	-7.24%
Other Long- Term Liabilities	882,925	870,951	-1.37%
	\$ 15,681,315	\$ 15,256,707	-2.71%

* - As restated

- The District continued to pay down its debt, retiring \$285,000 of outstanding bonds.

Financial Analysis of the District's Funds

The school district's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$27,810,945 and expenditures of \$28,550,617. The General Fund experienced a net change in fund balance of (\$611,128) on the budgetary basis of accounting. However, due to regulations regarding the reporting of state aid receivables, this balance must be adjusted to (\$613,955). This difference of \$2,827 is the difference between Hanover Township's final 13/14 and 14/15 General Fund state aid payments.

General Fund Budgetary Highlights

The School District's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of the fiscal year 2015, the school district amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management. Amendments to the budget were for the following:

- ◆ Staffing changes based on student needs.
- ◆ Additional costs for special education.
- ◆ Changes in appropriations to prevent budget overruns.

While the District's final budget for the general fund anticipated that revenues and expenditures would roughly equal, the actual results for the year show a \$611,128 deficit, mainly due to a withdrawal from capital reserve.

- ◆ Actual revenues were \$102,752 more than expected mainly due to an increase in Extraordinary Aid.
- ◆ The actual expenditures were \$606,955 lower than expected due to a health benefits increase that was less than anticipated and other cost cutting measures.

Factors Bearing on the District's Future Revenue/Expense Changes

The Hanover Township Public School District is in good financial condition at present. The Township of Hanover currently has several proposed and recently completed residential developments that may continue to have a substantial impact on the District's enrollment and future budgets. The impact of the Affordable Care Act on the cost of health insurance is an area of concern for the future.

Hanover Township Board of Education is a member of ACES, a consortium of school districts seeking financial savings due to the deregulation of energy pricing and participates in cooperative bidding along with over 200 other New Jersey school districts for the purchase of classroom supplies (general and subject specific), office supplies, copy duplicator supplies, custodial supplies, trade skills and furniture. It also participates in the Universal Service Program to receive rebates on telecommunications fees. In addition, the District's system for financial planning, budgeting, and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet future challenges.

Contacting the District's Financial Management

This financial report is designed to provide the District's 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 financial information, contact the Board of Education Office, 61 Highland Avenue, Whippany, New Jersey 07981.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Exhibit A-1

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 1,284,428	\$ 716,309	\$ 2,000,737
Receivables:			
Other Governments	369,671	1,215	370,886
Other	209	4,190	4,399
Interfund	2		2
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	347,273		347,273
Capital Assets, Net:			
Sites (Land) and Construction in Progress	293,109		293,109
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	18,316,385		18,316,385
Total Assets	<u>20,611,077</u>	<u>721,714</u>	<u>21,332,791</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Amount on Refunding	112,789		112,789
Changes in Assumptions - Pensions	304,721		304,721
Changes in Proportions - Pensions	123,814		123,814
Total Deferred Outflows of Resources	<u>541,324</u>		<u>541,324</u>
LIABILITIES:			
Accrued Interest Payable	37,492		37,492
Accounts Payable - Vendors	221,084	240	221,324
Interfund Payable	639,778		639,778
Unamortized Bond Premium	132,399		132,399
Payable to State Government	50,590		50,590
Unearned Revenue		244,032	244,032
Noncurrent Liabilities:			
Due Within One Year	486,436		486,436
Due Beyond One Year	14,770,271		14,770,271
Total Liabilities	<u>16,338,050</u>	<u>244,272</u>	<u>16,582,322</u>
DEFERRED INFLOWS OF RESOURCES:			
Investment Gains - Pensions	577,500		577,500
Total Deferred Inflows of Resources	<u>577,500</u>		<u>577,500</u>
NET POSITION:			
Net Investment in Capital Assets	14,081,901		14,081,901
Restricted for:			
Debt Service	107		107
Capital Projects	347,273		347,273
Unrestricted/(Deficit)	(10,192,430)	477,442	(9,714,988)
Total Net Position	<u>\$ 4,236,851</u>	<u>\$ 477,442</u>	<u>\$ 4,714,293</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental Activities:						
Instruction:						
Regular	\$ 13,653,591		\$ 3,625,239	\$ (10,028,352)		\$ (10,028,352)
Special Education	3,915,308		1,864,288	(2,051,020)		(2,051,020)
Other Special Instruction	608,597		168,505	(440,092)		(440,092)
Other Instruction	207,807		46,695	(161,112)		(161,112)
Support Services:						
Tuition	655,357			(655,357)		(655,357)
Student & Instruction Related Services	4,064,379			(4,064,379)		(4,064,379)
General Administrative Services	621,811			(621,811)		(621,811)
School Administrative Services	1,614,400		290,245	(1,324,155)		(1,324,155)
Plant Operations and Maintenance	2,922,902			(2,922,902)		(2,922,902)
Pupil Transportation	1,390,033		58,252	(1,331,781)		(1,331,781)
Central services and Admin Info Tech	771,494			(771,494)		(771,494)
Transfer to Charter School	125,235			(125,235)		(125,235)
Capital Outlay	22,330			(22,330)		(22,330)
Interest on Long-Term Debt	86,431			(86,431)		(86,431)
Total Governmental Activities	30,659,675		6,053,224	(24,606,451)		(24,606,451)

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Functions/Programs</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Business-Type Activities:						
Enterprise Funds	\$ 995,976	\$ 1,074,636	\$ 14,175		\$ 92,835	\$ 92,835
Total Business-Type Activities	995,976	1,074,636	14,175		92,835	92,835
Total Primary Government	<u>\$ 31,655,651</u>	<u>\$ 1,074,636</u>	<u>\$ 6,067,399</u>	<u>\$ (24,606,451)</u>	<u>\$ 92,835</u>	<u>\$ (24,513,616)</u>
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				\$ 23,216,270		\$ 23,216,270
Taxes, Levied for Debt Service				375,094		375,094
Federal and State Aid not Restricted				371,656		371,656
Investment Earnings				4,339	\$ 172	4,511
Miscellaneous Income				337,199		337,199
Total General Revenues				<u>24,304,558</u>	<u>172</u>	<u>24,304,730</u>
Change in Net Position				(301,893)	93,007	(208,886)
Net Position - Beginning as Restated				<u>4,538,744</u>	<u>384,435</u>	<u>4,923,179</u>
Net Position - Ending				<u>\$ 4,236,851</u>	<u>\$ 477,442</u>	<u>\$ 4,714,293</u>

FUND FINANCIAL STATEMENTS

Exhibit B-1

HANOVER TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 1,243,411	\$ 41,017			\$ 1,284,428
Receivables:					
Other Governments	358,391	11,280			369,671
Interfund Receivable	125,364			\$ 107	125,471
Other	209				209
Restricted Cash and Cash Equivalents	347,273				347,273
Total Assets	\$ 2,074,648	\$ 52,297	\$ -0-	\$ 107	\$ 2,127,052
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable - Vendors	\$ 219,377	\$ 1,707			\$ 221,084
Interfund Payable	639,778		\$ 125,469		765,247
Payable to State Government		50,590			50,590
Total Liabilities	859,155	52,297	125,469		1,036,921
Fund Balances:					
Restricted for:					
Capital Reserve Account	347,273				347,273
Debt Service				\$ 107	107
Assigned:					
For Subsequent					
Year's Expenditures	400,000				400,000
Year End Encumbrances	42,492				42,492
Unassigned/(Deficit)	425,728		(125,469)		300,259
Total Fund Balances	1,215,493		(125,469)	107	1,090,131
Total Liabilities and Fund Balances	\$ 2,074,648	\$ 52,297	\$ -0-	\$ 107	
 Amounts Reported for <i>Governmental Activities</i> 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 \$32,286,546 and the accumulated depreciation is \$13,677,052.					18,609,494
Long-term liabilities, including bonds payable and other long-term liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the funds.					(5,511,333)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.					(37,492)
Bond issuance premiums are reported as revenue in the governmental funds in the year the bonds are sold. The amount is \$226,969 and the accumulated amortization is \$94,570.					(132,399)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.					(9,745,374)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds:					
Changes in Assumptions - Pensions					304,721
Investment Gains - Pensions					(577,500)
Changes in Proportions - Pensions					123,814
Deferred interest costs are not reported as expenditures in the governmental funds in the year of the expenditure.					112,789
Net Position of Governmental Activities					\$ 4,236,851

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
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:					
Local Tax Levy	\$ 23,216,270			\$ 375,094	\$ 23,591,364
Interest Earned on Investments	4,243		\$ 8		4,251
Interest Earned on Capital Reserve Funds	88				88
Miscellaneous	337,199	\$ 42			337,241
Total - Local Sources	23,557,800	42	8	375,094	23,932,944
State Sources	3,432,227	84,492			3,516,719
Federal Sources		361,282			361,282
Total Revenues	26,990,027	445,816	8	375,094	27,810,945
EXPENDITURES:					
Current:					
Regular Instruction	7,690,812	23,878			7,714,690
Special Education Instruction	2,302,786	305,405			2,608,191
Other Special Instruction	344,732				344,732
Other Instruction	112,784				112,784
Support Services and Undistributed Costs:					
Tuition	601,066	54,291			655,357
Student & Instruction Related Services	3,031,881	62,242			3,094,123
General Administration Services	509,210				509,210
School Administration Services	1,004,475				1,004,475
Central Services	405,274				405,274
Administrative Information Technology Services	157,146				157,146
Plant Operations and Maintenance	2,527,468				2,527,468
Pupil Transportation	1,308,861				1,308,861

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
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>
EXPENDITURES (Cont'd):					
Current:					
Unallocated Benefits	\$ 6,528,885				\$ 6,528,885
Transfer to Charter School	125,235				125,235
Debt Service:					
Principal				\$ 285,000	285,000
Interest and Other Charges				90,350	90,350
Capital Outlay	<u>642,377</u>		<u>\$ 436,459</u>		<u>1,078,836</u>
Total Expenditures	<u>27,292,992</u>	<u>\$ 445,816</u>	<u>436,459</u>	<u>375,350</u>	<u>28,550,617</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(302,965)</u>		<u>(436,451)</u>	<u>(256)</u>	<u>(739,672)</u>
OTHER FINANCING SOURCES/(USES):					
Transfers In			310,990	8	310,998
Transfers Out	<u>(310,990)</u>		<u>(8)</u>		<u>(310,998)</u>
Total Other Financing Sources/(Uses)	<u>(310,990)</u>		<u>310,982</u>	<u>8</u>	
Net Change in Fund Balances	(613,955)		(125,469)	(248)	(739,672)
Fund Balances - July 1	<u>1,829,448</u>			<u>355</u>	<u>1,829,803</u>
Fund Balances/(Deficit) - June 30	<u>\$ 1,215,493</u>	<u>\$ -0-</u>	<u>\$ (125,469)</u>	<u>\$ 107</u>	<u>\$ 1,090,131</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

HANOVER TOWNSHIP SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2) \$ (739,672)

Amounts Reported for Governmental Activities in the Statement
of Activities (A-2) are Different Because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of
activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which capital outlays differ from depreciation and disposals in the period.

	Depreciation expense	\$ (930,712)	
	Capital outlays	1,090,828	
	Disposals	<u>(4,699)</u>	
			155,417

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are
measured by the amounts earned during the year. In the governmental funds, however, expenditures
for these items are reported in the amount of financial resources used (paid). When the earned amount
exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount
exceeds the earned amount the difference is an addition to the reconciliation. (+) 11,974

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces
long-term liabilities in the statement of net position and is not reported in the statement of activities. (+) 285,000

Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces
long-term liabilities in the statement of net position and is not reported in the statement of activities. 182,529

HANOVER TOWNSHIP SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation. (+)	\$ 3,919
The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:	
Change in Net Pension Liability	(54,895)
Deferred Outflows:	
Changes in Assumptions	304,721
Changes in Proportion	123,814
Deferred Inflows:	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	(577,500)
The governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (+)	18,913
The governmental funds report the effect of deferred interest when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(16,113)
Change in Net Position of Governmental Activities (Exhibit A-2)	<u>\$ (301,893)</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-4

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Non-Major Program</u>	<u>Major Program School Age Child Care</u>	<u>Total Funds</u>
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 6,538	\$ 709,771	\$ 716,309
Accounts Receivable:			
Federal	1,215		1,215
Other		4,190	4,190
Total Current Assets	<u>7,753</u>	<u>713,961</u>	<u>721,714</u>
Total Assets	<u>7,753</u>	<u>713,961</u>	<u>721,714</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable - Vendors		240	240
Unearned Revenue		244,032	244,032
Total Current Liabilities		<u>244,272</u>	<u>244,272</u>
NET POSITION:			
Unrestricted	<u>7,753</u>	<u>469,689</u>	<u>477,442</u>
Total Net Position	<u>\$ 7,753</u>	<u>\$ 469,689</u>	<u>\$ 477,442</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-5

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Non-Major Program</u>	<u>Major Program School Age Child Care</u>	<u>Total Funds</u>
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs:			
Special Milk Program	\$ 23,774		\$ 23,774
Child Care Fees		\$ 1,050,862	1,050,862
Total Operating Revenue	<u>23,774</u>	<u>1,050,862</u>	<u>1,074,636</u>
Operating Expenses:			
Cost of Sales	20,545		20,545
Salaries	12,012	545,154	557,166
Benefits and Taxes	4,072	173,188	177,260
Purchased Services		89,001	89,001
Supplies/Field Trips/Travel		84,460	84,460
Other	73	67,471	67,544
Total Operating Expenses	<u>36,702</u>	<u>959,274</u>	<u>995,976</u>
Operating Income (Loss)	<u>(12,928)</u>	<u>91,588</u>	<u>78,660</u>
Non-Operating Revenue:			
Local Sources:			
Interest Revenue	3	169	172
Federal Sources:			
Special Milk Program	14,175		14,175
Total Non-Operating Revenue	<u>14,178</u>	<u>169</u>	<u>14,347</u>
Change in Net Position	1,250	91,757	93,007
Net Position - Beginning of Year	<u>6,503</u>	<u>377,932</u>	<u>384,435</u>
Net Position - End of Year	<u>\$ 7,753</u>	<u>\$ 469,689</u>	<u>\$ 477,442</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-6

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Non-Major Program</u>	<u>Major Program School Age Child Care</u>	<u>Total Funds</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 23,774	\$ 1,089,356	\$ 1,113,130
Payments to Employees	(12,012)	(545,154)	(557,166)
Payments for Employee Benefits	(4,072)	(173,188)	(177,260)
Payments to Suppliers	(22,222)	(240,693)	(262,915)
Net Cash Provided by/(Used for) Operating Activities	<u>(14,532)</u>	<u>130,321</u>	<u>115,789</u>
Cash Flows from Noncapital Financing Activities:			
Cash Received from Federal Reimbursements	<u>14,321</u>		<u>14,321</u>
Net Cash Provided by Noncapital Financing Activities	<u>14,321</u>		<u>14,321</u>
Cash Flows from Investing Activities:			
Interest on Investments	<u>2</u>	<u>170</u>	<u>172</u>
Net Cash Provided by Investing Activities	<u>2</u>	<u>170</u>	<u>172</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(209)	130,491	130,282
Cash and Cash Equivalents, July 1	<u>6,747</u>	<u>579,280</u>	<u>586,027</u>
Cash and Cash Equivalents, June 30	<u>\$ 6,538</u>	<u>\$ 709,771</u>	<u>\$ 716,309</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by/(Used for) Operating Activities:			
Operating Income (Loss)	\$ (12,928)	\$ 91,588	\$ 78,660
Adjustment to Reconcile Operating Income (Loss) to Cash Provided by/(Used for) Operating Activities:			
Changes in Assets and Liabilities:			
(Increase) in Other Accounts Receivable		(1,237)	(1,237)
Increase/(Decrease) in Accounts Payable	(1,604)	239	(1,365)
Increase in Unearned Revenue		39,731	39,731
Net Cash Provided by/(Used for) Operating Activities	<u>\$ (14,532)</u>	<u>\$ 130,321</u>	<u>\$ 115,789</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-7

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Flexible Spending Trust</u>
ASSETS:				
Cash and Cash Equivalents	\$ 91,665	\$ 117,834	\$ 10,493	\$ 9,705
Interfund Receivable	<u>639,778</u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 731,443</u>	<u>\$ 117,834</u>	<u>\$ 10,493</u>	<u>\$ 9,705</u>
LIABILITIES:				
Due to Student Groups	\$ 62,464	<u> </u>	<u> </u>	<u> </u>
Accrued Salaries and Wages	639,778	<u> </u>	<u> </u>	<u> </u>
Payroll Deductions and Withholdings	29,199	<u> </u>	<u> </u>	<u> </u>
Interfund Payable	<u>2</u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>731,443</u>	<u> </u>	<u> </u>	<u> </u>
NET POSITION:				
Held in Trust for:				
Unemployment Claims		\$ 117,834		
Restricted for Scholarships			\$ 10,493	
Flexible Spending Claims				<u>\$ 9,705</u>
Total Net Position	<u>\$ -0-</u>	<u>\$ 117,834</u>	<u>\$ 10,493</u>	<u>\$ 9,705</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-8

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Unemployment Compensation Trust	Private Purpose Scholarship Trust	Flexible Spending Trust
ADDITIONS:			
Contributions:			
Plan Members	\$ 38,308		\$ 22,740
Board Contribution		\$ 200	
Total Contributions	38,308	200	22,740
Investment Earnings:			
Interest	126	1	
Net Investment Earnings	126	1	
Total Additions	38,434	201	22,740
DEDUCTIONS:			
Quarterly Contribution Reports	16,584		
Scholarships Awarded		245	
Flexible Spending Claims			16,882
Total Deductions	16,584	245	16,882
Change in Net Position	21,850	(44)	5,858
Net Position - Beginning of the Year	95,984	10,537	3,847
Net Position - End of the Year	\$ 117,834	\$ 10,493	\$ 9,705

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (the "Board") of Hanover Township School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

A. Reporting Entity:

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of 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.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significance) should be included in the financial reporting entity. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include elementary schools and a middle school located in Hanover Township. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

District-Wide Financial Statements:

The statement of net position and the statement of activities present financial information about the District's governmental and business type activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenue and other nonexchange transactions. Business type activities are financed in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self financing or draws from the general revenues of the District.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
 (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

Fund Financial Statements: During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - *governmental, proprietary and fiduciary* - are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all governmental funds as major is important for public interest and to promote consistency among district financial reporting models.

