

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**East Hanover, New Jersey**

**COMPREHENSIVE ANNUAL**

**FINANCIAL REPORT**

**of the**

**East Hanover Township Board of Education**

**East Hanover, New Jersey**

**For The Fiscal Year Ended June 30, 2011**

**Prepared by**

**Business Office**

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## **INTRODUCTORY SECTION**

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

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

Katine Slunt  
Business Administrator/Board Secretary

Joseph L. Ricca  
Superintendent

December 5, 2011

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

Dear Board Members:

The comprehensive annual financial report of the East Hanover Township School District for the fiscal year ended June 30, 2011, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the East Hanover Township Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act, as amended, and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Nonprofit Organizations", and the State Treasury Circular Letter 04-04-OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid payments." Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

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

The District provides a full range of educational services appropriate to grade Kindergarten through eighth grade for the students residing in East Hanover Township. These include regular as well as special services for children with learning disabilities. The District's average enrollment for the 2010-11 fiscal year was 1,118 students, which is a decrease of 31 students from the previous year's average enrollment.

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

<u>Fiscal Year</u>	<u>Average Daily Enrollment Student Enrollment</u>	<u>Percent Change</u>
2010-11	1,118	(2.70)
2009-10	1,149	(0.05%)
2008-09	1,150	2.59%
2007-08	1,121	(3.94%)
2006-07	1,167	0.34%
2005-06	1,163	2.74%
2004-05	1,132	0.0%
2003-04	1,133	3.28%
2002-03	1,097	3.59%
2001-02	1,059	3.62%

## **2. ECONOMIC CONDITION AND OUTLOOK:**

The Township of East Hanover continues to undergo a period of growth. Construction of both commercial and residential units continues at a steady rate.

This continued growth will continue to affect the taxes due to an increase in the tax base. It is expected that the increase will continue for the next several years.

The student population is expected to remain fairly consistent over the next three to five years. The Board of Education, through its Long Range Facilities Plan, developed a building plan to address enrollment and ADA compliance issues and a referendum was approved by the legally qualified voters of the District at a special election held on December 10, 2002.

## **3. MAJOR INTIATIVES:**

- (A) During the 2010-11 academic year, the district continued to build upon its technological infrastructure. Additional computers were ordered and deployed throughout the district's schools both as replacements for obsolete models and additions to the district's current computer laboratories and classrooms. The district continued to invest in training and hardware to support the installation of Smartboards throughout the district's schools.
- (B) The district also purchased a new Student Data Base System for student records and report card reporting. New hall lockers and physical education lockers were installed at the East Hanover Middle School. The library and main office at the East Hanover Middle School were renovated with new carpeting, tile, and furniture. The computer room at East Hanover Middle School was renovated with new flooring and various upgrades.

3. **MAJOR INITIATIVES: (Continued)**

- (C) Renovations were made in the front of the East Hanover Middle School which consisted of concrete replacements and a new path for special needs students. The security system was also upgraded at the East Hanover Middle School. The district developed a new website and purchased Ipads for administrators' use. At Central School new lights were installed in the hallways and various classrooms along with a Beautification Program for the front of the school. Several rooms had air conditioning installed along with a rock wall for physical education instruction. One boys' bathroom was also completely renovated.
- (D) Major drainage work and paving was also completed at Central School. New carpeting and furniture was purchased for the Central School Library. New physical education bleachers were also purchased and installed at Central School. Painting and installation of air conditioning occurred at Frank J. Smith along with new lighting. The auditorium at the East Hanover Middle School was completely renovated and upgraded with new seating, lighting, and carpeting.
- (E) Textbooks were replaced in certain areas of all schools. The district also purchased a new pickup truck along with several maintenance items. Finally, the parking lot at the Board Office was renovated and the bulk of the cost was paid by the district receiving two safety grants awarded from the New Jersey School Boards Insurance Group.

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

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

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

5. **BUDGETARY CONTROLS:** In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is 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 debt service fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as fund balance at June 30, 2011.

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

7. **DEBT ADMINISTRATION:** As of June 30, 2011, the District's outstanding bonded debt totals \$6,783,000.

8. **CASH MANAGEMENT:**

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

9. **RISK MANAGEMENT:**

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

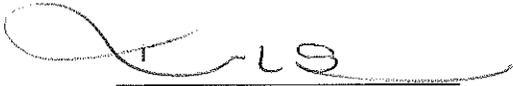
10. **OTHER INFORMATION:**

Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Lerch, Vinci & Higgins, LLP was selected by the Board's finance committee. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act as amended, and the related Federal OMB Circular A-133 and State Treasury Circular Letter 04-04-OMB. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