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for and report all expendable financial resources not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

As required by the NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by board resolution.

Special Revenue Fund: The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Thus, the Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Governments (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted or committed to expenditures for specified purposes.

Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

Debt Service Fund: The Debt Service Fund is used to account for and report the financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary fund:

Enterprise (Milk Service and School Age Child Care) Funds: The Enterprise Funds account for all revenue and expenses pertaining to the Board's cafeteria and child care operations. The milk service fund and school age child care fund are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and include the Student Activities Fund, Payroll Agency Fund, Unemployment Compensation Insurance Trust Fund, Private Purpose Scholarship Trust Fund and Flexible Spending Trust Fund.

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

It is the District's policy, that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the District's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2015 was submitted to the County office and approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts 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. All budget amendments/transfers must be made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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 generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund 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 revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the June state aid payments for the current year. Since the State is recording the June state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

The Capital Projects budgetary revenue differs from GAAP revenue due to a difference in the recognition of SDA grants. Grants are recognized in full the year the grants are awarded on the budgetary basis; but, are not recognized on the GAAP basis until they are expended and submitted for reimbursement.

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 26,992,854	\$ 444,173
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		1,643
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	76,993	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(79,820)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 26,990,027</u>	<u>\$ 445,816</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control: (Cont'd)

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 27,292,992	\$ 444,173
Differences - Budget to GAAP		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the Year the Supplies are Received for Financial Reporting Purposes.		1,643
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 27,292,992	\$ 445,816
		Capital Projects Fund
	Fund Balance	Revenue
Fund Balance per Summary Schedule of Revenue, Expenditures and Changes in Fund Balance (Budgetary Basis)	\$ 52,574	\$ 178,051
Reconciliation to Governmental Funds Statements (GAAP):		
SDA Grant Receivable not Recognized on GAAP Basis	(178,043)	(178,043)
Fund Balance per Governmental Funds (GAAP)	\$ (125,469)	\$ 8

E. Cash and Cash Equivalents:

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that 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.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Government Units. If a public depository fails, the collateral it has pledged, plus the collateral of all the other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
 (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

F. Interfund Transactions

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenue. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenue/expenses in the enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, for amounts due between governmental and business-type activities, which are presented as internal balances.

G. Allowance for Uncollectible Accounts

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

H. Encumbrances:

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 restricted, 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.

Open encumbrances in the special revenue fund for which the District has received advances are reflected in the balance sheet as unearned revenue at fiscal year end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

I. Short-term Interfund Receivables/Payables:

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

J. Inventories and Prepaid Expenses:

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2015.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

K. Capital Assets:

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the District-wide statements and proprietary funds are as follows:

	<u>Estimated Useful Life</u>
Buildings	50 years
Site Improvements	20 years
Furniture and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures in the governmental funds upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

L. Long-Term Liabilities

In the district-wide and enterprise fund statements of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond premium and discounts are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. 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.

M. Accrued Salaries and Wages:

Certain District employees, who provide services to the District over the ten-month academic year, have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2015, the amount earned by these employees but not disbursed was \$639,778.

N. Compensated Absences:

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), *Accounting for Compensated Absences*. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

N. Compensated Absences: (Cont'd)

District employees are granted varying amounts of vacation and sick leave in accordance with the District's various employee contracts/agreements. Upon termination, employees are paid for accrued vacation. These employee contracts/agreements permit employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the District's applicable employee contracts/agreements.

In the district-wide *Statement of Net Position*, the liabilities, whose average maturities are greater than one year, should be reported in two components – the amount due within one year and the amount due in more than one year.

O. Unearned Revenue:

Unearned revenue in the special revenue fund represents cash which has been received but not yet earned. See Note 1(D) regarding the special revenue fund.

P. Fund Balance Appropriated:

General Fund: Of the \$1,215,493 General Fund fund balance at June 30, 2015, \$442,492 is assigned fund balance of which \$42,492 is for year- end encumbrances and \$400,000 has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2016; \$347,273 is restricted in the capital reserve account; and there is \$425,728 in unassigned fund balance which is \$79,820 less than the calculated maximum unassigned fund balance, on a GAAP basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2016.

Debt Service Fund: Of the \$107 Debt Service Fund fund balance at June 30, 2015, \$99 is restricted and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2016; and \$8 will be included as anticipated revenue for the fiscal year ending June 30, 2017.

Capital Projects Fund: The Capital Projects Fund had a deficit restricted fund balance of \$125,469 at June 30, 2014.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (S1701), the designation for Restricted Fund Balance-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 restrict General Fund fund balance 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 District had no excess surplus.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$79,820 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, Districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school Districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the school District cannot recognize the June state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the June state aid payments and not the fund balance reported on the fund statement which excludes the June state aid payments.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
 (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Q. Deficit Net Position/Fund Balance

The \$10,192,430 deficit in the Unrestricted Net Position of the District's Governmental Activities is primarily due to the accrual of \$870,951 of compensated absences, \$132,399 of unamortized bond premiums, \$9,745,374 of net pension liability, investment gains in pension of \$577,500 and \$37,942 of accrued interest payable offset by \$42,492 of encumbrances, \$304,721 of changes in pensions assumptions, \$123,814 of changes in pensions proportions and \$400,000 of fund balance designated for subsequent year's expenditures in the General Fund. The \$125,469 deficit in the Capital Projects Fund fund balance is primarily due to a \$178,043 SDA Grant receivable which is not recognized until the grant funds are expended and submitted for reimbursement. These deficits do not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

R. Net Position

Net Position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources for the Deferred Amount on Refunding at June 30, 2015, changes in assumptions of pensions and changes in proportions of pensions.

The district had deferred inflows of resources at June 30, 2015 for the net difference between projected and actual investments earnings on pension plan investments.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

S. Fund Balance Restrictions, Commitments and Assignments

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

Fund balance restrictions have been established for debt service and a capital reserve.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2015.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances and for amounts designated for subsequent year's expenditures in the General Fund at June 30, 2015.

T. Revenue - Exchange and Nonexchange Transactions

Revenue, resulting from exchange transactions in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means within sixty days of the fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes, interest and tuition.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

U. Operating Revenue and Expenses

Operating revenue is revenue that is generated directly from the primary activity of the Enterprise Funds. For the School District, this revenue is sales for food service and school age child care fees. Operating expenses are necessary costs incurred to provide the services that are the primary activities of the Enterprise Funds.

V. Management Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

W. Pensions

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 State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's net position have been determined on the same basis as they are reported by the PERS and the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and District-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, amounts in deposits, and short-term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40 requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the District ensures that any deposit or investments matures within the period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The District limits its investments to those authorized in its cash management plan which are permitted under state statutes as detailed on the following page.

Deposits:

New Jersey statutes require that school Districts deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School Districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Deposits (Cont'd):

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments:

New Jersey statutes permit the Board to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

As of June 30, 2015, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents <u>Capital Reserve</u>	<u>Total</u>
Checking and Savings Accounts	\$ 2,230,434	\$ 347,273	\$ 2,577,707

During the period ended June 30, 2015, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2015, was \$2,577,707 and the bank balance was \$2,985,461.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Hanover Township School District for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the General Fund and its activity is included in the General Fund annual budget.

Funds placed in the capital reserve account 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 amount 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-5.1(d)7*, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2014 to June 30, 2015 fiscal year is as follows:

Beginning balance, July 1, 2014		\$ 563,886
Interest Earnings	\$ 88	
Deposits:		
Transfer by Board Resolution (June 2015)	<u>250,000</u>	
		<u>250,088</u>
		813,974
Withdrawals:		
Board resolutions		<u>(466,701)</u>
Ending balance, June 30, 2015		<u>\$ 347,273</u>

The June 30, 2015 LRFP balance of local support costs exceeds the balance in the capital reserve account at June 30, 2015. Withdrawals from the capital reserve were for use in DOE approved facilities projects, consistent with the District's LRFP.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 5. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2015, the District transferred \$110,838 to equipment and therefore did not require approval from the County Superintendent. The District transferred \$68,289 to facility acquisition and construction services which required approval from the County Superintendent.

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2015 were as follows:

	Beginning Balance	Increases	Adjustments/ (Decreases)	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 288,109			\$ 288,109
Construction in Progress	5,000			5,000
Total Capital Assets Not Being Depreciated	<u>293,109</u>			<u>293,109</u>
Capital Assets Being Depreciated:				
Site Improvements	1,574,945	71,020		1,645,965
Buildings and Building Improvements	27,020,635	914,408		27,935,043
Machinery and Equipment	2,317,359	105,400	(10,330)	2,412,429
Total Capital Assets Being Depreciated	<u>30,912,939</u>	<u>1,090,828</u>	<u>(10,330)</u>	<u>31,993,437</u>
Governmental Activities Capital Assets	<u>31,206,048</u>	<u>1,090,828</u>	<u>(10,330)</u>	<u>32,286,546</u>
Less Accumulated Depreciation for:				
Site Improvements	1,187,004	68,446		1,255,450
Buildings and Building Improvements	9,921,311	726,118		10,647,429
Machinery and Equipment	1,643,656	136,148	(5,631)	1,774,173
	<u>12,751,971</u>	<u>930,712</u>	<u>(5,631)</u>	<u>13,677,052</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 18,454,077</u>	<u>\$ 160,116</u>	<u>\$ (4,699)</u>	<u>\$ 18,609,494</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 613,571
Special Education Instruction	40,275
Other Special Instruction	7,595
Other Instruction	24,006
Student and Instruction Related Services	71,643
General Administrative Services	4,416
School Administrative Services	24,091
Operations and Maintenance of Plant	66,225
Pupil Transportation	68,872
Central Services	10,018
	<u>\$ 930,712</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 7. OPERATING LEASES

The District has commitments to lease copiers which expire March 2019. Total operating lease payments made during the year ended June 30, 2015 were \$53,635. Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 49,998
2017	12,382
2018	5,935
2019	2,631
	<u>\$ 70,946</u>

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2015, the following changes occurred in liabilities reported in the District-wide financial statements:

	<u>Balance</u> <u>6/30/2014</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance</u> <u>6/30/2015</u>
Serial Bonds Payable	\$ 2,405,000		\$ 285,000	\$ 2,120,000
Compensated Absences Payable	882,925	\$ 74,004	85,978	870,951
Capital Leases Payable	2,702,911		182,529	2,520,382
	<u>\$ 5,990,836</u>	<u>\$ 74,004</u>	<u>\$ 553,507</u>	<u>\$ 5,511,333</u>

A. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds and will be liquidated through the debt service fund.

On November 2, 2010, the District issued \$2,970,000 refunding bonds with interest rates ranging from 2.00% to 4.00% to refund \$2,925,000 of the \$4,750,000 school bonds dated January 15, 2002 with rates ranging from 4.30% to 4.75%. As a result of the advance refunding, the School District reduced its total debt service requirement by \$151,221 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$144,087, or a 4.926% net present value savings.

The refunding bonds will mature on January 15, 2011 through January 15, 2022 and constitute an advanced refunding. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent who paid the debt service requirements of the refunded bonds on January 15, 2013 and redeemed the refunded bonds, at a redemption price equal to 100% of par, on January 15, 2013, which was the first optional redemption date. The refunding met the requirements of an in-substance debt defeasance and the school bonds were removed from the District's government-wide financial statements.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 8. LONG-TERM LIABILITIES (Cont'd)

A. Bonds Payable: (Cont'd)

Purpose	<u>Serial Bonds</u>			Amount
	Issue Date	Interest Rate	Maturity Date	
School Refunding Bonds	11/2/2010	3.00%-4.00%	1/15/2022	\$ 2,120,000

Principal and interest due on serial bonds outstanding are as follows:

Year	Principal	Interest	Total
2016	\$ 300,000	\$ 81,800	\$ 381,800
2017	305,000	72,800	377,800
2018	305,000	60,600	365,600
2019	305,000	48,400	353,400
2020	305,000	36,200	341,200
2021-2022	600,000	36,000	636,000
	\$ 2,120,000	\$ 335,800	\$ 2,455,800

B. Bonds Authorized But Not Issued:

As of June 30, 2015, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

The District is leasing a bus, a tractor and an energy savings improvement program totaling \$2,986,155 under capital leases. The capital leases are for terms ranging from three to fifteen years. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2015.

Year	Amount
2016	\$ 239,117
2017	239,117
2018	239,118
2019	239,118
2020	239,118
2021-2025	1,195,590
2026-2027	478,236
Total Minimum Lease Payables	2,869,414
Less: Amount representing interest	349,032
Present value of net minimum lease payments	\$ 2,520,382

The General Fund will be used to liquidate the capital leases.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 8. LONG-TERM LIABILITIES (Cont'd)

D. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The current portion of the compensated absences balance of the governmental funds is \$-0- and the long-term liability balance of compensated absences is \$870,951. The General Fund will be used to liquidate the compensated absences payable.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2015, no liability existed for compensated absences in the Enterprise Funds.

E. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2015 is \$-0- and the long-term portion is \$9,745,374. See Note 8 for further information on the PERS.

NOTE 9. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP).

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Benefits Provided (Cont'd)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$396,368 for fiscal year 2015.

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2015, the District reported a liability of \$9,745,374 for its proportionate share of the 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 July 1, 2013 which was rolled forward to June 30, 2014. The District's proportion 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 members, actuarially determined. At June 30, 2014, the District's proportion was 0.0517%, which was a decrease of 0.0008% from its proportion measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized pension expense of \$523,299. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ 304,721	
Changes in Proportion	123,814	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		<u>\$ 577,500</u>
	<u>\$ 428,535</u>	<u>\$ 577,500</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion) related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2015	\$ (88,360)
2016	(88,360)
2017	(88,360)
2018	(88,360)
2019	56,015
Thereafter	<u>24,646</u>
	<u>\$ (272,779)</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.