11. **ACKNOWLEDGEMENTS:**

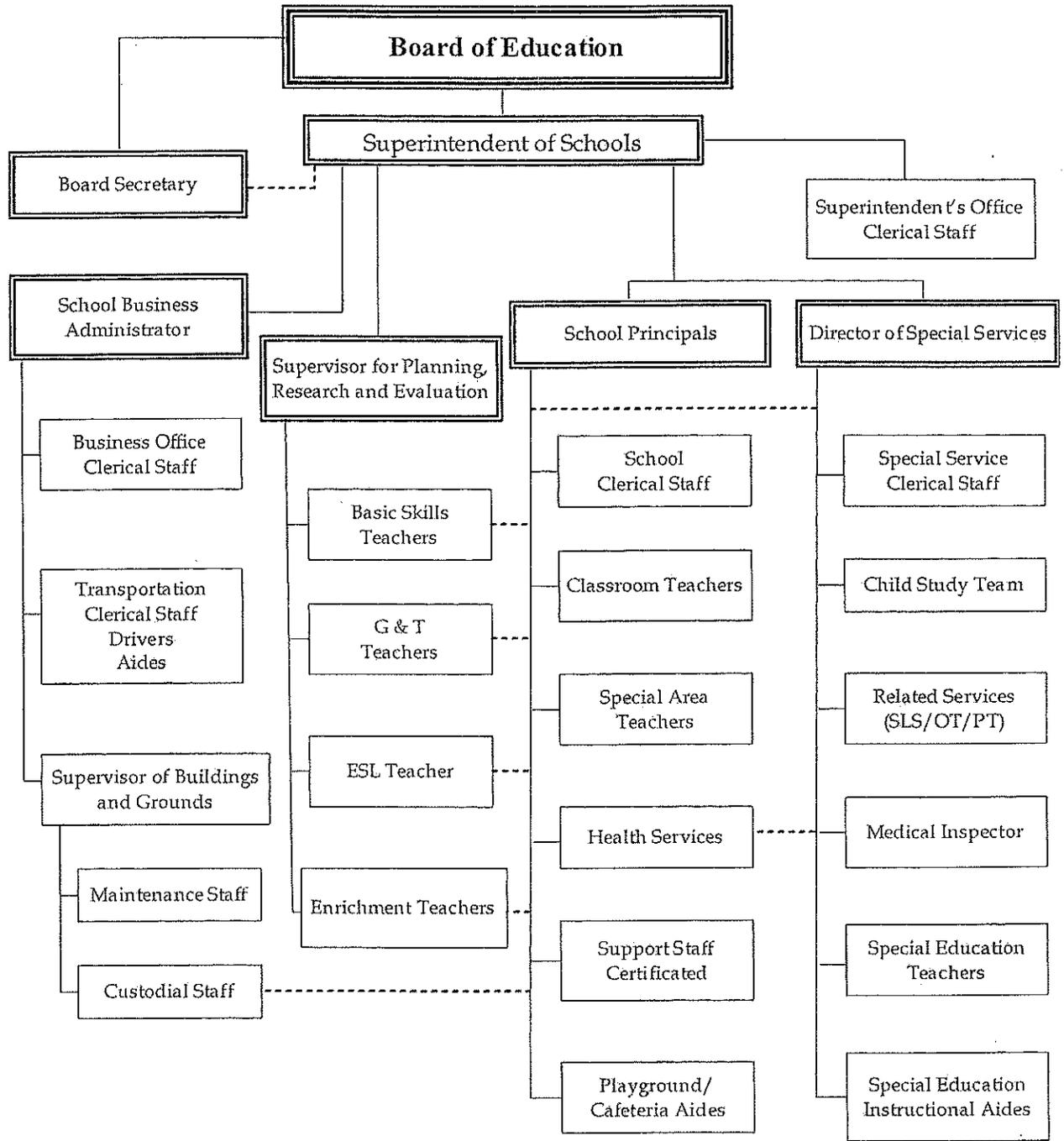
We would like to express our appreciation to the members of the East Hanover Township School District for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial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

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'K. Slunt', with a long horizontal flourish extending to the right.

Katine Slunt  
Business Administrator/Board Secretary

## 1110 ORGANIZATIONAL CHART



Adopted: 29 April 2004  
Revised: 13 September 2010



**EAST HANOVER TOWNSHIP SCHOOL DISTRICT  
EAST HANOVER, NEW JERSEY**

**ROSTER OF OFFICIALS**

**JUNE 30, 2011**

<b><u>Members of the Board of Education</u></b>	<b><u>Term Expires</u></b>
<b>Sean Sullivan, President</b>	<b>2012</b>
<b>Catherine Pfund-Olsen, Vice President</b>	<b>2013</b>
<b>Anthony Barisciano</b>	<b>2013</b>
<b>Bruno K. Brunini</b>	<b>2014</b>
<b>Kenneth Hadley, Jr.</b>	<b>2012</b>
<b>Mary Powers</b>	<b>2013</b>
<b>Stephanie A. Mitchell</b>	<b>2014</b>

**Other Officials**

**Joseph L. Ricca, Superintendent of Schools**

**Katine Slunt, CPA, Business Administrator/Board Secretary**

**EAST HANOVER TOWNSHIP SCHOOL DISTRICT**  
**CONSULTANTS AND ADVISORS**

**Architect**

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

**Attorney**

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

**Audit Firm**

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

**Official Depository**

TD Bank  
50 River Road  
East Hanover, New Jersey 07936

**FINANCIAL SECTION**

# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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JEFFREY C. BLISS, CPA, RMA, PSA  
PAUL J. LERCH, CPA, RMA, PSA  
DONNA L. JAPHET, CPA, PSA  
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ELIZABETH A. SHICK, CPA, RMA, PSA  
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ROBERT W. HAAG, CPA, PSA  
DEBORAH K. LERCH, CPA, PSA  
DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
RALPH M. PICONE, CPA, RMA, PSA  
EDWARD N. KERE, CPA

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Hanover Township Board of Education as of and for the fiscal year ended June 30, 2011, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

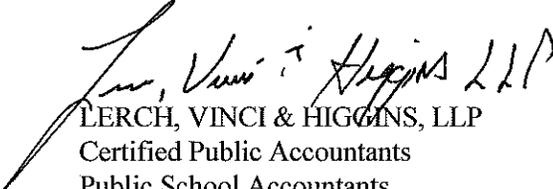
We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the East Hanover Township Board of Education's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

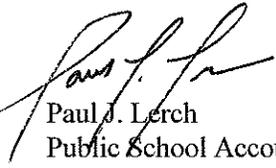
In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Hanover Township Board of Education as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 5, 2011 on our consideration of the East Hanover Township Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Hanover Township Board of Education's basic financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, financial schedules and statistical section 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 awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and New Jersey OMB's Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid", and are also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

  
Paul J. Lerch  
Public School Accountant  
PSA Number CS01118

Fair Lawn, New Jersey  
December 5, 2011

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# EAST HANOVER TOWNSHIP BOARD OF EDUCATION

## Management's Discussion and Analysis Year Ended June 30, 2011

This section of East Hanover Township Board of Education's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2011. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for 2011 are as follows:

- District-Wide - Overall revenues were \$20,898,578. General revenues accounted for \$17,909,273 or 86 percent of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,989,305 or 14 percent of total revenues of \$20,898,578.
- District-Wide - The School District had \$19,135,647 in expenses; only \$2,989,305 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$17,909,273 were adequate to provide for these programs.
- Fund Financials – As of the close of the current fiscal year, the East Hanover Township Board of Education's governmental funds reported combined ending fund balances of \$1,867,200, an increase of \$409,683 in comparison with the prior year.
- Fund Financials - At the end of June 30, 2011, unassigned fund balance (budgetary basis) for the General Fund was \$743,891, an increase of \$188,274.

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

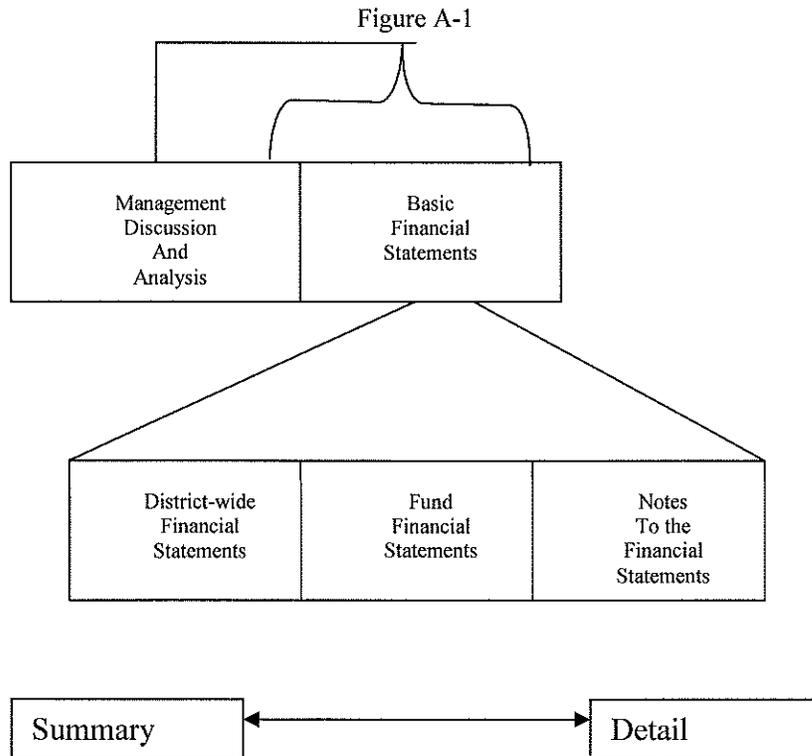
Management's Discussion and Analysis  
Year Ended June 30, 2011

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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



EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Management's Discussion and Analysis  
Year Ended June 30, 2011

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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

**District-wide Statements**

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

# EAST HANOVER TOWNSHIP BOARD OF EDUCATION

## Management's Discussion and Analysis Year Ended June 30, 2011

### **District-wide Statements (Continued)**

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

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

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

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

### **Fund Financial Statements**

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

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

# EAST HANOVER TOWNSHIP BOARD OF EDUCATION

## Management's Discussion and Analysis Year Ended June 30, 2011

### **Fund Financial Statements (Continued)**

The District has three kinds of funds:

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

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

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

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

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

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Management's Discussion and Analysis  
Year Ended June 30, 2011

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

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

Table A-1 provides a summary of the school district's net assets for fiscal years 2011 and 2010 which for 2011 and 2010 were \$9,721,269 and \$7,958,338, respectively (see Table A-1).