Inflation Rate	3.01%
Salary Increases:	
2012-2021	2.15 – 4.40% based on age
Thereafter	3.15 – 5.40% based on age
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Actuarial Assumptions (Cont'd)

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS' 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 U.S. 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 liability was 5.39% as of June 30, 2014. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 4.29% as of June 30, 2014 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2014 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2014		
	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
District's proportionate share of the Net Pension Liability	\$ 12,190,953	\$ 9,690,479	\$ 7,590,718

Pension plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts. The following represents the membership tiers for TPAF:

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2014, the State's pension contribution was less than the actuarially determined amount.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2015, the State of New Jersey contributed \$567,455 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$2,546,838.

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2015, the State's proportionate share of the net pension liability associated with the District was \$57,876,394. 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 July 1, 2013 which was rolled forward to June 30, 2014. The District's proportion 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 members, actuarially determined. At June 30, 2014, the District's proportion was 0.108%, which was a decrease of 0.003% from its proportion measured as of June 30, 2013.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>57,876,394</u>
Total	<u><u>\$ 57,876,394</u></u>

For the fiscal year ended June 30, 2014, the State recognized pension expense on behalf of the District in the amount of \$3,114,293 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2015 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ 2,306,623,861	
Difference Between Expected and Actual Experience		\$ 21,969,019
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		1,741,236,574
	<u>\$ 2,306,623,861</u>	<u>\$ 1,763,205,593</u>

The \$2,306,623,861 reported as deferred outflows of resources related to pensions resulting from changes in assumptions will be amortized over a period of 8.5 years. The \$21,969,019 reported as reported as deferred outflows of resources related to pensions resulting from changes in assumptions will be amortized over a period of 8.5 years. The \$1,741,236,574 reported as a deferred inflow of resources resulting from the difference between projected and actual investment earnings on pension plan investments will be amortized over 5 years.

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2016	\$ (130,688,498)
2017	(130,688,498)
2018	(130,688,498)
2019	(130,688,496)
2020	304,620,646
Thereafter	761,551,612
	<u>\$ 543,418,268</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.

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.90%

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Actuarial Assumptions (Cont'd)

Mortality rates were based on the RP-2000 Health Annuitant Mortality Tables for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2014 is 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-U.S. Fixed Income	0.00%	1.41%
Inflation-Indexed Bonds	2.50%	1.30%
Broad U.S. Equities	25.90%	5.88%
Large CAP U.S. Equities	0.00%	5.62%
Mid CAP U.S. Equities	0.00%	6.39%
Small CAP U.S. 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%

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.68% as of June 30, 2014. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 4.29% as of June 30, 2014 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the State as of June 30, 2014 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2014		
	1% Decrease (3.68%)	Current Discount Rate (4.68%)	1% Increase (5.68%)
Total Net Pension Liability	\$ 64,722,984,539	\$53,813,067,539	\$44,738,870,539

Pension Plan Fiduciary Net Position - TPAF

Detailed information about the TPAF's fiduciary net position is available in the separately issued TPAF financial statements.

C. Defined Contribution Retirement Program (DCRP)

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

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

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

C. Defined Contribution Retirement Program (DCRP) (Cont'd)

For DCRP, the District recognized pension expense of \$24,404 for the fiscal year ended June 30, 2015. Employee contributions to DCRP amounted to \$24,404 for the fiscal year ended June 30, 2015.

NOTE 10. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. Chapter 103 of Public Law amended the law to eliminate the funding of post-retirement medical benefits through TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. 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 in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a prefunding 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 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's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$900,834, \$751,117 and \$812,827 for 2015, 2014 and 2013, respectively.

NOTE 11. RISK MANAGEMENT

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

Property, Liability and Health Benefits

The District provides health benefit coverage via the New Jersey State Health Benefits Program. The District provides vision and dental coverage via a direct contract with VSP and Delta Dental.

The Hanover Township School District is currently a member of the Morris Essex Insurance Group (the "Pool"). The Pool provides its members with Workers' Compensation. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The District is also a member of the School Alliance Insurance Fund (the "Fund"). SAIF is a public entity risk management pool which provides general liability, property and automobile coverage for its members. Both the Pool and the Fund are risk-sharing public entity risk pools that are both an insured and self-administered group of school Districts established for the purpose of providing low-cost insurance coverage for their members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective District for the purpose of creating a governing body from which officers for the Pool and the Fund are elected. As a member of the Pool and the Fund, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the Pool or the Fund were to be exhausted, members would become responsible for their respective shares of the Pool's or Fund's liabilities.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)Property, Liability and Health Benefits (Cont'd)

The Pool or the Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with Statement No. 10 of the Governmental Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

The audit for the year ended June 30, 2015 was not available as of the date of this report.

Selected financial information for the Fund and the Pool as of June 30, 2014 is as follows:

	<u>School Alliance Insurance Fund</u>	<u>Morris Essex Insurance Group</u>
Total Assets	\$ 33,508,569	\$ 8,623,310
Net Position	\$ 5,114,269	\$ 5,409,944
Total Revenue	\$ 34,091,773	\$ 3,086,254
Total Expenses and Adjustments	\$ 37,253,827	\$ 1,290,579
Change in Net Position	\$ (3,162,054)	\$ 1,061,855
Members Dividends	\$ -0-	\$ 733,820

Financial statements are available at the Administrators' Office.

School Alliance Insurance Fund

Public Entity Group Administrative Services
51 Everett Drive Suite B40
West Windsor, NJ 08550
(609) 275-1155

Morris Essex Insurance Group

Burton Agency
44 Bergen Street
PO Box 270
Westwood, NJ 07675
(201) 664-0310

New Jersey Unemployment Compensation Insurance

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 chart on the following page is a summary of District and employee contributions, interest earned, reimbursements to the State for benefits paid and the ending balance of the District's expendable trust fund for the current and previous two years.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance (Cont'd)

<u>Fiscal Year</u>	<u>Employee/ District Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2014-2015	\$ 38,308	\$ 126	\$ 16,584	\$ 117,834
2013-2014	36,624	101	15,264	95,984
2012-2013	110,252	87	83,712	74,523

NOTE 12. ECONOMIC DEPENDENCY

The Board of Education receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Board of Education's programs and activities.

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2015:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 125,364	\$ 639,778
Capital Projects Fund		125,469
Debt Service Fund	107	
Fiduciary Fund	639,778	2
	<u>\$ 765,249</u>	<u>\$ 765,249</u>

The interfund between the General Fund and the Capital Projects Fund is the result of a cash deficit due to the receivable created by state SDA Grants. The interfund between General Fund and Fiduciary Fund is the amount of salary ten-month employees earned which will be disbursed during the summer months and retirement payouts.

During the fiscal year ended June 30, 2015, the General Fund transferred \$310,990 to the Capital Projects Fund for various improvements.

NOTE 14. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 14. DEFERRED COMPENSATION (Cont'd)

Equitable
Individual Annuity Center
Raritan Plaza III
101 Fieldcrest Avenue
Edison, NJ 08837

MetLife Resources
125 17th Street
Denver, CO

Faller Company
Lincoln Investment
133 Ganttown Road
Tunnersville, NJ 08012

Variable Annuity Life Insurance
Company (VALIC)
90 Woodbridge Ctr. Dr., Suite 300
Woodbridge, NJ 07095

The Legend Group
100 Canal Pointe Blvd.
Princeton, NJ 08540

Metropolitan Life and Equitable are the plan administrators for the District's Internal Revenue Code Section 457 plans.

NOTE 15. TAX CALENDAR

Property taxes are levied by the District's constituent municipality as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December 10.

Taxes are collected by the constituent municipality and are remitted to the local school District on a predetermined mutually agreed-upon schedule.

NOTE 16. COMMITMENTS AND CONTINGENCIES

Grant Programs

The school district participates in state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The school district is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation

The District is periodically involved in pending lawsuits. The District estimates that the potential claims against it resulting from such litigation and not covered by insurance would not materially affect the financial statements of the District.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 16. COMMITMENTS AND CONTINGENCIES (Cont'd)

Encumbrances

At June 30, 2015, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds:

General Fund	Special Revenue	Capital Projects Fund	Total Governmental Funds
\$ 42,492	\$ 1,643	\$ 44,657	\$ 87,149

On the District's Governmental Funds Balance Sheet as of June 30, 2015, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund and Capital Projects Funds, which is \$1,643 less than the actual year-end encumbrances on a budgetary basis. On the GAAP basis, encumbrances are not recognized until paid and this non-recognition of encumbrances on a GAAP basis is also reflected as a reduction in grants receivables in the Special Revenue Fund. The \$1,643 of encumbrances in the Capital Projects Fund are included in fund balance restricted for capital projects.

NOTE 17. PRIOR PERIOD ADJUSTMENTS

The District made a prior year adjustment in the District Wide Financial Statements to record the net pension liability as of June 30, 2014 as a result of implementing Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASBS Statement No. 68*.

	Balance 6/30/14 as Previously Reported	Retroactive Adjustments	Balance 6/30/14 as Restated
<u>Statement of Net Position</u>			
Governmental Activities:			
Liabilities:			
Noncurrent Liabilities	5,990,836	9,690,479	15,681,315
Total Liabilities	7,443,590	9,690,479	17,134,069
Net Position:			
Unrestricted	318,816	(9,690,479)	(9,371,663)
Total Net Position	14,229,223	(9,690,479)	4,538,744

REQUIRED SUPPLEMENTARY INFORMATION

HANOVER TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2014</u>	<u>2015</u>
District's proportion of the net pension liability	0.0509908978%	0.0517578196%
District's proportionate share of the net pension liability	\$ 9,745,374	\$ 9,690,479
District's covered employee payroll	\$ 3,492,236	\$ 3,485,838
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	279.06%	278.00%
Plan fiduciary net position as a percentage of the total pension liability	48.72%	52.08%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

HANOVER TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$ 348,533	\$ 396,368
Contributions in relation to the contractually required contribution	<u>(348,533)</u>	<u>(396,368)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 2,360,211	\$ 2,399,913
Contributions as a percentage of covered employee payroll	14.77%	16.52%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

HANOVER TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' PENSION AND ANNUITY FUND
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2014</u>	<u>2015</u>
State's proportion of the net pension liability attributable to the District	0.1112486360%	0.1082879663%
State's proportionate share of the net pension liability attributable to the District	\$ 56,224,186	\$ 57,876,394
District's covered employee payroll	\$ 10,725,495	\$ 10,856,307
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	524.21%	533.11%
Plan fiduciary net position as a percentage of the total pension liability	33.76%	33.64%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.55% as of June 30, 2013 to 5.39% as of June 30, 2014 in accordance with Paragraph 44 of GASB Statement No. 67.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.95% as of June 30, 2013 to 4.68% as of June 30, 2014 in accordance with Paragraph 44 of GASB Statement No. 67.

BUDGETARY COMPARISON SCHEDULES

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 23,216,270		\$ 23,216,270	\$ 23,216,270	
Interest Earned on Investments	6,000		6,000	4,243	\$ (1,757)
Interest Earned on Capital Reserve Funds	100		100	88	(12)
Miscellaneous	309,900		309,900	337,199	27,299
Total - Local Sources	23,532,270		23,532,270	23,557,800	25,530
State Sources:					
Categorical Special Education Aid	753,986		753,986	753,986	
Security Aid	22,423		22,423	22,423	
Transportation Aid	58,257		58,257	58,257	
District Reimbursement for Extraordinary Costs	245,000		245,000	308,234	63,234
District Reimbursement for Extraordinary Costs - Prior Year				3,188	3,188
PARCC Readiness Aid	14,880		14,880	14,880	
Per Pupil Growth Aid	14,880		14,880	14,880	
Nonpublic School Transportation Costs				10,800	10,800
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				567,455	567,455
TPAF Post Retirement (On-Behalf - Non-Budgeted)				900,834	900,834
TPAF Social Security (Reimbursed - Non-Budgeted)				780,117	780,117
Total State Sources	1,109,426		1,109,426	3,435,054	2,325,628
TOTAL REVENUES	24,641,696		24,641,696	26,992,854	2,351,158

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 363,142	\$ (13,928)	\$ 349,214	\$ 345,280	\$ 3,934
Grades 1-5 - Salaries of Teachers	4,260,618	(132,557)	4,128,061	4,120,446	7,615
Grades 6-8 - Salaries of Teachers	2,748,658	(96,663)	2,651,995	2,621,199	30,796
Regular Programs - Home Instruction:					
Salaries of Teachers	10,000	3,200	13,200	12,727	473
Regular Programs - Undistributed Instruction:					
Purchased Professional-Educational Services	3,550	562	4,112	1,313	2,799
Other Purchased Services (400-500 series)	67,986	(8,360)	59,626	54,717	4,909
General Supplies	423,521	81,049	504,570	452,660	51,910
Textbooks	89,421	2,360	91,781	68,483	23,298
Other Objects	20,070	(1,000)	19,070	13,987	5,083
Total Regular Programs - Instruction	<u>7,986,966</u>	<u>(165,337)</u>	<u>7,821,629</u>	<u>7,690,812</u>	<u>130,817</u>
Special Education - Instruction:					
Multiple Disabilities:					
Salaries of Teachers	157,228	84,740	241,968	241,007	961
Other Salaries for Instruction	138,175	26,644	164,819	164,642	177
General Supplies	12,838	8,000	20,838	16,717	4,121
Textbooks	150		150		150
Other Objects	6,217		6,217	3,319	2,898
Total Multiple Disabilities	<u>314,608</u>	<u>119,384</u>	<u>433,992</u>	<u>425,685</u>	<u>8,307</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Resource Room/Resource Center:					
Salaries of Teachers	\$ 1,208,320	\$ (25,919)	\$ 1,182,401	\$ 1,181,515	\$ 886
Other Salaries for Instruction	3,700		3,700	3,178	522
General Supplies	7,433		7,433	5,681	1,752
Textbooks	1,815		1,815	1,811	4
Total Resource Room/Resource Center	<u>1,221,268</u>	<u>(25,919)</u>	<u>1,195,349</u>	<u>1,192,185</u>	<u>3,164</u>
Autism:					
Purchased Professional-Educational Services	424,000	55,033	479,033	475,125	3,908
Total Autism	<u>424,000</u>	<u>55,033</u>	<u>479,033</u>	<u>475,125</u>	<u>3,908</u>
Preschool Disabilities - Part-Time:					
Salaries of Teachers	152,175	(195)	151,980	147,427	4,553
Other Salaries for Instruction	62,259	(1,601)	60,658	58,432	2,226
General Supplies	3,925	9	3,934	3,773	161
Other Objects	700	(9)	691	159	532
Total Preschool Disabilities - Part-Time	<u>219,059</u>	<u>(1,796)</u>	<u>217,263</u>	<u>209,791</u>	<u>7,472</u>
Total Special Education - Instruction	<u>2,178,935</u>	<u>146,702</u>	<u>2,325,637</u>	<u>2,302,786</u>	<u>22,851</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	\$ 197,689	\$ 18,582	\$ 216,271	\$ 216,271	
General Supplies	2,055	(755)	1,300	1,300	
Total Basic Skills/Remedial - Instruction	<u>199,744</u>	<u>17,827</u>	<u>217,571</u>	<u>217,571</u>	
Bilingual Education - Instruction:					
Salaries of Teachers	103,484	20,515	123,999	123,775	\$ 224
General Supplies	8,275	(400)	7,875	3,386	4,489
Total Bilingual Education - Instruction	<u>111,759</u>	<u>20,115</u>	<u>131,874</u>	<u>127,161</u>	<u>4,713</u>
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	67,500	(1,210)	66,290	50,350	15,940
Supplies and Materials	5,400	1,210	6,610	5,156	1,454
Total School-Sponsored Cocurricular Activities - Instruction	<u>72,900</u>	<u></u>	<u>72,900</u>	<u>55,506</u>	<u>17,394</u>
School-Sponsored Athletics - Instruction:					
Salaries	44,500		44,500	43,881	619
Purchased Services (300-500 series)	7,500		7,500	6,380	1,120
Supplies and Materials	6,670		6,670	5,090	1,580
Other Objects	3,300		3,300	1,927	1,373
Total School-Sponsored Athletics - Instruction	<u>61,970</u>	<u></u>	<u>61,970</u>	<u>57,278</u>	<u>4,692</u>
Total Instruction	<u>10,612,274</u>	<u>19,307</u>	<u>10,631,581</u>	<u>10,451,114</u>	<u>180,467</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAS Within the State - Regular	\$ 12,315		\$ 12,315	\$ 5,334	\$ 6,981
Tuition to Private Schools for the Handicapped - Within State	759,326	\$ (88,500)	670,826	595,732	75,094
Total Instruction	771,641	(88,500)	683,141	601,066	82,075
Attendance & Social Work:					
Salaries	9,174		9,174	9,120	54
Total Attendance & Social Work	9,174		9,174	9,120	54
Health Services:					
Salaries	351,617	(6,081)	345,536	345,429	107
Other Purchased Professional and Technical Services	18,000	2,780	20,780	20,225	555
Other Purchased Services (400-500 series)	12,732		12,732	7,257	5,475
Supplies and Materials	17,820	(716)	17,104	12,813	4,291
Other Objects	1,720		1,720	169	1,551
Total Health Services	401,889	(4,017)	397,872	385,893	11,979
Speech, OT, PT and Related Services:					
Salaries of Other Professional Staff	382,685	(4,000)	378,685	377,485	1,200
Purchased Professional - Educational Services	368,000	54,167	422,167	315,760	106,407
Supplies and Materials	1,894		1,894	1,860	34
Total Speech, OT, PT and Related Services	752,579	50,167	802,746	695,105	107,641
Other Support Services - Students - Extra Services:					
Salaries of Other Professional Staff	361,457	(4,596)	356,861	356,861	
Purchased Professional - Educational Services	1,800	(784)	1,016	1,016	
Total Other Support Services - Students - Extra Services	363,257	(5,380)	357,877	357,877	

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Guidance:					
Salaries of Other Professional Staff	\$ 261,721	\$ 3,486	\$ 265,207	\$ 265,098	\$ 109
Salaries of Secretarial and Clerical Assistants	40,300	2,980	43,280	43,272	8
Other Purchased Professional. and Technical Services	56,225		56,225	41,301	14,924
Other Purchased Services (400-500 series)	500		500	267	233
Supplies and Materials	6,028	(2,250)	3,778	3,528	250
Total Guidance	364,774	4,216	368,990	353,466	15,524
Child Study Team:					
Salaries of Other Professional Staff	686,444	(36,571)	649,873	643,909	5,964
Salaries of Secretarial and Clerical Assistants	73,151	1,900	75,051	74,968	83
Other Purchased Professional. and Technical Services	15,671		15,671	15,666	5
Misc Purchased Service (400-500 series/ O/than Resid Costs)	5,400	131	5,531	4,807	724
Supplies and Materials	13,113	(331)	12,782	12,781	1
Other Objects	1,605		1,605	1,305	300
Total Child Study Team	795,384	(34,871)	760,513	753,436	7,077
Improvement of Instructional Services:					
Salaries of Supervisor of Instruction	116,338	567	116,905	116,905	
Salaries of Other Professional Staff	20,000	6,670	26,670	26,670	
Salaries of Secretarial and Clerical Assistants	33,109	717	33,826	33,826	
Other Purchased Professional. and Technical Services	20,500	18,993	39,493	18,993	20,500
Other Purchased Services (400-500)	2,000	(517)	1,483	581	902
Supplies and Materials	3,000	(1,567)	1,433	1,006	427
Other Objects	2,200	250	2,450	2,393	57
Total Improvement of Instructional Services	197,147	25,113	222,260	200,374	21,886

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Educational Media Services/School Library:					
Salaries	\$ 227,106	\$ 6,545	\$ 233,651	\$ 233,229	\$ 422
Supplies and Materials	30,556	(357)	30,199	26,438	3,761
Other Objects	3,950	(150)	3,800	3,800	
Total Educational Media Services/School Library	<u>261,612</u>	<u>6,038</u>	<u>267,650</u>	<u>263,467</u>	<u>4,183</u>
Instructional Staff Training Services:					
Purchased Professional - Educational Services	2,000	(1,000)	1,000	250	750
Other Purchased Services (400-500 series)	28,960	(5,120)	23,840	11,991	11,849
Supplies and Materials	2,000		2,000	902	1,098
Total Instructional Staff Training Services	<u>32,960</u>	<u>(6,120)</u>	<u>26,840</u>	<u>13,143</u>	<u>13,697</u>
Support Services - General Administration:					
Salaries	274,990	2,372	277,362	277,362	
Legal Services	25,000	1,359	26,359	21,578	4,781
Audit Fees	39,000	1,267	40,267	40,267	
Other Purchased Professional Services	6,884	11,880	18,764	18,764	
Communications/Telephone	72,000	4,970	76,970	74,371	2,599
Other Purchased Services (400-500 series)	57,838	(500)	57,338	54,738	2,600
BOE Other Purchased Services	3,000	(200)	2,800	2,740	60
Supplies and Materials	1,500		1,500	1,071	429
BOE In-House Training/Meeting Supplies	1,000		1,000	356	644
BOE Membership Dues & Fees	12,000		12,000	10,970	1,030
Miscellaneous Expenditures	7,000		7,000	6,993	7
Total Support Services - General Administration	<u>500,212</u>	<u>21,148</u>	<u>521,360</u>	<u>509,210</u>	<u>12,150</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	\$ 599,053	\$ (13,335)	\$ 585,718	\$ 585,718	
Salaries of Secretarial and Clerical Assistants	350,858	12,392	363,250	363,250	
Purchased Technical Services		42,255	42,255	42,255	
Other Purchased Services (400-500 series)	7,500	(1,500)	6,000	3,089	\$ 2,911
Supplies and Materials	4,822	(612)	4,210	2,643	1,567
Other Objects	8,550		8,550	7,520	1,030
Total Support Services - School Administration	970,783	39,200	1,009,983	1,004,475	5,508
Support Services - Central Services:					
Salaries	355,655	1,984	357,639	357,639	
Purchased Technical Services	32,000	559	32,559	32,559	
Other Purchased Services (400-500 series)	8,000	7,363	15,363	7,830	7,533
Supplies and Materials	3,000	2,185	5,185	5,185	
Other Objects	1,800	261	2,061	2,061	
Total Support Services - Central Services	400,455	12,352	412,807	405,274	7,533
Support Services - Administrative Information Technology Services:					
Salaries	151,435	5,711	157,146	157,146	
Supplies and Materials		5,335	5,335		5,335
Total Support Services - Administrative IT Services	151,435	11,046	162,481	157,146	5,335
Required Maintenance of School Facilities:					
Salaries	236,965	34,859	271,824	271,823	1
Cleaning, Repair and Maintenance Services	166,607	53,632	220,239	220,239	
General Supplies	14,000	(1,365)	12,635	12,635	
Total Required Maintenance of School Facilities	417,572	87,126	504,698	504,697	1

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Custodial Services:					
Salaries	\$ 907,415	\$ 5,099	\$ 912,514	\$ 912,514	
Salaries of Non-Instructional Aides	148,965	15,441	164,406	164,406	
Cleaning, Repair and Maintenance Services	29,625	(9,418)	20,207	18,677	\$ 1,530
Rental of Land & Building Other Than Lease Purchase Agreements	2,000	(740)	1,260	1,260	
Other Purchased Property Services	30,000	1,127	31,127	31,127	
Insurance	75,000	1,165	76,165	76,165	
Miscellaneous Purchased Services	2,000	(10)	1,990	1,990	
General Supplies	126,635	5,083	131,718	131,344	374
Energy (Natural Gas)	120,000	30,500	150,500	141,589	8,911
Energy (Electricity)	225,000	(10,518)	214,482	210,927	3,555
Energy (Gasoline)	9,000	(1,020)	7,980	7,293	687
Other Objects	9,500	7,477	16,977	16,976	1
Interest - Energy Savings Impr Program Bonds	56,589		56,589	56,589	
Principal - Energy Savings Impr Program Bonds	182,529		182,529	182,529	
Total Custodial Services	1,924,258	44,186	1,968,444	1,953,386	15,058
Care and Upkeep of Grounds:					
Salaries	58,191	(6,664)	51,527	50,035	1,492
Cleaning, Repair and Maintenance Services	7,000	(7,000)			
General Supplies	3,000	(3,000)			
Total Care and Upkeep of Grounds	68,191	(16,664)	51,527	50,035	1,492
Security:					
General Supplies	19,350		19,350	19,350	
Total Security	19,350		19,350	19,350	

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Student Transportation Services:					
Salaries of Non-Instructional Aides	\$ 7,200	\$ 7,387	\$ 14,587	\$ 14,472	\$ 115
Home and School) - Regular	426,643	10,862	437,505	437,505	
Home and School) - Special Education	117,824	(21,700)	96,124	96,124	
Home and School) - Other	80,000	16,174	96,174	95,577	597
Salaries for Pupil Transportation - Non-Public Schools	35,161	2,510	37,671	37,671	
Management Fee - ESC Transportation	100		100		100
Cleaning, Repair and Maintenance Services	11,700	(5,326)	6,374	4,766	1,608
Contract Services (Other than Between Home & School)-Vendors	5,000		5,000	4,708	292
Contract Services - (Between Home and School) - Joint Agreements	31,585	11,000	42,585	41,444	1,141
Contracted Services (Special Education Students) - ESC's	22,680	(11,000)	11,680		11,680
Aid in Lieu Payments - Non Public Schools Students	67,184	(27,812)	39,372	39,372	
Aid in Lieu Payments - Charter School Students	5,304	(3,364)	1,940	1,940	
Miscellaneous Purchased Services - Transportation	47,370	5,772	53,142	51,724	1,418
General Supplies	136,575	18,439	155,014	140,018	14,996
Total Student Transportation Services	994,326	2,942	997,268	965,321	31,947
Allocated Benefits - Student Transportation Services:					
Social Security Contributions	48,000	2,498	50,498	50,068	430
Workers Compensation	48,000	(448)	47,552	47,552	
Health Benefits	240,868	5,929	246,797	245,920	877
Total Allocated Benefits - Student Transportation Services	336,868	7,979	344,847	343,540	1,307

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Unallocated Benefits:					
Social Security Contributions	\$ 315,000	\$ 15,000	\$ 330,000	\$ 322,859	\$ 7,141
Other Retirement Contributions - PERS	438,447	(37,051)	401,396	396,368	5,028
Other Retirement Contributions - Regular	17,000	7,165	24,165	24,147	18
Workmen's Compensation	151,200	3,664	154,864	154,864	
Health Benefits	3,562,220	(267,906)	3,294,314	3,251,073	43,241
Tuition Reimbursement	41,000	4,000	45,000	45,000	
Other Employee Benefits	28,850	57,318	86,168	86,168	
Total Unallocated Benefits	<u>4,553,717</u>	<u>(217,810)</u>	<u>4,335,907</u>	<u>4,280,479</u>	<u>55,428</u>
On-Behalf Contributions:					
On-behalf TPAF Pension Contributions (non-budgeted)				567,455	(567,455)
On-behalf TPAF Post Retirement Contributions (non-budgeted)				900,834	(900,834)
Reimbursed TPAF Social Security Contributions (non-budgeted)				780,117	(780,117)
Total On-Behalf Contributions				<u>2,248,406</u>	<u>(2,248,406)</u>
Total Personal Services - Employee Benefits	<u>4,890,585</u>	<u>(209,831)</u>	<u>4,680,754</u>	<u>6,872,425</u>	<u>(2,191,671)</u>
Total Undistributed Expenses	<u>14,287,584</u>	<u>(61,849)</u>	<u>14,225,735</u>	<u>16,074,266</u>	<u>(1,848,531)</u>
TOTAL CURRENT EXPENSE	<u>24,899,858</u>	<u>(42,542)</u>	<u>24,857,316</u>	<u>26,525,380</u>	<u>(1,668,064)</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
CAPITAL OUTLAY					
Equipment:					
Regular Programs - Instruction:					
Grades 1-5	\$ 50,500	\$ 104,556	\$ 155,056	\$ 136,214	\$ 18,842
Undistributed Expenditures - Required Maintenance for School Facilities	23,000	6,282	29,282	29,282	
Undistributed Expenditures - Student Trans.-Non-Inst. Equip	36,000		36,000	35,999	1
Total Equipment	<u>109,500</u>	<u>110,838</u>	<u>220,338</u>	<u>201,495</u>	<u>18,843</u>
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services		22,677	22,677	22,677	
Construction Services	350,469	45,612	396,081	396,081	
Assessment for Debt Service on SDA Funding	22,124		22,124	22,124	
Total Facilities Acquisition and Construction Services	<u>372,593</u>	<u>68,289</u>	<u>440,882</u>	<u>440,882</u>	
TOTAL CAPITAL OUTLAY	<u>482,093</u>	<u>179,127</u>	<u>661,220</u>	<u>642,377</u>	<u>18,843</u>
Transfer of Funds to Charter Schools	106,411	26,594	133,005	125,235	7,770
TOTAL EXPENDITURES	<u>25,488,362</u>	<u>163,179</u>	<u>25,651,541</u>	<u>27,292,992</u>	<u>(1,641,451)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(846,666)	(163,179)	(1,009,845)	(300,138)	709,707

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Financing/(Uses):					
Operating Transfer Out:					
Transfer to Capital Projects Fund - Capital Reserve		\$ (310,990)	\$ (310,990)	\$ (310,990)	\$ -
Total Other Financing/(Uses)		(310,990)	(310,990)	(310,990)	
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	\$ (846,666)	(474,169)	(1,320,835)	(611,128)	709,707
Fund Balance, July 1	1,906,441		1,906,441	1,906,441	
Fund Balance, June 30	\$ 1,059,775	\$ (474,169)	\$ 585,606	\$ 1,295,313	\$ 709,707
<u>Recapitulation:</u>					
Restricted:					
Capital Reserve				\$ 347,273	
Assigned:					
Year-End Encumbrances				42,492	
Designated for Subsequent Year's Expenditures				400,000	
Unassigned				505,548	
				1,295,313	
Reconciliation to Governmental Funds Statements (GAAP):					
June State Aid Payments not recognized on GAAP Basis				(79,820)	
Fund Balance per Governmental Funds (GAAP)				\$ 1,215,493	

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
State Sources		\$ 135,082	\$ 135,082	\$ 84,492	\$ (50,590)
Federal Sources	\$ 330,579	57,722	388,301	359,639	(28,662)
Local Sources		42	42	42	
Total Revenues	<u>330,579</u>	<u>192,846</u>	<u>523,425</u>	<u>444,173</u>	<u>(79,252)</u>
EXPENDITURES:					
Instruction					
Other Purchased Services	306,726	914	307,640	304,668	2,972
General Supplies		18,004	18,004	14,900	3,104
Textbooks		23,055	23,055	9,715	13,340
Total Instruction	<u>306,726</u>	<u>41,973</u>	<u>348,699</u>	<u>329,283</u>	<u>19,416</u>
Support Services					
Purchased Professional - Educational Services	23,853	38,475	62,328	25,362	36,966
Purchased Professional - Technical Services		17,638	17,638	15,365	2,273
Tuition		68,657	68,657	54,291	14,366
Other Purchased Services		22,283	22,283	16,541	5,742
Supplies and Materials		3,820	3,820	3,331	489
Total Support Services	<u>23,853</u>	<u>150,873</u>	<u>174,726</u>	<u>114,890</u>	<u>59,836</u>
Total Expenditures	<u>330,579</u>	<u>192,846</u>	<u>523,425</u>	<u>444,173</u>	<u>79,252</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	General Fund	Special Revenue Fund
	<u> </u>	<u> </u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 26,992,854	\$ 444,173
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not		1,643
Prior Year State Aid Payments Not Recognized for Budgetary Purposes, Recognized for GAAP Statements	76,993	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(79,820)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and and Changes in Fund Balances - Governmental Funds.	<u>\$ 26,990,027</u>	<u>\$ 445,816</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 27,292,992	\$ 444,173
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		<u>1,643</u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 27,292,992</u>	<u>\$ 445,816</u>

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2015 was submitted to the County office and was approved by a vote by the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts 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). Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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 generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund 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 revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The General Fund budgetary revenue differs from the GAAP revenue due to a difference in recognition of the June state aid payments for the current year. Since the State is recording the June state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