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

**Table A-1**  
**Statement of Net Assets**  
**as of June 30, 2011 and 2010**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and Other Assets	\$ 2,180,470	\$ 1,688,065	\$ 390,516	\$ 122,481	\$ 2,570,986	\$ 1,810,546
Capital Assets	14,620,407	14,270,310	8,093	-	14,628,500	14,270,310
<b>Total Assets</b>	<u>16,800,877</u>	<u>15,958,375</u>	<u>398,609</u>	<u>122,481</u>	<u>17,199,486</u>	<u>16,080,856</u>
Current Liabilities	286,671	365,457	154,639	94,844	441,310	460,301
Noncurrent Liabilities	7,036,907	7,662,217	-	-	7,036,907	7,662,217
<b>Total Liabilities</b>	<u>7,323,578</u>	<u>8,027,674</u>	<u>154,639</u>	<u>94,844</u>	<u>7,478,217</u>	<u>8,122,518</u>
Net Assets						
Invested in Capital Assets, Net of						
Related Debt	8,428,587	7,448,345	8,093		8,436,680	7,448,345
Restricted	314,012	414,508			314,012	414,508
Unrestricted	734,700	67,848	235,877	27,637	970,577	95,485
<b>Total Net Assets</b>	<u>\$ 9,477,299</u>	<u>\$ 7,930,701</u>	<u>\$ 243,970</u>	<u>\$ 27,637</u>	<u>\$ 9,721,269</u>	<u>\$ 7,958,338</u>

**Governmental activities.** Governmental activities increased the District's net assets by \$1,546,598. Key elements of this increase are as follows: (see Table A-2).

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Management's Discussion and Analysis  
Year Ended June 30, 2011

**Table A-2**  
**Change in Net Assets**  
**For The Fiscal Years Ended June 30, 2011 and 2010**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 41,573		\$ 484,753	\$ 15,612	\$ 526,326	\$ 15,612
Grants and Contributions	2,460,003	\$ 3,022,004	2,976	3,845	2,462,979	3,025,849
General Revenues						
Property Taxes	17,879,069	17,278,431			17,879,069	17,278,431
Unrestricted State Aid		21,922			-	21,922
Other	30,009	59,527	195	64	30,204	59,591
<b>Total Revenues</b>	<u>20,410,654</u>	<u>20,381,884</u>	<u>487,924</u>	<u>19,521</u>	<u>20,898,578</u>	<u>20,401,405</u>
<b>Expenses</b>						
Instruction						
Regular	7,273,332	7,335,791			7,273,332	7,335,791
Special Education	3,971,192	4,105,242			3,971,192	4,105,242
Other Instruction	689,777	535,460			689,777	535,460
School Sponsored Activities and Athletics	165,258	153,907			165,258	153,907
Support Services						
Student and Instruction Related Services	1,494,658	2,164,484			1,494,658	2,164,484
Health Services	263,871				263,871	
Educational Media / School Library	230,344				230,344	
General Administrative Services	459,408	600,557			459,408	600,557
School Administrative Services	1,111,225	1,216,253			1,111,225	1,216,253
Plant Operations and Maintenance	1,529,296	1,648,716			1,529,296	1,648,716
Pupil Transportation	1,039,319	1,022,589			1,039,319	1,022,589
Central Services	438,247	454,181			438,247	454,181
Interest on Long Term Debt	198,129	302,318			198,129	302,318
Food Services			11,556	10,794	11,556	10,794
After School Child Care	-	-	260,035	-	260,035	-
<b>Total Expenses</b>	<u>18,864,056</u>	<u>19,539,498</u>	<u>271,591</u>	<u>10,794</u>	<u>19,135,647</u>	<u>19,550,292</u>
Change in Net Assets	1,546,598	842,386	216,333	8,727	1,762,931	851,113
Net Assets, Beginning of Year	<u>7,930,701</u>	<u>7,088,315</u>	<u>27,637</u>	<u>18,910</u>	<u>7,958,338</u>	<u>7,107,225</u>
Net Assets, End of Year	<u>\$ 9,477,299</u>	<u>\$ 7,930,701</u>	<u>\$ 243,970</u>	<u>\$ 27,637</u>	<u>\$ 9,721,269</u>	<u>\$ 7,958,338</u>

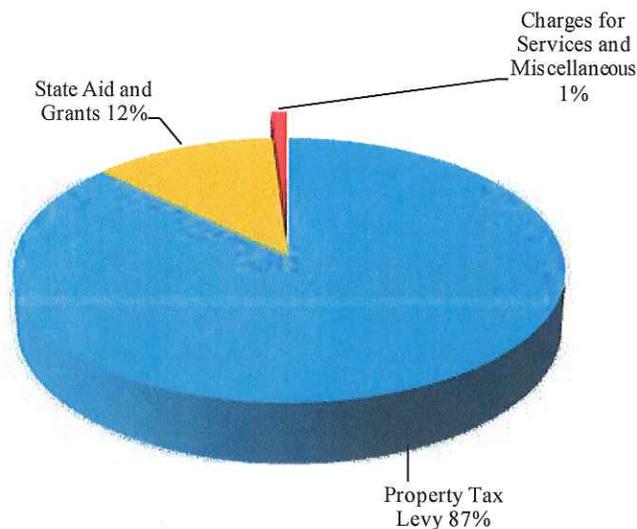
# EAST HANOVER TOWNSHIP BOARD OF EDUCATION