HANOVER TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	No Child Left Behind		IDEA Part B Basic Regular	IDEA Part B Preschool	Nonpublic Technology Initiative	Nonpublic Nursing
	Title II A	Title III				
REVENUE:						
State Sources					\$ 5,184	\$ 15,365
Federal Sources	\$ 19,279	\$ 9,593	\$ 312,253	\$ 18,514		
Local Sources						
Total Revenue	19,279	9,593	312,253	18,514	5,184	15,365
EXPENDITURES:						
Instruction:						
Other Purchased Services			286,828	17,840		
General Supplies		9,000		674	5,184	
Textbooks			63			
Total Instruction		9,000	286,891	18,514	5,184	
Support Services:						
Purchased Professional - Educational Services			25,362			
Purchased Professional - Technical Services						15,365
Other Purchased Services	15,948	593				
Supplies and Materials	3,331					
Total Support Services	19,279	593	25,362			15,365
Total Expenditures	\$ 19,279	\$ 9,593	\$ 312,253	\$ 18,514	\$ 5,184	\$ 15,365

HANOVER TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

	Nonpublic Textbook	Nonpublic Auxiliary Services	Nonpublic Handicapped Services			Local Donation	Totals June 30, 2015
		Compensatory Education	Supplemental Instruction	Examination & Classification	Corrective Speech		
REVENUE:							
State Sources	\$ 9,652	\$ 26,605	\$ 6,356	\$ 11,346	\$ 9,984		\$ 84,492
Federal Sources							359,639
Local Sources						\$ 42	42
Total Revenue	<u>9,652</u>	<u>26,605</u>	<u>6,356</u>	<u>11,346</u>	<u>9,984</u>	<u>42</u>	<u>444,173</u>
EXPENDITURES:							
Instruction:							
Other Purchased Services							304,668
General Supplies						42	14,900
Textbooks	<u>9,652</u>						<u>9,715</u>
Total Instruction	<u>9,652</u>					<u>42</u>	<u>329,283</u>
Support Services:							
Purchased Professional - Educational Services							25,362
Purchased Professional - Technical Services							15,365
Tuition		26,605	6,356	11,346	9,984		54,291
Other Purchased Services							16,541
Supplies and Materials							3,331
Total Support Services		<u>26,605</u>	<u>6,356</u>	<u>11,346</u>	<u>9,984</u>		<u>114,890</u>
Total Expenditures	<u>\$ 9,652</u>	<u>\$ 26,605</u>	<u>\$ 6,356</u>	<u>\$ 11,346</u>	<u>\$ 9,984</u>	<u>\$ 42</u>	<u>\$ 444,173</u>

SPECIAL REVENUE FUND

CAPITAL PROJECTS FUND

Exhibit F-1

HANOVER TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Revenue and Other Financing Sources:	
State Sources - SDA Grant	\$ 178,043
Transfer from Capital Reserve	310,990
Interest Income	8
	<hr/>
Total revenue and other financing sources	489,041
	<hr/>
Expenditures and Other Financing Uses:	
Purchased Professional and Technical Services	24,728
Construction Services	411,731
Transfer to Debt Service Fund	8
	<hr/>
Total expenditures and other financing uses	436,467
	<hr/>
Excess of revenue and other financing sources over expenditures and other financing uses	52,574
	<hr/>
Fund balance - Beginning Balance	-0-
	<hr/>
Fund balance - Ending Balance	\$ 52,574
	<hr/> <hr/>
Recapitulation:	
Committed Fund Balance:	
Year-End Encumbrances	\$ 44,657
Total Committed Fund Balance	44,657
Committed Fund Balance	7,917
	<hr/>
	52,574
	<hr/>
Reconciliation to Governmental Funds Statements (GAAP):	
SDA Grant Receivable not Recognized on GAAP Basis	(178,043)
	<hr/>
Fund Balance/(Deficit) per Governmental Funds (GAAP)	\$ (125,469)
	<hr/> <hr/>
Reconciliation of Revenue from Budgetary Basis to GAAP Basis:	
Revenue (Budgetary Basis)	\$ 178,043
SDA Grants are Recognized as Revenue on the Budgetary Basis when awarded but are not Recognized on the GAAP Basis until Expended	(178,043)
Revenue (GAAP Basis)	\$ -0-
	<hr/> <hr/>

HANOVER TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
DISTRICT WIDE HVAC IMPROVEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Authorized Cost</u>
Revenue and Other Financing Sources:				
SDA Grants		\$ 178,043	\$ 178,043	\$ 178,043
Transfer from Capital Reserve		310,990	310,990	310,990
Total revenue and other financing sources		489,033	489,033	489,033
Expenditures:				
Purchased Professional and Technical Services		\$ 24,728	24,728	32,971
Construction Services		411,731	411,731	456,062
Total expenditures		436,459	436,459	489,033
Excess/(deficit) of revenue and other financing sources over/(under) expenditures	\$ -0-	\$ 52,574	\$ 52,574	\$ -0-

Additional project information:

Project Number	2000-050-14-1003
Grant Date	2/24/14
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 489,033
Revised Authorized Cost	489,033
Percentage Increase over Original Authorized Cost	0%
Percentage Completion	89%
Original target completion date	09/2015
Revised target completion date	09/2015

PROPRIETARY FUNDS

Exhibit G-1

HANOVER TOWNSHIP SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Non-Major Program Milk Service</u>	<u>Major Program School Age Child Care</u>	<u>Total</u>
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 6,538	\$ 709,771	\$ 716,309
Accounts Receivable:			
Federal	1,215		1,215
Other		4,190	4,190
Total Current Assets	<u>7,753</u>	<u>713,961</u>	<u>721,714</u>
Total Assets	<u>7,753</u>	<u>713,961</u>	<u>721,714</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable - Vendors		240	240
Unearned Revenue		244,032	244,032
Total Current Liabilities		<u>244,272</u>	<u>244,272</u>
NET POSITION:			
Unrestricted	<u>7,753</u>	<u>469,689</u>	<u>477,442</u>
Total Net Position	<u>\$ 7,753</u>	<u>\$ 469,689</u>	<u>\$ 477,442</u>

Exhibit G-2

HANOVER TOWNSHIP SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Non-Major Program Milk Service</u>	<u>Major Program School Age Child Care</u>	<u>Total</u>
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs:			
Special Milk Program	\$ 23,774		\$ 23,774
Child Care Fees		\$ 1,050,862	1,050,862
Total Operating Revenue	<u>23,774</u>	<u>1,050,862</u>	<u>1,074,636</u>
Operating Expenses:			
Cost of Sales	20,545		20,545
Salaries	12,012	545,154	557,166
Benefits and Taxes	4,072	173,188	177,260
Purchased Services		89,001	89,001
Supplies/Field Trips/Travel		84,460	84,460
Other	73	67,471	67,544
Total Operating Expenses	<u>36,702</u>	<u>959,274</u>	<u>995,976</u>
Operating Income (Loss)	<u>(12,928)</u>	<u>91,588</u>	<u>78,660</u>
Non-Operating Revenue:			
Local Sources:			
Interest Revenue	3	169	172
Federal Sources:			
Special Milk Program	14,175		14,175
Total Non-Operating Revenue	<u>14,178</u>	<u>169</u>	<u>14,347</u>
Change in Net Position	1,250	91,757	93,007
Net Position - Beginning of Year	<u>6,503</u>	<u>377,932</u>	<u>384,435</u>
Net Position - End of Year	<u>\$ 7,753</u>	<u>\$ 469,689</u>	<u>\$ 477,442</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Non-Major Program <u>Milk Service</u>	Major Program <u>School Age Child Care</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 23,774	\$ 1,089,356	\$ 1,113,130
Payments to Employees	(12,012)	(545,154)	(557,166)
Payments for Employee Benefits	(4,072)	(173,188)	(177,260)
Payments to Suppliers	(22,222)	(240,693)	(262,915)
Net Cash Provided by/(Used for) Operating Activities	<u>(14,532)</u>	<u>130,321</u>	<u>115,789</u>
Cash Flows from Noncapital Financing Activities:			
Cash Received from Federal Reimbursements	<u>14,321</u>		<u>14,321</u>
Net Cash Provided by Noncapital Financing Activities	<u>14,321</u>		<u>14,321</u>
Cash Flows from Investing Activities:			
Interest on Investments	<u>2</u>	<u>170</u>	<u>172</u>
Net Cash Provided by Investing Activities	<u>2</u>	<u>170</u>	<u>172</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(209)	130,491	130,282
Cash and Cash Equivalents, July 1	<u>6,747</u>	<u>579,280</u>	<u>586,027</u>
Cash and Cash Equivalents, June 30	<u>\$ 6,538</u>	<u>\$ 709,771</u>	<u>\$ 716,309</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by/(Used for)			
Operating Activities:			
Operating Income (Loss)	\$ (12,928)	\$ 91,588	\$ 78,660
Adjustment to Reconcile Operating Income (Loss) to Cash			
Provided by/(Used for) Operating Activities:			
Changes in Assets and Liabilities:			
(Increase) in Other Accounts Receivable		(1,237)	(1,237)
Increase/(Decrease) in Accounts Payable	(1,604)	239	(1,365)
Increase in Unearned Revenue		39,731	39,731
Net Cash Provided by/(Used for) Operating Activities	<u>\$ (14,532)</u>	<u>\$ 130,321</u>	<u>\$ 115,789</u>

FIDUCIARY FUNDS

HANOVER TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>Student Activity</u>	<u>Agency Payroll</u>	<u>Totals</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Flexible Spending Trust</u>
ASSETS:						
Cash and Cash Equivalents	\$ 62,464	\$ 29,201	\$ 91,665	\$ 117,834	\$ 10,493	\$ 9,705
Interfund Receivable		639,778	639,778			
Total Assets	<u>\$ 62,464</u>	<u>\$ 668,979</u>	<u>\$ 731,443</u>	<u>\$ 117,834</u>	<u>\$ 10,493</u>	<u>\$ 9,705</u>
LIABILITIES:						
Due to Student Groups	\$ 62,464		\$ 62,464			
Accrued Salaries and Wages		\$ 639,778	639,778			
Payroll Deductions and Withholdings		29,199	29,199			
Interfund Payable		2	2			
Total Liabilities	<u>62,464</u>	<u>668,979</u>	<u>731,443</u>			
NET POSITION:						
Held in Trust for:						
Unemployment Claims				\$ 117,834		
Restricted for Scholarships					\$ 10,493	
Flexible Spending Claims						\$ 9,705
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 117,834</u>	<u>\$ 10,493</u>	<u>\$ 9,705</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Unemployment Compensation Trust	Private Purpose Scholarship Trust	Flexible Spending Trust	Totals
ADDITIONS:				
Contributions:				
Plan members	\$ 38,308		\$ 22,740	\$ 61,048
Donations		\$ 200		200
Total Contributions	<u>38,308</u>	<u>200</u>	<u>22,740</u>	<u>61,248</u>
Investment Earnings:				
Interest	126	1		127
Net Investment Earnings	<u>126</u>	<u>1</u>		<u>127</u>
Total Additions	<u>38,434</u>	<u>201</u>	<u>22,740</u>	<u>61,375</u>
DEDUCTIONS:				
Quarterly Contribution Reports	16,584			16,584
Scholarships Awarded		245		245
Flexible Spending Claims			16,882	16,882
Total Deductions	<u>16,584</u>	<u>245</u>	<u>16,882</u>	<u>33,711</u>
Change in Net Position	21,850	(44)	5,858	27,664
Net Position - Beginning of the Year	<u>95,984</u>	<u>10,537</u>	<u>3,847</u>	<u>110,368</u>
Net Position - End of the Year	<u>\$ 117,834</u>	<u>\$ 10,493</u>	<u>\$ 9,705</u>	<u>\$ 138,032</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 66,871	\$ 118,836	\$ 123,243	\$ 62,464
Total Assets	<u>\$ 66,871</u>	<u>\$ 118,836</u>	<u>\$ 123,243</u>	<u>\$ 62,464</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 66,871	\$ 118,836	123,243	\$ 62,464
Total Liabilities	<u>\$ 66,871</u>	<u>\$ 118,836</u>	<u>\$ 123,243</u>	<u>\$ 62,464</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2015</u>
Elementary Schools:				
Bee Meadow	\$ 9,403	\$ 3,841	\$ 7,212	\$ 6,032
Mountview	20,497	16,354	12,931	23,920
Salem Drive	940	5,175	4,700	1,415
	<u>30,840</u>	<u>25,370</u>	<u>24,843</u>	<u>31,367</u>
Total Elementary Schools				
Middle School:				
Memorial	36,031	93,466	98,400	31,097
	<u>36,031</u>	<u>93,466</u>	<u>98,400</u>	<u>31,097</u>
Total Middle School				
Total All Schools	<u>\$ 66,871</u>	<u>\$ 118,836</u>	<u>\$ 123,243</u>	<u>\$ 62,464</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 27,208	\$ 18,089,696	\$ 18,087,703	\$ 29,201
Interfund Receivable	626,324	639,778	626,324	639,778
Total Assets	<u>\$ 653,532</u>	<u>\$ 18,729,474</u>	<u>\$ 18,714,027</u>	<u>\$ 668,979</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 27,206	\$ 18,089,682	\$ 18,087,689	\$ 29,199
Accrued Salaries and Wages	626,324	639,778	626,324	639,778
Interfund Payable	2	14	14	2
Total Liabilities	<u>\$ 653,532</u>	<u>\$ 18,729,474</u>	<u>\$ 18,714,027</u>	<u>\$ 668,979</u>

LONG-TERM DEBT

HANOVER TOWNSHIP SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2015		Interest Rate	Balance June 30, 2014	Matured	Balance June 30, 2015
			Date	Amount				
School Refunding Bonds	11/2/2010	\$ 2,970,000	01/15/16	\$ 300,000	3.00%	\$ 2,405,000	\$ 285,000	\$ 2,120,000
			01/15/17-20	305,000	4.00%			
			01/15/21-22	300,000	4.00%			
						<u>\$ 2,405,000</u>	<u>\$ 285,000</u>	<u>\$ 2,120,000</u>

Exhibit I-2

HANOVER TOWNSHIP SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES

<u>Item</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance June 30, 2014</u>	<u>Matured</u>	<u>Balance June 30, 2015</u>
Energy Savings	2.12%	\$ 2,865,552	\$ 2,702,911	\$ 182,529	\$ 2,520,382
			<u>\$ 2,702,911</u>	<u>\$ 182,529</u>	<u>\$ 2,520,382</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 375,094		\$ 375,094	\$ 375,094	
Total Revenue	<u>375,094</u>		<u>375,094</u>	<u>375,094</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	90,350		90,350	90,350	
Redemption of Principal	285,000		285,000	285,000	
Total Regular Debt Service	<u>375,350</u>		<u>375,350</u>	<u>375,350</u>	
Total Expenditures	<u>375,350</u>		<u>375,350</u>	<u>375,350</u>	
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>(256)</u>		<u>(256)</u>	<u>(256)</u>	
Other Financing Sources:					
Operating Transfer In:					
Transfer from Capital Projects Fund				8	\$ 8
Total Other Financing Sources				<u>8</u>	<u>8</u>
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures	<u>(256)</u>		<u>(256)</u>	<u>(248)</u>	<u>8</u>
Fund Balance, July 1	<u>355</u>		<u>355</u>	<u>355</u>	
Fund Balance, June 30	<u>\$ 99</u>	<u>\$ -0-</u>	<u>\$ 99</u>	<u>\$ 107</u>	<u>\$ 8</u>
<u>Recapitulation:</u>					
Restricted				<u>\$ 107</u>	

STATISTICAL SECTION

STATISTICAL SECTION
(UNAUDITED)

This part of the District'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 District's overall financial health.

Contents

Exhibit

Financial Trends

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

J-1 thru J-5

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.

J-6 thru J-9

Debt Capacity

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

J-10 thru J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.

J-14 thru J-15

Operating Information

These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

J-16 thru J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The District implemented Statement 34 in a previous fiscal year. Schedules presenting government-wide information include information beginning in the fiscal year ended June 30, 2005.

HANOVER TOWNSHIP SCHOOL DISTRICT
 NET POSITION BY COMPONENT
 LAST TEN FISCAL YEARS
 (ACCRUAL BASIS OF ACCOUNTING)
 UNAUDITED

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	(Restated) 2013	(Restated) 2014	2015
Governmental Activities:										
Net Investment in Capital Assets	\$ 10,025,347	\$ 10,599,240	\$ 11,408,472	\$ 11,873,264	\$ 12,099,751	\$ 12,430,565	\$ 12,783,499	\$ 11,146,934	\$ 13,346,166	\$ 14,081,901
Restricted	2,990,114	2,644,521	1,623,991	1,650,464	1,362,584	908,005	1,174,834	3,077,900	564,241	347,380
Unrestricted/(Deficit)	(565,962)	(496,801)	(498,495)	(623,525)	(639,311)	69,543	337,158	372,978	(9,371,663)	(10,192,430)
Total Governmental Activities Net Position	\$ 12,449,499	\$ 12,746,960	\$ 12,533,968	\$ 12,900,203	\$ 12,823,024	\$ 13,408,113	\$ 14,295,491	\$ 14,597,812	\$ 4,538,744	\$ 4,236,851
Business-Type Activities:										
Unrestricted	\$ 148,126	\$ 116,081	\$ 105,209	\$ 114,065	\$ 154,419	\$ 142,992	\$ 217,132	\$ 289,821	\$ 384,435	\$ 477,442
Total Business-Type Activities Net Position	\$ 148,126	\$ 116,081	\$ 105,209	\$ 114,065	\$ 154,419	\$ 142,992	\$ 217,132	\$ 289,821	\$ 384,435	\$ 477,442
District-Wide:										
Net Investment in Capital Assets	\$ 10,025,347	\$ 10,599,240	\$ 11,408,472	\$ 11,873,264	\$ 12,099,751	\$ 12,430,565	\$ 12,783,499	\$ 11,146,934	\$ 13,346,166	\$ 14,081,901
Restricted	2,990,114	2,644,521	1,623,991	1,650,464	1,362,584	908,005	1,174,834	3,077,900	564,241	347,380
Unrestricted/(Deficit)	(417,836)	(380,720)	(393,286)	(509,460)	(484,892)	212,535	554,290	662,799	(8,987,228)	(9,714,988)
Total District Net Position	\$ 12,597,625	\$ 12,863,041	\$ 12,639,177	\$ 13,014,268	\$ 12,977,443	\$ 13,551,105	\$ 14,512,623	\$ 14,887,633	\$ 4,923,179	\$ 4,714,293

Source: School District Financial Reports

HANOVER TOWNSHIP SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses:										
Governmental Activities:										
Instruction:										
Regular	\$ 11,963,094	\$ 11,895,254	\$ 12,544,129	\$ 11,460,263	\$ 11,794,795	\$ 11,625,678	\$ 11,732,694	\$ 12,358,797	\$ 12,285,458	\$ 13,653,591
Special Education	1,624,262	2,110,342	2,111,191	2,262,515	2,417,583	2,356,644	2,383,792	2,242,404	2,861,786	3,915,308
Other Special Instruction	273,076	314,743	272,269	246,294	279,890	294,577	299,431	350,893	390,574	608,597
Other Instruction	134,105	165,203	162,455	163,436	179,648	126,103	127,635	135,330	144,762	207,807
Support Services:										
Tuition	69,761	161,197	138,459	203,930	187,937	152,135	94,216	280,756	614,542	655,357
Student and Instruction Related Services	2,350,414	2,917,212	3,211,500	3,305,155	3,551,065	3,703,937	3,719,667	3,869,769	3,682,481	4,064,379
School Administrative Services	908,429	1,068,784	1,027,619	1,068,874	1,132,765	1,163,207	1,202,777	1,236,068	1,227,091	1,614,400
General Administrative Services	447,810	536,330	546,952	585,913	554,182	535,400	558,532	537,407	573,787	621,811
Plant Operations and Maintenance	1,985,861	2,381,960	2,392,670	2,382,636	2,468,355	2,435,686	2,461,558	2,463,388	2,582,194	2,922,902
Pupil Transportation	876,406	917,622	994,595	1,007,382	1,062,908	1,122,002	1,143,092	1,166,369	1,364,055	1,390,033
Central Services and Admin Info Tech	495,290	650,833	576,563	603,941	644,568	621,950	638,917	688,411	679,070	771,494
Charter Schools	12,456	17,220	17,906	19,159	20,391	40,748	45,600	51,574	120,605	125,235
Capital Outlay										22,330
Interest on Long-Term Debt	312,032	286,840	260,878	234,429	207,404	116,669	122,113	102,513	94,737	86,431
Total Governmental Activities Expenses	21,452,996	23,423,540	24,257,186	23,543,927	24,501,491	24,294,736	24,530,024	25,483,679	26,621,142	30,659,675
Business-Type Activities:										
Enterprise Funds	682,865	781,386	872,013	775,233	802,377	832,740	863,854	890,818	942,290	995,976
Total Business-Type Activities Expense	682,865	781,386	872,013	775,233	802,377	832,740	863,854	890,818	942,290	995,976
Total District Expenses	\$ 22,135,861	\$ 24,204,926	\$ 25,129,199	\$ 24,319,160	\$ 25,303,868	\$ 25,127,476	\$ 25,393,878	\$ 26,374,497	\$ 27,563,432	\$ 31,655,651
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Instruction (tuition)		\$ 45,847								
Operating Grants and Contributions	\$ 3,144,600	3,896,539	\$ 3,922,487	\$ 3,006,953	\$ 3,054,568	\$ 2,389,744	\$ 2,883,780	\$ 3,576,649	\$ 3,284,389	\$ 6,053,224
Capital Grants and Contributions	309,023	180,847			100,333	165,652	119,797			
Total Governmental Activities Program Revenues	3,453,623	4,123,233	3,922,487	3,006,953	3,154,901	2,555,396	3,003,577	3,576,649	3,284,389	6,053,224
Business-Type Activities:										
Charges for Services:										
Enterprise Funds	634,974	731,088	843,980	766,912	829,067	830,545	922,001	969,161	1,022,570	1,074,636
Operating Grants and Contributions	15,459	13,448	12,600	15,664	13,255	15,116	15,841	14,150	14,104	14,175
Total Business Type Activities Program Revenues	650,433	744,536	856,580	782,576	842,322	845,661	937,842	983,311	1,036,674	1,088,811
Total District Program Revenues	\$ 4,104,056	\$ 4,867,769	\$ 4,779,067	\$ 3,789,529	\$ 3,997,223	\$ 3,401,057	\$ 3,941,419	\$ 4,559,960	\$ 4,321,063	\$ 7,142,035

HANOVER TOWNSHIP SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED
(CONTINUED)

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net (Expense)/Revenue:										
Governmental Activities	\$ (17,999,373)	\$ (19,300,307)	\$ (20,334,699)	\$ (20,536,974)	\$ (21,346,590)	\$ (21,739,340)	\$ (21,526,447)	\$ (21,907,030)	\$ (23,336,753)	\$ (24,606,451)
Business-Type Activities	(32,432)	(36,850)	(15,433)	7,343	39,945	12,921	73,988	92,493	94,384	92,835
Total District-Wide Net Expense	\$ (18,031,805)	\$ (19,337,157)	\$ (20,350,132)	\$ (20,529,631)	\$ (21,306,645)	\$ (21,726,419)	\$ (21,452,459)	\$ (21,814,537)	\$ (23,242,369)	\$ (24,513,616)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 16,991,387	\$ 18,146,999	\$ 18,972,792	\$ 19,731,704	\$ 20,130,621	\$ 21,155,846	\$ 21,265,275	\$ 21,415,620	\$ 21,943,932	\$ 23,216,270
Taxes Levied for Debt Service	788,278	788,740	553,036	771,815	735,790	760,708	730,685	325,968	368,450	375,094
Federal and State Aid Not Restricted	208,197	306,853	340,730	169,555	183,564	133,427	206,995	222,668	332,392	371,656
Investment Earnings	152,658	171,876	103,047	44,647	11,760	6,912	6,647	7,419	6,910	4,339
Miscellaneous Income	114,504	183,300	152,102	185,488	207,676	243,025	204,223	276,637	316,480	337,199
Transfers						24,511		20,000		
Total Governmental Activities	18,255,024	19,597,768	20,121,707	20,903,209	21,269,411	22,324,429	22,413,825	22,268,312	22,968,164	24,304,558
Business-Type Activities:										
Investment Earnings	5,405	4,805	4,561	1,513	409	163	152	196	230	172
Transfers						(24,511)		(20,000)		
Total Business-Type Activities	5,405	4,805	4,561	1,513	409	(24,348)	152	(19,804)	230	172
Total District-Wide	\$ 18,260,429	\$ 19,602,573	\$ 20,126,268	\$ 20,904,722	\$ 21,269,820	\$ 22,300,081	\$ 22,413,977	\$ 22,248,508	\$ 22,968,394	\$ 24,304,730
Change in Net Position:										
Governmental Activities	\$ 255,651	\$ 297,461	\$ (212,992)	\$ 366,235	\$ (77,179)	\$ 585,089	\$ 887,378	\$ 361,282	\$ (368,589)	\$ (301,893)
Business-Type Activities	(27,027)	(32,045)	(10,872)	8,856	40,354	(11,427)	74,140	72,689	94,614	93,007
Total District	\$ 228,624	\$ 265,416	\$ (223,864)	\$ 375,091	\$ (36,825)	\$ 573,662	\$ 961,518	\$ 433,971	\$ (273,975)	\$ (208,886)

Source: School District Financial Reports

HANOVER TOWNSHIP SCHOOL DISTRICT
 FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)
 UNAUDITED

	June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund:										
Restricted/Reserved	\$ 1,478,112	\$ 1,320,653	\$ 748,965	\$ 934,407	\$ 1,064,857	\$ 703,967	\$ 1,144,852	\$ 763,891	\$ 563,886	\$ 347,273
Unreserved	1,452,514	1,394,970	1,210,135	1,029,097	645,055					
Assigned						495,943	660,608	751,703	846,666	442,492
Unassigned						459,189	500,527	512,168	418,896	425,728
Total General Fund	<u>\$ 2,930,626</u>	<u>\$ 2,715,623</u>	<u>\$ 1,959,100</u>	<u>\$ 1,963,504</u>	<u>\$ 1,709,912</u>	<u>\$ 1,659,099</u>	<u>\$ 2,305,987</u>	<u>\$ 2,027,762</u>	<u>\$ 1,829,448</u>	<u>\$ 1,215,493</u>
All Other Governmental Funds:										
Reserved/Restricted for:										
Capital Projects Fund	\$ 389,449	\$ 294,497	\$ 52,364		\$ 12,735					
Debt Service Fund	11,535	11,136	6,723	\$ 16,057	7,162	\$ 30,087	\$ 29,982	\$ 256	\$ 355	\$ 107
Committed for:										
Capital Projects Fund						289,920		2,313,753		
Unassigned for/(Deficit):										
Capital Projects Fund						(115,969)				(125,469)
Total All Other Governmental Funds	<u>\$ 400,984</u>	<u>\$ 305,633</u>	<u>\$ 59,087</u>	<u>\$ 16,057</u>	<u>\$ 19,897</u>	<u>\$ 204,038</u>	<u>\$ 29,982</u>	<u>\$ 2,314,009</u>	<u>\$ 355</u>	<u>\$ (125,362)</u>

Source: School District Financial Reports

HANOVER TOWNSHIP SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
UNAUDITED
(Modified accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues:										
Tax Levy	\$ 17,779,665	\$ 18,935,739	\$ 19,525,828	\$ 20,503,519	\$ 20,866,411	\$ 21,916,554	\$ 21,995,960	\$ 21,741,588	\$ 22,312,382	\$ 23,591,364
Tuition Charges	79,336	45,847								
Interest Earned on Investments	118,594	131,308	81,628	37,192	10,114	6,303	6,315	6,999	6,548	4,251
Interest Earned on Capital Reserve Funds	25,850	30,967	21,419	7,455	1,541	609	332	420	362	88
Miscellaneous	43,382	192,901	152,102	185,488	207,781	243,025	204,223	276,637	328,938	337,241
State Sources	3,357,212	4,069,578	3,946,569	2,816,400	2,719,399	2,249,970	2,835,511	3,415,498	3,237,489	3,516,719
Federal Sources	304,608	314,661	316,648	360,108	619,066	438,853	375,061	383,819	366,834	361,282
Total Revenue	21,708,647	23,721,001	24,044,194	23,910,162	24,424,312	24,855,314	25,417,402	25,824,961	26,252,553	27,810,945
Expenditures:										
Instruction:										
Regular Instruction	6,941,164	7,191,607	7,648,062	7,737,186	7,853,678	7,617,349	7,360,487	7,477,493	7,569,926	7,714,690
Special Education Instruction	1,599,741	1,751,698	1,755,635	1,908,052	2,018,533	1,928,497	1,959,809	1,819,485	2,400,176	2,608,191
Other Special Instruction	267,755	252,394	218,693	199,681	223,518	233,231	238,117	276,104	307,438	344,732
Other Instruction	126,740	128,710	126,258	126,848	138,017	92,864	95,343	101,032	104,405	112,784
Support Services:										
Tuition	69,761	161,197	138,459	203,930	187,937	152,135	94,216	280,756	614,542	655,357
Student and Instruction Related Services	2,274,173	2,441,154	2,645,888	2,765,207	2,915,777	3,017,996	3,059,956	3,240,573	2,970,649	3,094,123
General Administrative Services	440,277	484,837	489,398	512,112	473,054	473,656	490,708	466,590	500,365	509,210
School Administrative Services	871,779	872,120	859,263	860,861	904,012	912,185	951,970	963,973	951,456	1,004,475
Central Services	413,775	438,542	391,082	381,602	403,119	382,365	383,523	399,650	397,930	405,274
Administrative Information Technology Services	75,129	87,185	89,977	114,902	119,663	123,566	128,776	144,391	147,741	157,146
Plant Operations and Maintenance	1,948,199	2,107,813	2,118,543	2,140,680	2,159,140	2,091,263	2,073,443	2,109,201	2,361,958	2,527,468
Pupil Transportation	841,384	879,216	955,005	952,573	1,013,728	1,077,072	1,096,727	1,106,603	1,294,064	1,308,861
Unallocated Benefits	4,658,742	5,730,800	5,906,322	4,652,040	5,102,162	5,407,400	5,773,954	6,334,308	6,110,250	6,528,885
Charter Schools	12,456	17,220	17,906	19,159	20,391	40,748	45,600	51,574	120,605	125,235
Debt Service:										
Principal	475,000	500,000	500,000	525,000	525,000	595,000	595,000	250,000	270,000	285,000
Interest and Other Charges	323,278	298,740	272,778	246,815	219,790	142,783	135,790	105,950	98,450	90,350
Capital Outlay	860,124	688,122	913,994	602,140	396,545	552,089	530,020	1,577,028	2,544,566	1,078,836
Total Expenditures	22,199,477	24,031,355	25,047,263	23,948,788	24,674,064	24,840,199	25,013,439	26,704,711	28,764,521	28,550,617

HANOVER TOWNSHIP SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
UNAUDITED
(Modified accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (490,830)	\$ (310,354)	\$ (1,003,069)	\$ (38,626)	\$ (249,752)	\$ 15,115	\$ 403,963	\$ (879,750)	\$ (2,511,968)	\$ (739,672)
Other Financing Sources (Uses)										
Lease Purchase Proceeds								2,865,552		
Capital Leases (Non-budgeted)						93,702	68,869			
Transfers In	489,270	271,120	923,920	299,022	150,605	422,431	5,741	739,031	77,701	310,998
Transfers Out	(489,270)	(271,120)	(923,920)	(299,022)	(150,605)	(397,920)	(5,741)	(719,031)	(77,701)	(310,998)
Total Other Financing Sources (Uses)						118,213	68,869	2,885,552		
Net Change in Fund Balances	<u>\$ (490,830)</u>	<u>\$ (310,354)</u>	<u>\$ (1,003,069)</u>	<u>\$ (38,626)</u>	<u>\$ (249,752)</u>	<u>\$ 133,328</u>	<u>\$ 472,832</u>	<u>\$ 2,005,802</u>	<u>\$ (2,511,968)</u>	<u>\$ (739,672)</u>
Debt Service as a Percentage of Noncapital Expenditures	3.74%	3.42%	3.20%	3.31%	3.07%	3.04%	2.98%	1.42%	1.41%	1.37%