## Management's Discussion and Analysis Year Ended June 30, 2011

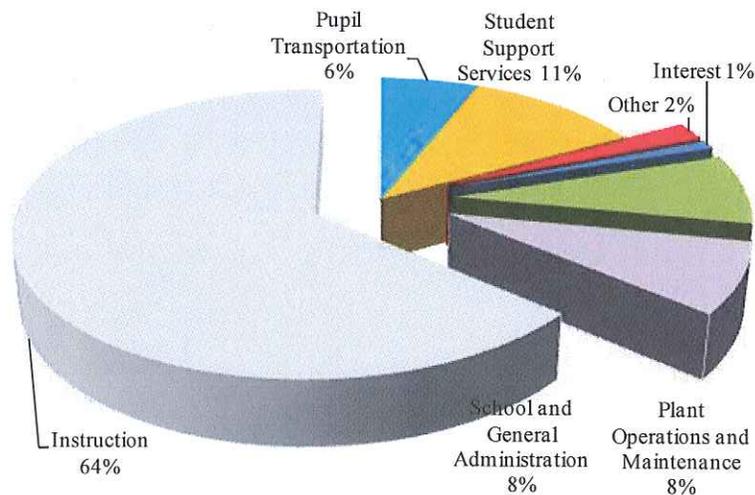
**Governmental activities.** The District's total governmental revenues were \$20,410,654. The local share of the revenues that included property taxes, interest and miscellaneous revenue amounted to \$17,909,078 or 87% of total revenues. Funding from state and federal sources amounted to \$2,460,003 or 12% and charges for services were \$41,573. (see Table A-2)

The District's governmental expenses are predominantly related to instruction and support services. Instruction totaled \$12,099,559 (64%); support services totaled \$6,566,368 (35%). Interest on long-term debt totaled \$198,129 (1%).

Revenues by Sources – Governmental Activities  
For Fiscal Year 2011



Expenses by Type – Governmental Activities  
For Fiscal Year 2011



EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Management's Discussion and Analysis  
Year Ended June 30, 2011

**Table A-3**  
**Total and Net Cost of Governmental Activities**  
**For the Fiscal Years Ended June 30, 2011 and 2010**

<u>Functions/Programs</u>	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Governmental Activities				
Instruction				
Regular	\$ 7,273,332	\$ 7,335,791	\$ 6,473,450	\$ 6,615,820
Special Education	3,971,192	4,105,242	2,770,228	2,458,667
Other Instruction	689,777	535,460	558,330	476,764
School Sponsored Activities and Athletics	165,258	153,907	151,488	139,657
Support Services				
Student and Instruction Related Services	1,494,658	2,164,484	1,322,250	1,933,829
Health Services	263,871		240,669	
Educational Media / School Library	230,344		211,105	
General Administrative Services	459,408	600,557	430,101	556,849
School Administrative Services	1,111,225	1,216,253	1,011,995	1,149,964
Plant Operations and Maintenance	1,529,296	1,648,716	1,529,296	1,596,010
Pupil Transportation	1,039,319	1,022,589	1,027,192	833,435
Central Services	438,247	454,181	438,247	454,181
Interest on Debt	198,129	302,318	198,129	302,318
Total	<u>\$ 18,864,056</u>	<u>\$ 19,539,498</u>	<u>\$ 16,362,480</u>	<u>\$ 16,517,494</u>

**Business-Type Activities** – The District's total business-type activities revenues were \$487,924 for the year ended June 30, 2011. Charges for services accounted for 99% of total revenues. Operating grants and contributions accounted for 1% of total revenue for the year.

Total cost of all business-type activities programs and services was \$271,591. The District's expenses are related to the milk and the after school child care program began in July 2010.

Total business-type activities revenues surpassed expenses, increasing net assets \$216,333 in comparison to the last year.

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Management's Discussion and Analysis  
Year Ended June 30, 2011

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

As the District completed the year, its governmental funds reported a combined fund balance of \$1,867,200. At June 30, 2010, the fund balance was \$1,457,517.

**The District's Funds**

All governmental funds (i.e., general fund, special revenue fund, capital projects fund and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$20,410,564 and expenditures were \$20,249,383.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound fiscal management. The following schedule presents a summary of the governmental fund revenues for the fiscal years ended June 30, 2011 and 2010.

**Governmental Funds Revenues**

	<u>Year Ended</u> <u>6/30/2011</u>	<u>Year Ended</u> <u>6/30/2010</u>	<u>Amount of</u> <u>Increase</u> <u>(Decrease)</u>	<u>Percent</u> <u>Change</u>
Local Sources:				
Property Taxes	\$ 17,879,069	\$ 17,278,431	\$ 600,638	3%
Other	151,414	59,527	91,887	154%
Federal Sources	312,189	543,179	(230,990)	-43%
State Sources	<u>2,067,982</u>	<u>2,500,747</u>	<u>(432,765)</u>	-17%
Total Revenues	<u>\$ 20,410,654</u>	<u>\$ 20,381,884</u>	<u>\$ 28,770</u>	0%

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Management's Discussion and Analysis  
Year Ended June 30, 2011

The following schedule represents a summary of governmental fund expenditures for the fiscal years ended June 30, 2011 and 2010.