Source: School District Financial Reports

Exhibit J-5

HANOVER TOWNSHIP SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

Fiscal Year Ending June 30,	Interest on Investments	Rentals - Use of Facilities	Prior Year Refunds	Miscellaneous	Total
2006	\$ 144,444		\$ 13,317	\$ 101,187	\$ 258,948
2007	162,275		66,339	162,808	391,422
2008	103,047	\$ 100	17,388	134,614	255,149
2009	44,647		3,084	179,689	227,420
2010	11,655		2,507	205,274	219,436
2011	6,912	50	73,705	169,270	249,937
2012	6,647		52,083	152,140	210,870
2013	7,060		58,790	162,847	228,697
2014	6,811		146,921	157,559	311,291
2015	4,331		132,867	204,332	341,530

HANOVER TOWNSHIP SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS
UNAUDITED

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Tax-Exempt Property	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2005	\$ 71,739,900	\$ 1,107,353,322	\$ 9,100	\$ 3,800	\$ 542,556,011	\$ 260,008,400	\$ 28,868,800	\$ 2,010,539,333	\$ 264,102,300	\$ 16,296,284	\$ 2,026,835,617	\$ 0.84	\$ 3,081,610,785
2006	79,203,300	1,121,055,622	9,100	3,800	547,450,911	237,416,200	28,868,800	2,014,007,733	264,560,900	13,066,727	2,027,074,460	0.90	3,616,015,325
2007	75,065,500	1,123,936,422	9,100	3,800	546,826,011	244,676,100	28,868,800	2,019,385,733	269,329,200	12,068,528	2,031,454,261	0.94	3,949,502,848
2008	74,908,200	1,139,038,922	9,100	3,800	573,242,511	212,569,800	28,868,800	2,028,641,133	269,514,700	11,274,582	2,039,915,715	0.97	4,196,257,833
2009	72,641,900	1,148,171,700	368,300	7,600	538,942,500	213,530,700	28,868,800	2,002,531,500	271,431,000	11,255,992	2,013,787,492	1.02	4,139,864,889
2010	65,676,800	1,153,279,300	368,300	7,600	524,527,300	214,138,200	28,868,800	1,986,866,300	271,947,500	11,175,509	1,998,041,809	1.06	4,166,464,286
2011	47,974,300	1,176,198,450	368,300	7,600	489,126,600	221,082,600	28,868,800	1,963,626,650	271,672,800	10,542,510	1,974,169,160	1.63	4,115,149,057
2012 ^c	78,048,900	2,054,726,800	433,000	5,900	871,536,400	412,981,600	56,721,600	3,474,454,200	376,741,000	21,415,187	3,495,869,387	0.63	3,957,980,829
2013	94,503,500	2,055,323,600	433,000	5,900	873,200,300	408,758,900	56,721,600	3,488,946,800	366,341,800		3,488,946,800	0.64	3,889,698,033
2014	80,697,600	2,080,627,400	433,000	5,900	996,669,100	433,662,200	57,634,600	3,649,729,800	375,167,100		3,649,729,800	0.64	3,841,012,208

Source: Municipal Tax Assessor

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation.

Reassessment occurs when ordered by the County Board of Taxation

^a Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies

^b Tax rates are per \$100 of Assessed Valuation

^c Represents a Revaluation Year

HANOVER TOWNSHIP SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
(RATE PER \$100 OF ASSESSED VALUE)
UNAUDITED

Year Ended December 31,	Hanover Township School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Hanover Township	Hanover Park Regional High School	Morris County	
2005	\$ 0.80	\$ 0.04	\$ 0.84	\$ 0.54	\$ 0.39	\$ 0.41	\$ 2.18
2006	0.86	0.04	0.90	0.58	0.41	0.44	2.33
2007	0.91	0.03	0.94	0.61	0.44	0.47	2.46
2008	0.93	0.04	0.97	0.64	0.45	0.48	2.54
2009	0.98	0.04	1.02	0.67	0.48	0.47	2.64
2010	1.02	0.04	1.06	0.72	0.50	0.48	2.76
2011	1.58	0.05	1.63	0.75	0.52	0.49	3.39
2012 ^c	0.62	0.01	0.63	0.43	0.30	0.27	1.63
2013	0.63	0.01	0.64	0.44	0.30	0.28	1.66
2014	0.63	0.01	0.64	0.43	0.30	0.26	1.63

Note: NJSA 18A:7F-5d limits the amount that the District can submit for a General Fund tax levy . The levy when added to other components of the District's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculation.

^a The District's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

^b Rates for debt service are based on each year's requirements.

^c Represents a Revaluation Year

Exhibit J-8

HANOVER TOWNSHIP SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS,
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

<u>Taxpayer</u>	<u>2015</u>	
	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
Bayer Healthcare LLC	\$ 155,670,300	4.21%
115 SJ Investors	56,000,000	1.51%
Sterling Apartments LLC	55,101,100	1.49%
Interstate Realty Compnay LLC	50,290,300	1.36%
Kraft Foods Global Inc	43,400,000	1.17%
LSAC Morris County LP	42,954,600	1.16%
DCT IND Realty Inc	39,194,500	1.06%
Ravine Development Company LLC	38,945,800	1.05%
LSREF Three / AH Chicago LLC	37,635,000	1.02%
ISBI Hanover Hotel LLC	35,950,500	0.97%
Total	\$ 555,142,100	15.00%

<u>Taxpayer</u>	<u>2006</u>	
	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
LTI NJ Finance LLC	\$ 100,966,300	4.98%
Bear Stearn & Company	62,229,800	3.07%
Hartz Mountain Industries	39,351,100	1.94%
Marriot Corporation	32,539,700	1.61%
Cedar Glenn Housing Corporation	27,587,300	1.36%
Fan Pier Land Company	27,000,000	1.33%
Interstate Realty Company	26,338,800	1.30%
River Park Business Center LLC	23,739,500	1.17%
Lynton Jet/ Signature Flight	26,500,000	1.31%
Lynton Jet/ Signature Flight	22,127,500	1.09%
Total	\$ 388,380,000	19.16%

Source: Municipal Tax Assessor

Exhibit J-9

HANOVER TOWNSHIP SCHOOL DISTRICT
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 ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2006	\$ 17,779,665	\$ 17,779,665	100.00%	-0-
2007	18,935,739	18,935,739	100.00%	-0-
2008	19,525,828	19,525,828	100.00%	-0-
2009	20,503,519	20,503,519	100.00%	-0-
2010	20,866,411	20,866,411	100.00%	-0-
2011	21,916,554	21,916,554	100.00%	-0-
2012	21,995,960	21,995,960	100.00%	-0-
2013	21,741,588	21,741,588	100.00%	-0-
2014	22,312,382	22,312,382	100.00%	-0-
2015	23,591,364	23,591,364	100.00%	-0-

^a School taxes are collected by the Municipal Tax Collector. Under New Jersey State Statute, a municipality is required to remit to the school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year.

Source: Hanover Township School District records including the Certificate and Report of School Taxes (A4F form)

HANOVER TOWNSHIP SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	<u>Governmental Activities</u>		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases			
2006	\$ 6,120,000		\$ 6,120,000	0.68%	\$ 456
2007	5,620,000		5,620,000	0.60%	418
2008	5,120,000		5,120,000	0.53%	379
2009	4,595,000		4,595,000	0.50%	338
2010	4,070,000		4,070,000	0.43%	297
2011	3,520,000	\$ 72,896	3,592,896	0.36%	258
2012	2,925,000	86,750	3,011,750	0.29%	216
2013	2,675,000	2,897,409	5,572,409	0.52%	390
2014	2,405,000	2,702,911	5,107,911	0.46%	348
2015	2,120,000	2,520,382	4,640,382	0.42%	317

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.

^a See Exhibit J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

HANOVER TOWNSHIP SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
UNAUDITED

<u>General Bonded Debt Outstanding</u>					
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	\$ 6,120,000	\$ -0-	\$ 6,120,000	0.30%	\$ 456
2007	5,620,000	-0-	5,620,000	0.28%	418
2008	5,120,000	-0-	5,120,000	0.25%	379
2009	4,595,000	-0-	4,595,000	0.23%	338
2010	4,070,000	-0-	4,070,000	0.20%	297
2011	3,520,000	-0-	3,520,000	0.18%	253
2012	2,925,000	-0-	2,925,000	0.15%	210
2013	2,675,000	-0-	2,675,000	0.08%	187
2014	2,405,000	-0-	2,405,000	0.07%	164
2015	2,120,000	-0-	2,120,000	0.06%	145

Source: School District Financial Reports

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.

^a See Exhibit J-6 for property tax data. This ratio is calculated using valuation data for the prior calendar year.

^b See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

HANOVER TOWNSHIP SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2014
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes			
Hanover Township	\$ -0-	100.00%	\$ -0-
County of Morris General Obligation Debt	235,116,781	4.08%	<u>9,585,430</u>
Subtotal, Overlapping Debt			9,585,430
Hanover Township School District Direct Debt			<u>4,640,382</u>
Total Direct and Overlapping Debt			<u><u>\$ 14,225,812</u></u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Hanover Township. This process recognizes that, when considering the District's ability to issue and repay long-term, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping unit.

^a For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable equalized property values. Applicable percentages were estimated by determining the portion of another governmental unit's equalized property value that is within the district's boundaries and dividing it by each unit's total equalized property value.

Sources: Assessed value data used to estimate applicable percentages provided by the County of Morris Board of Taxation; debt outstanding data provided by each governmental unit.

HANOVER TOWNSHIP SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2015	
Equalized Valuation Basis	
2014	\$ 3,841,012,208
2013	3,480,593,376
2012	3,811,798,354
	\$ 11,133,403,938
Average Equalized Valuation of Taxable Property	\$ 3,711,134,646
Debt Limit (3% of Average Equalization Value) ^a	111,334,039
Net Bonded School Debt as of June 30, 2015	2,120,000
Legal Debt Margin	\$ 109,214,039

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2014
Debt Limit	\$ 94,421,102	\$ 104,171,992	\$ 114,889,815	\$ 120,633,344	\$ 123,222,361	\$ 123,117,899	\$ 120,650,991	\$ 117,590,042	\$ 111,547,573	\$ 111,334,039
Total Net Debt Applicable to Limit	6,120,000	5,620,000	5,120,000	4,595,000	4,070,000	3,520,000	2,925,000	2,675,000	2,405,000	2,120,000
Legal Debt Margin	\$ 88,301,102	\$ 98,551,992	\$ 109,769,815	\$ 116,038,344	\$ 119,152,361	\$ 119,597,899	\$ 117,725,991	\$ 114,915,042	\$ 109,142,573	\$ 109,214,039
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	6.48%	5.39%	4.46%	3.81%	3.30%	2.86%	2.42%	2.27%	2.16%	1.90%

^a Limit set by NJSA 18A:24-19 for a K through 8 district; other % limits would be applicable for other districts

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation

Exhibit J-14

HANOVER TOWNSHIP SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

<u>Year</u>	<u>Population^a</u>	<u>Personal Income^b</u>	<u>Morris County Per Capita Personal Income^c</u>	<u>Unemployment Rate^d</u>
2006	13,413	\$ 896,350,551	\$ 66,827	1.80%
2007	13,456	940,574,400	69,900	1.70%
2008	13,522	973,448,780	71,990	1.70%
2009	13,609	919,206,296	67,544	3.90%
2010	13,719	941,891,664	68,656	3.90%
2011	13,903	999,820,342	71,914	3.80%
2012	13,932	1,042,475,832	74,826	3.90%
2013	14,303	1,073,497,362	75,054	5.20%
2014	14,659 **	1,100,216,586 ***	75,054 *	5.20%
2015	14,659 **	1,100,216,586 ***	75,054 *	4.70%

* - Latest Morris County per capita personal income available (2013) was used for calculation purposes.

** - Latest population data available (2014) was used for calculation purposes.

*** - Latest available population data (2014) and latest available Morris County per capita personal income (2013) was used for calculation purposes.

N/A - Information Unavailable

Sources:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Personal income has been estimated based upon the municipal population and per capita personal income presented

^c Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

HANOVER TOWNSHIP SCHOOL DISTRICT
PRINCIPAL EMPLOYERS - MORRIS COUNTY
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

Employer	2014		Employer	2005	
	Employees	Percentage of Total Employment		Employees	Percentage of Total Employment
U.S. Army Armament Research and Development	5,841	N/A			
Novartis Corporation	5,035	N/A			
Atlantic Health System	4,463	N/A			
Automatic Data Processing, Inc.	2,060	N/A			Information is Not Available
Bayer Healthcare, LLC	1,900	N/A			
County of Morris	1,674	N/A			
Wyndham Worldwide Coporation	1,653	N/A			
St. Clare's	1,642	N/A			
BASF Corporation	1,500	N/A			
Accenture	1,480	N/A			
Total	27,248	N/A			

N/A - Total amount of employment is not available in order to do the percentage calculation.

Note - Information is for Morris County

Source: Morris County Economic Development Corporation

HANOVER TOWNSHIP SCHOOL DISTRICT
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	142.60	145.00	121.90	119.91	103.20	98.76	99.10	97.78	100.32	100.72
Special education	29.90	30.50	28.60	32.51	32.65	32.35	33.76	28.90	30.69	33.86
Support Services:										
Student & instruction related services	35.30	36.10	43.50	42.15	43.28	42.78	43.19	42.29	43.51	43.91
School administrative services	11.60	11.60	11.03	11.25	11.58	11.58	11.68	11.79	11.79	12.03
General and business administrative services	9.10	10.10	10.67	9.67	9.67	8.67	8.67	8.85	8.85	8.85
Plant operations and maintenance	23.70	23.70	21.75	21.75	29.83	29.00	29.01	29.01	30.51	31.29
Pupil transportation	14.20	14.20	14.30	14.80	14.80	15.37	15.37	16.27	17.27	16.74
Total	<u>266.40</u>	<u>271.20</u>	<u>251.75</u>	<u>252.04</u>	<u>245.01</u>	<u>238.51</u>	<u>240.78</u>	<u>234.89</u>	<u>242.94</u>	<u>247.40</u>

Source: District Personnel Records

HANOVER TOWNSHIP SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle				
2006	1,562	\$ 20,541,075	\$ 13,150	3.03%	160	1:19	1:20	1,562	1,504	2.36%	96.29%
2007	1,557	22,544,493	14,479	10.11%	162	1:19	1:20	1,557	1,496	-0.32%	96.08%
2008	1,575	23,360,491	14,832	2.44%	161	1:18	1:19	1,575	1,519	1.16%	96.44%
2009	1,574	22,574,833	14,342	-3.30%	163	1:19	1:20	1,574	1,511	-0.06%	96.00%
2010	1,543	23,532,729	15,251	6.34%	162	1:18	1:20	1,543	1,488	-1.97%	96.44%
2011	1,517	23,550,327	15,524	1.79%	162	1:18	1:19	1,517	1,460	-1.69%	96.24%
2012	1,500	23,752,629	15,835	2.00%	160	1:18	1:19	1,500	1,450	-1.12%	96.67%
2013	1,476	24,771,733	16,783	5.99%	160	1:18	1:19	1,476	1,415	-1.60%	95.87%
2014	1,483	25,851,505	17,432	3.87%	160	1:18	1:19	1,483	1,428	2.03%	96.29%
2015	1,464	27,096,431	18,508	6.18%	160	1:18	1:19	1,464	1,411	2.03%	96.38%

Source: Hanover Township School District records

Note: Enrollment based on annual October district count.

a Operating expenditures equal total expenditures less debt service and capital outlay.

b Teaching staff includes only full-time equivalents of certificated staff.

c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

d The Cost Per Pupil calculated above is the sum of the operating expenditures divided by enrollment. This Cost Per Pupil may be different from other Cost Per Pupil calculations.