**Governmental Funds Expenditures**

	Year Ended <u>6/30/2011</u>	Year Ended <u>6/30/2010</u>	Amount of Increase <u>(Decrease)</u>	Percent Change
Instruction	\$ 12,020,668	\$ 11,995,796	\$ 24,872	0.2%
Support Services	6,532,486	7,024,649	(492,163)	-7%
Debt Service	1,099,207	846,839	252,368	30%
Capital Outlay	<u>597,022</u>	<u>462,585</u>	<u>134,437</u>	29%
 Total Expenditures	 <u>\$ 20,249,383</u>	 <u>\$ 20,329,869</u>	 <u>\$ (80,486)</u>	 -0.4%

**General Fund Budgetary Highlights**

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

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

**Capital Assets.** At the end of the fiscal years 2011 and 2010, the school district had invested in land, land improvements, construction in progress, buildings, furniture, machinery and equipment as stated in Table A-4 as follows:

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Management's Discussion and Analysis  
Year Ended June 30, 2011

**Table A-4**

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 139,675	\$ 139,675
Construction in Progress	323,498	58,424
Land Improvements	53,954	53,954
Building and Building Improvements	17,485,072	17,213,079
Machinery and Equipment	<u>974,944</u>	<u>914,989</u>
 Total	 18,977,143	 18,380,121
 Less: Accumulated Depreciation	 <u>(4,356,736)</u>	 <u>(4,109,811)</u>
 Total	 <u>\$ 14,620,407</u>	 <u>\$ 14,270,310</u>

Additional information on the District's capital assets can be found in Note 4 of this report.

**Debt Administration.** As of June 30, 2011 and 2010, the School District had outstanding long-term liabilities as stated in Table A-5 as follows:

**Long-Term Liabilities**

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

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
General Obligation Bonds	\$ 6,783,000	\$ 7,177,000
Compensated Absences Payable	<u>351,065</u>	<u>485,217</u>
 Total	 <u>\$ 7,134,065</u>	 <u>\$ 7,662,217</u>

Additional information on the District's outstanding liabilities can be found in Note 4 of this report.

## EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Management's Discussion and Analysis  
Year Ended June 30, 2011

### **FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

Many factors were considered by the District's administration during the process of developing the fiscal year 2012-2013 budget. The primary factors were the District's projected student population, anticipated state and federal aid, as well, as increasing salaries and related benefit costs.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

**BASIC FINANCIAL STATEMENTS**

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2011**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,512,946	\$ 582,764	\$ 2,095,710
Receivables, net			
Receivables from Other Governments	231,310		231,310
Other Receivables	136,836		136,836
Deferred Charge	101,190		101,190
Prepaid Expense		5,940	5,940
Internal Balances	198,188	(198,188)	-
Capital Assets, net			
Not Being Depreciated	463,173		463,173
Being Depreciated, Net	14,157,234	8,093	14,165,327
Total Assets	<u>16,800,877</u>	<u>398,609</u>	<u>17,199,486</u>
<b>LIABILITIES</b>			
Accounts Payable and Other Current Liabilities	94,800	3,772	98,572
Payable to Other Governments	25,665	78	25,743
Accrued Interest Payable	74,591		74,591
Unearned Revenue	91,615	150,789	242,404
Noncurrent Liabilities			
Due within one year	680,000		680,000
Due beyond one year	6,356,907	-	6,356,907
Total Liabilities	<u>7,323,578</u>	<u>154,639</u>	<u>7,478,217</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	8,428,587	8,093	8,436,680
Restricted for			
Capital Projects	249,959		249,959
Debt Service	64,053		64,053
Unrestricted	734,700	235,877	970,577
Total Net Assets	<u>\$ 9,477,299</u>	<u>\$ 243,970</u>	<u>\$ 9,721,269</u>

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
Instruction							
Regular	\$ 7,273,332	\$ 41,573	\$ 624,629	\$ 133,680	\$ (6,473,450)		\$ (6,473,450)
Special Education	3,971,192		1,180,934	20,030	(2,770,228)		(2,770,228)
Other Instruction	689,777		131,447		(558,330)		(558,330)
School Sponsored Activities and Athletics	165,258		13,770		(151,488)		(151,488)
Support Services							
Student and Instruction Related Services	1,494,658		172,408		(1,322,250)		(1,322,250)
Health Services	263,871		23,202		(240,669)		(240,669)
Educational Media / School Library	230,344		19,239		(211,105)		(211,105)
General Administrative Services	459,408		29,307		(430,101)		(430,101)
School Administrative Services	1,111,225		99,230		(1,011,995)		(1,011,995)
Plant Operations and Maintenance	1,529,296				(1,529,296)		(1,529,296)
Pupil Transportation	1,039,319		12,127		(1,027,192)		(1,027,192)
Central Services	438,247				(438,247)		(438,247)
Interest on Debt	198,129				(198,129)		(198,129)
<b>Total Governmental Activities</b>	<b>18,864,056</b>	<b>41,573</b>	<b>2,306,293</b>	<b>153,710</b>	<b>(16,362,480)</b>	<b>-</b>	<b>(16,362,480)</b>
<b>Business-Type Activities</b>							
Food Service - Non-Major	11,556	\$ 15,160	2,976			\$ 6,580	6,580
After School Child Care	260,035	469,593				209,558	209,558
<b>Total Business-Type Activities</b>	<b>271,591</b>	<b>484,753</b>	<b>2,976</b>	<b>-</b>	<b>-</b>	<b>216,138</b>	<b>216,138</b>
<b>Total Primary Government</b>	<b>\$ 19,135,647</b>	<b>\$ 526,326</b>	<b>\$ 2,309,269</b>	<b>\$ 153,710</b>	<b>(16,362,480)</b>	<b>216,138</b>	<b>(16,146,342)</b>
<b>General Revenues</b>							
General Revenues							
Taxes:							
Property Taxes, levied for general purposes, net					17,013,656		17,013,656
Property Taxes, levied for debt service					865,413		865,413
Miscellaneous Income					30,009	195	30,204
<b>Total General Revenues</b>					<b>17,909,078</b>	<b>195</b>	<b>17,909,273</b>
<b>Change in Net Assets</b>					<b>1,546,598</b>	<b>216,333</b>	<b>1,762,931</b>
<b>Net Assets, Beginning of Year</b>					<b>7,930,701</b>	<b>27,637</b>	<b>7,958,338</b>
<b>Net Assets, End of Year</b>					<b>\$ 9,477,299</b>	<b>\$ 243,970</b>	<b>\$ 9,721,269</b>

**FUND FINANCIAL STATEMENTS**

EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
AS OF JUNE 30, 2011

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 919,046	\$ 24,090	\$ 505,757	\$ 64,053	\$ 1,512,946
Due from Other Funds	488,260				488,260
Receivables, Net					
Receivables From Other Governments	12,127	85,503	133,680		231,310
Other Receivables	-	15,400	-	-	15,400
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 1,419,433</u>	<u>\$ 124,993</u>	<u>\$ 639,437</u>	<u>\$ 64,053</u>	<u>\$ 2,247,916</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts Payable	\$ 75,300		\$ 15,500		\$ 90,800
Due to Other Funds	4,000	\$ 7,713	160,923		172,636
Payable to State Governments		18,768			18,768
Payable to Federal Governments		6,897			6,897
Deferred Revenue	-	91,615	-	-	91,615
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	<u>79,300</u>	<u>124,993</u>	<u>176,423</u>	<u>-</u>	<u>380,716</u>
<b>Fund Balance</b>					
Restricted:					
Excess Surplus - Designated for Subsequent Year's Expenditure	30,713				30,713
Excess Surplus	44,647				44,647
Maintenance Reserve	525,000				525,000
Capital Reserve	179,777				179,777
Capital Projects			463,014		463,014
Debt Service				\$ 64,053	64,053
Assigned:					
Year-end Encumbrances	201,126				201,126
Unassigned	358,870	-	-	-	358,870
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Fund Balances	<u>1,340,133</u>	<u>-</u>	<u>463,014</u>	<u>64,053</u>	<u>1,867,200</u>
Total Liabilities and Fund Balances	<u>\$ 1,419,433</u>	<u>\$ 124,993</u>	<u>\$ 639,437</u>	<u>\$ 64,053</u>	

Amounts reported for *governmental activities* in the statement of net assets (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 \$18,977,143 and the accumulated depreciation is \$4,356,736. 14,620,407

The District has financed capital assets through the issuance of serial bonds. The interest accrual at year end is: (74,591)

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

Bonds Payable, net of Premium and Refunding	\$ (6,685,842)
Less: Deferred charge for issuance costs	101,190
Compensated Absences	<u>(351,065)</u>
	<u>(6,935,717)</u>

Net assets of governmental activities \$ 9,477,299

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Local Sources					
Property Tax Levy	\$ 17,013,656			\$ 865,413	\$ 17,879,069
Miscellaneous	70,860	\$ 79,832	\$ 722	-	151,414
Total - Local Sources	17,084,516	79,832	722	865,413	18,030,483
Intergovernmental					
State Sources	1,879,586	54,716	133,680		2,067,982
Federal Sources	-	312,189	-	-	312,189
Total Revenues	18,964,102	446,737	134,402	865,413	20,410,654
<b>EXPENDITURES</b>					
Current					
Instruction					
Regular Instruction	7,201,545	19,622			7,221,167
Special Education Instruction	3,697,297	252,808			3,950,105
Other Instruction	605,494	79,832			685,326
School-Sponsored Activities and Athletics	164,070				164,070
Support Services					
Student and Instruction Related Services	1,411,766	74,445			1,486,211
Health Services	261,871				261,871
Educational Media/School Library	228,685				228,685
General Administrative Services	456,881				456,881
School Administrative Services	1,102,669				1,102,669
Plant Operations and Maintenance	1,521,005				1,521,005
Pupil Transportation	1,037,967				1,037,967
Central Services	437,197				437,197
Debt Service					
Principal				620,000	620,000
Interest and Other Charges	49,434			199,238	248,672
Cost of Issuance				106,225	106,225
Advance Refunding Escrow				124,310	124,310
Capital Outlay	141,291	20,030	435,701	-	597,022
Total Expenditures	18,317,172	446,737	435,701	1,049,773	20,249,383
Excess (Deficiency) of Revenues Over (Under) Expenditures	646,930	-	(301,299)	(184,360)	161,271
<b>OTHER FINANCING SOURCES (USES)</b>					
Refunding Bond Proceeds				6,355,000	6,355,000
Premium on Refunding Bonds				22,412	22,412
Payment to Refunded Bond Escrow Agent				(6,129,000)	(6,129,000)
Transfers In	722		260,000		260,722
Transfers Out	(260,000)	-	(722)	-	(260,722)
Total Other Financing Sources and Uses	(259,278)	-	259,278	248,412	248,412
Net Change in Fund Balances	387,652	-	(42,021)	64,052	409,683
Fund Balance, Beginning of Year	952,481	-	505,035	1	1,457,517
Fund Balance, End of Year	\$ 1,340,133	\$ -	\$ 463,014	\$ 64,053	\$ 1,867,200