HANOVER TOWNSHIP SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

<u>District Buildings</u>	<u>2005</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>
Bee Meadow School											
Square Feet	65,467	65,467	65,467	65,467	65,467	65,467	65,467	65,467	65,467	65,467	65,467
Capacity (students)	603	603	603	603	603	603	603	603	603	603	603
Enrollment	380	420	420	419	380	382	362	352	344	333	333
Salem Drive School											
Square Feet	45,707	45,707	45,707	45,707	45,707	45,707	45,707	45,707	45,707	45,707	45,707
Capacity (students)	499	499	499	499	499	499	499	499	499	499	499
Enrollment	312	336	323	327	323	312	299	280	273	277	277
Mountview Road School											
Square Feet	46,679	46,679	46,679	46,679	46,679	46,679	46,679	46,679	46,679	46,679	46,679
Capacity (students)	439	439	439	439	439	439	439	439	439	439	439
Enrollment	306	314	319	332	317	314	295	308	312	333	333
Memorial Junior School											
Square Feet	113,950	113,950	113,950	113,950	113,950	113,950	113,950	113,950	113,950	113,950	113,950
Capacity (students)	617	617	617	617	617	617	617	617	617	617	617
Enrollment	501	482	491	497	544	535	557	560	547	540	540

Number of Schools at June 30, 2015

 Elementary = 3

 Middle School = 1

Source: Hanover Township School District Facilities Office

Note: Enrollment is based on the annual October district count.

HANOVER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE
LAST TEN FISCAL YEARS
UNAUDITED

Undistributed Expenditures - Required Maintenance for School Facilities
Account # 11-000-261-xxx

<u>School Facilities</u>	<u>Project #</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>
Bee Meadow School	N/A	\$ 117,318	\$ 112,136	\$ 102,667	\$ 107,037	\$ 79,992	\$ 83,473	\$ 92,109	\$ 108,085	\$ 100,560	\$ 128,091
Salem Drive School	N/A	65,188	72,316	71,679	58,641	55,848	58,278	64,308	74,548	60,812	77,461
Mountview School	N/A	69,197	88,794	73,203	75,375	57,036	59,517	65,675	83,169	75,877	96,650
Memorial Junior School	N/A	175,190	184,453	178,700	166,003	139,232	145,290	160,322	212,040	158,973	202,495
		<u>\$ 426,893</u>	<u>\$ 457,699</u>	<u>\$ 426,250</u>	<u>\$ 407,056</u>	<u>\$ 332,108</u>	<u>\$ 346,558</u>	<u>\$ 382,414</u>	<u>\$ 477,842</u>	<u>\$ 396,222</u>	<u>\$ 504,697</u>

Source: Hanover Township School District records.

HANOVER TOWNSHIP SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2014
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - School Alliance Insurance Fund:		
Property - Blanket Building and Contents (Pooled Coverage)	\$ 250,000,000	\$ 1,000
Comprehensive General Liability: (Per Occurrence)	(Included)	500
Products - Completed Operations	(Included)	
Personnel & Advertising Injury	(Included)	
Fire Damage	(Included)	
Medical Expense	(Included)	
Comprehensive Auto Liability (Per Occurrence)	5,000,000	
Comprehensive Crime Coverage	50,000	
Employee Benefits	(Included)	1,000
Boiler and Machinery - School Alliance Insurance Fund		
Property Damage	100,000,000	1,000
Commercial Umbrella Policy - SAIF	5,000,000	
School Board Legal Liability - School Alliance Insurance Fund	5,000,000	2,500
Workers' Compensation Insurance - Morris County Educational Services Workers' Compensation Pool	Statutory	
Public Employees' Faithful Performance Blanket Position Bond - SAIF	400,000	
Public Official's Bond - Selective Insurance Company:		
Vanessa M. Wolsky, Business Administrator/Board Secretary	225,000	
Public Employees' Faithful Performance Blanket Position Bond	250,000	

Source: School District records.

SINGLE AUDIT SECTION



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Report on Internal Control Over Financial Reporting and
 on Compliance and Other Matters Based on an Audit of Financial Statements
 Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

The Honorable President and Members
 of the Board of Education
 Hanover Township School District
 County of Morris, 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 the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Hanover Township, in the County of Morris (the "District") as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basis financial statements, and have issued our report thereon dated November 20, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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 the 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.

The Honorable President and Members
of the Board of Education
Hanover Township School District
Page 2

Compliance and Other Matters

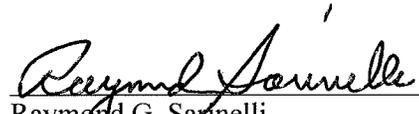
As part of obtaining reasonable assurance about whether the District’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

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 result of that testing, and not to provide an opinion on the effectiveness of the District’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 District’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

November 20, 2015
Mount Arlington, New Jersey

NISIVOCCIA LLP



Raymond G. Sarinelli
Licensed Public School Accountant #864
Certified Public Accountant



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Report on Compliance For Each Major State Program;
 Report on Internal Control Over Compliance Required by OMB Circular A-133
 and New Jersey's OMB Circulars 04-04 and 15-08

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

We have audited the Board of Education of the Hanover Township's (the "District's") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2015. The District's major state programs are identified in the summary of auditors' 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 federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District'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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133 and New Jersey's OMB Circulars 04-04 and 15-08 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 District'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 District's compliance.

Opinion on Each Major State Program

In our opinion, the District 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.

The Honorable President and Members
of the Board of Education
Hanover Township School District
Page 2

Report on Internal Control Over Compliance

Management of the District 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 District'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 OMB Circular A-133 and NJOMB 04-04 and 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 District'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 federal or 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 federal or 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 federal or 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 that the testing based on the requirements of OMB Circular A-133 or NJOMB 04-04 and 15-08. Accordingly, this report is not suitable for any other purpose.

November 20, 2015
Mount Arlington, New Jersey

NISIVOCCIA LLP


Raymond G. Samelli
Licensed Public School Accountant #864
Certified Public Accountant

HANOVER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance Unearned Revenue/ (Accounts Receivable) June 30, 2014	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Unearned Revenue June 30, 2015	(Accounts Receivable) June 30, 2015	Due to Grantor June 30, 2015
U.S. Department of Education												
Passed-through State Department of Education:												
Special Revenue Fund:												
NCLB Consolidated Grant:												
Title II - Part A	84.367A	NCLB-2000-15	7/1/14-6/30/15	\$ 20,520			\$ 19,220	\$ (19,279)			\$ (59)	
Title II - Part A	84.367A	NCLB-2000-14	7/1/13-6/30/14	20,444	\$ (388)		388					
Title III	84.365A	NCLB-2000-15	7/1/14-6/30/15	10,507			8,000	(9,593)			(1,593)	
					(388)		27,608	(28,872)			(1,652)	
Special Education Cluster:												
IDEA, Part B, Basic	84.027	FT-2000-15	7/1/14-6/30/15	338,164		\$ 25,425	302,627	(312,253)			(9,626)	
IDEA, Part B, Basic	84.027	FT-2000-14	7/1/13-6/30/14	351,594	(56,368)	(25,425)	56,368					
IDEA, Part B, Preschool	84.173	PS-2000-14	7/1/13-6/30/14	20,216	(1,643)	(1,265)	1,643					
IDEA, Part B, Preschool	84.173	PS-2000-15	7/1/14-6/30/15	19,105		1,265	18,512	(18,514)			(2)	
Total Special Education Cluster					(58,011)		379,150	(330,767)			(9,628)	
Total Special Revenue Fund					(58,399)		406,758	(359,639)			(11,280)	
U.S. Department of Agriculture												
Passed-through the State Department of Agriculture:												
Child Nutrition Cluster:												
Special Milk Program	10.556	N/A	7/1/13-6/30/14	14,104	(1,360)		1,360					
Special Milk Program	10.556	N/A	7/1/14-6/30/15	14,150			12,960	(14,175)			(1,215)	
Total Child Nutrition Cluster					(1,360)		14,320	(14,175)			(1,215)	
Total U.S. Department of Agriculture					(1,360)		14,320	(14,175)			(1,215)	
Total Federal Awards					\$ (59,759)	\$ -0-	\$ 421,078	\$ (373,814)	\$ -0-	\$ -0-	\$ (12,495)	\$ -0-

N/A - Not Available/Applicable

HANOVER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance Due to Grantor/ (Accounts Receivable) June 30, 2014	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2015			MEMO	
								GAAP (Accounts Receivable)	Unearned Revenue	Due to Grantor	Budgetary (Account Receivable)	Cumulative Total Expenditures
State Department of Education:												
Transportation Aid	14-495-034-5120-014	7/1/13 - 6/30/14	\$ 58,257	\$ (5,374)	\$ 5,374							\$ 58,257
Transportation Aid	15-495-034-5120-014	7/1/14-6/30/15	58,257		52,878	\$ (58,257)					\$ (5,379)	58,257
Special Education Aid	14-495-034-5120-089	7/1/13- 6/30/14	753,986	(69,551)	69,551							753,986
Special Education Aid	15-495-034-5120-089	7/1/14-6/30/15	753,986		684,364	(753,986)					(69,622)	753,986
Security Aid	14-495-034-5120-084	7/1/13 - 6/30/14	22,423	(2,068)	2,068							22,423
Security Aid	15-495-034-5120-084	7/1/14-6/30/15	22,423		20,352	(22,423)					(2,071)	22,423
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14-6/30/15	14,880		13,506	(14,880)					(1,374)	14,880
PARCC Readiness Aid	15-495-034-5120-098	7/1/14-6/30/15	14,880		13,506	(14,880)					(1,374)	14,880
District Reimbursement for Extraordinary Costs	14-100-034-5120-473	7/1/13 - 6/30/14	305,347	(305,347)	305,347							305,347
District Reimbursement for Extraordinary Costs	15-100-034-5120-473	7/1/14-6/30/15	311,422		3,188	(311,422)		\$ (308,234)			(308,234)	311,422
Nonpublic School Transportation Costs	14-495-034-5120-014	7/1/13 - 6/30/14	10,435	(10,435)	10,435							10,435
Nonpublic School Transportation Costs	13-495-034-5120-014	7/1/14-6/30/15	10,800			(10,800)		(10,800)			(10,800)	10,800
Reimbursed TPAF Social Security Contributions	14-495-034-5095-002	7/1/13- 6/30/14	778,498	(38,438)	38,438							778,498
Reimbursed TPAF Social Security Contributions	15-495-034-5095-002	7/1/14-6/30/15	780,117		741,582	(780,117)		(38,535)			(38,535)	780,117
Total General Fund State Aid				<u>(431,213)</u>	<u>1,960,589</u>	<u>(1,966,765)</u>		<u>(357,569)</u>			<u>(437,389)</u>	<u>3,895,711</u>
N.J. Nonpublic Aid:												
Textbook Aid	15-100-034-5120-064	9/1/14 - 6/30/15	9,652		9,652	(9,652)						9,652
Nursing Aid	15-100-034-5120-070	9/1/14 - 6/30/15	15,365		15,365	(15,365)						15,365
Technology Initiative Aid	15-100-034-5120-373	9/1/14 - 6/30/15	5,184		5,184	(5,184)						5,184
Technology Initiative Aid	13-100-034-5120-373	9/1/13 - 6/30/14	4,060	33			\$ (33)					4,027
Auxiliary Services:												
English as a Second Language	14-100-034-5120-067	9/1/13 - 6/30/14	1,920	436			(436)					1,484
English as a Second Language	15-100-034-5120-067	9/1/14 - 6/30/15	914		914				\$ 914			
Compensatory Education	15-100-034-5120-067	9/1/13 - 6/30/14	35,095	9,501			(9,501)					25,594
Compensatory Education	15-100-034-5120-067	9/1/14 - 6/30/15	45,686		45,686	(26,605)				19,081		26,605
Handicapped Services:												
Supplemental Instruction	14-100-034-5120-066	9/1/13 - 6/30/14	13,183	2,220			(2,220)					10,963
Supplemental Instruction	15-100-034-5120-066	9/1/14 - 6/30/15	13,340		13,340	(6,356)				6,984		6,356
Examination and Classification	14-100-034-5120-066	9/1/13 - 6/30/14	20,703	5,577			(5,577)					15,126
Examination and Classification	15-100-034-5120-066	9/1/14 - 6/30/15	21,970		21,970	(11,346)				10,624		11,346
Corrective Speech	14-100-034-5120-066	9/1/13 - 6/30/14	18,749	8,906			(8,906)					9,843
Corrective Speech	13-100-034-5120-066	9/1/14 - 6/30/15	22,971		22,971	(9,984)				12,987		9,984
Total Special Revenue Fund				<u>26,673</u>	<u>135,082</u>	<u>(84,492)</u>	<u>(26,673)</u>			<u>50,590</u>		<u>151,529</u>
Total State Awards				<u>\$ (404,540)</u>	<u>\$ 2,095,671</u>	<u>\$ (2,051,257)</u>	<u>\$ (26,673)</u>	<u>\$ (357,569)</u>	<u>\$ -0-</u>	<u>\$ 50,590</u>	<u>\$ (437,389)</u>	<u>\$ 4,047,240</u>

N/A - Not Available/Applicable

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO SCHEDULES OF FEDERAL EXPENDITURES OF AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Hanover Township School District under programs of the federal and state governments for the fiscal year ended June 30, 2015. The information in these schedules are presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States, Local Governments and Non-Profit Organizations* and New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net assets or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on 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 bases of accounting are described in Note 1 to the Board's basic financial statements. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. Such expenditures are recognized following the cost principles contained in federal OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governmental Units*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic 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 the modified accrual basis with the exception of the revenue recognition of the June state aid payments in the current budget year, which is mandated pursuant to P.L. 2003, C.97.(A3521). For GAAP purposes, these payments are not recognized until the subsequent budget year due to the state deferral and recording of the June 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 revenue, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$2,827 for the general fund, \$1,643 for the special revenue and \$178,043 for the capital projects fund. See Note 1 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Pension Contributions and Post Retirement Contributions revenue of \$567,455 and \$900,834 respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented on the following page:

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 3,432,227	\$ 3,432,227
Special Revenue Fund	\$ 361,282	84,492	445,774
Enterprise Fund	<u>14,175</u>		<u>14,175</u>
Total Awards	<u>\$ 375,457</u>	<u>\$ 3,516,719</u>	<u>\$ 3,892,176</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2015.

NOTE 6. NJ SCHOOLS DEVELOPMENT AUTHORITY (SDA) GRANTS

The District has active grants awarded in the amount of \$178,043 from the Schools Development Authority (SDA) under the Educational Facilities Construction and Financing Act. As of June 30, 2014, \$178,043 has been expended and is awaiting submission to the State. The District realizes grant revenue in the Capital Projects Fund on the GAAP basis as it is expended and submitted for reimbursement.

HANOVER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' 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*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance Required by OMB Circular A-133 and New Jersey's OMB Circulars 04-04 and 15-08*.
- The auditor's report on compliance for the major state programs for the District expresses an unmodified opinion on all major state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circulars 04-04 and 15-08 or Section 510(a) of Federal OMB Circular A-133.
- The District was not subject to the single audit provisions of Federal OMB Circular A-133 for fiscal year end June 30, 2015 as federal grant expenditures were less than the single audit threshold of \$500,000 identified in the Circular.
- The District's programs tested as major state programs for the current fiscal year consisted of the following awards:

	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
State:				
Special Education Aid	15-495-034-5120-089	7/1/14-6/30/15	\$ 753,986	\$ 753,986
PARCC Readiness Aid	15-495-034-5120-098	7/1/14-6/30/15	14,880	14,880
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14-6/30/15	14,880	14,880
Security Aid	15-495-034-5120-084	7/1/14-6/30/15	22,423	22,423
Reimbursed TPAF Social Security Contributions	15-495-034-5095-002	7/1/14-6/30/15	780,117	780,117

- The threshold used for distinguishing between State Type A and Type B programs was \$300,000.
- The District was determined to be a "low-risk" auditee for state programs.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

HANOVER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Findings and Questioned Costs for Federal Awards:

- Not applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in section 510(a) of the federal Circular and New Jersey's OMB Circulars 04-04 and 15-08.

HANOVER TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Status of Prior Year Findings:

The District had no prior year audit findings.