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
WITH THE DISTRICT-WIDE STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Total net change in fund balances - governmental funds (Exhibit B-2) \$ 409,683

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

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

	Capital Outlay	\$ 597,022	
	Depreciation Expense	<u>(246,925)</u>	
			350,097

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

	Compensated Absences		134,152
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In the statement of activities, the issuance of long-term debt (e.g. bonds) provides current financial resources to the governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums and other such related to the refunding bonds when they are first issued, whereas these amounts are deferred and amortized in the statement of activities.

	Refunding of Bond Proceeds	\$ (6,355,000)	
	Premium on Refunding Bonds	(22,412)	
	Payments to Escrow Agent for Refunding	6,253,310	
	Cost of Issuance	106,225	
	Amortization of Bond Premium	1,043	
	Amortization of Deferred Amounts on Refunding	(5,783)	
	Amortization of Cost of Issuance	(5,035)	
	Principal Payments		
	Bond Principal	<u>620,000</u>	
			592,348

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

	Decrease in Accrued Interest		<u>60,318</u>
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			\$ <u>1,546,598</u>
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**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS  
 AS OF JUNE 30, 2011**

	Business-Type Activities		<u>Total</u>
	<u>Non-Major Enterprise Funds</u>	<u>After School Child Care Program Enterprise Fund</u>	
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$ 28,971	\$ 553,793	\$ 582,764
Prepaid Expense	-	5,940	5,940
Total Current Assets	<u>28,971</u>	<u>559,733</u>	<u>588,704</u>
Noncurrent Assets			
Equipment	74,855		74,855
Less: Accumulated Depreciation	(66,762)	-	(66,762)
Total Noncurrent Assets	<u>8,093</u>	<u>-</u>	<u>8,093</u>
Total Assets	<u>37,064</u>	<u>559,733</u>	<u>596,797</u>
<b>LIABILITIES</b>			
Current Liabilities			
Intergovernmental Payable	78		78
Due to Other Funds	5,116	193,072	198,188
Accounts Payable	612	3,160	3,772
Unearned Revenue	-	150,789	150,789
Total Current Liabilities	<u>5,806</u>	<u>347,021</u>	<u>352,827</u>
<b>NET ASSETS</b>			
Invested in Capital Assets	8,093		8,093
Unrestricted	<u>23,165</u>	<u>212,712</u>	<u>235,877</u>
Total Net Assets	<u>\$ 31,258</u>	<u>\$ 212,712</u>	<u>\$ 243,970</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
 PROPRIETARY FUND  
 STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN NET ASSETS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Business-Type Activities		<u>Total</u>
	<u>Non-Major Enterprise Funds</u>	<u>After School Child Care Program Enterprise Fund</u>	
<b>OPERATING REVENUES</b>			
Charges for Services			
Daily Sales	\$ 15,160		\$ 15,160
Program Fees	-	\$ 469,593	469,593
Total Operating Revenues	<u>15,160</u>	<u>469,593</u>	<u>484,753</u>
<b>OPERATING EXPENSES</b>			
Salaries and Benefits		170,758	170,758
Cost of Sales	11,556		11,556
Professional Services		22,550	22,550
Field Trips		38,757	38,757
Supplies	-	27,970	27,970
Total Operating Expenses	<u>11,556</u>	<u>260,035</u>	<u>271,591</u>
Operating Income	<u>3,604</u>	<u>209,558</u>	<u>213,162</u>
<b>NONOPERATING REVENUES</b>			
Interest Earnings	20	175	195
Federal Sources			
National School Milk Program	2,976	-	2,976
Total Nonoperating Revenues	<u>2,996</u>	<u>175</u>	<u>3,171</u>
Change in Net Assets	6,600	209,733	216,333
Total Net Assets, Beginning of Year	<u>24,658</u>	<u>2,979</u>	<u>27,637</u>
Total Net Assets, End of Year	<u>\$ 31,258</u>	<u>\$ 212,712</u>	<u>\$ 243,970</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<b>Business-Type Activities</b>		<b>Total</b>
	<b>Non-Major Enterprise Funds</b>	<b>After School Child Care Program Enterprise Fund</b>	
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$ 15,160	\$ 527,606	\$ 542,766
Cash Payments to Suppliers for Goods and Services	(12,935)	(66,332)	(79,267)
Net Cash Provided by Operating Activities	<u>2,225</u>	<u>461,274</u>	<u>463,499</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Cash Received from Other Funds	9,343	-	9,343
Net Cash Provided by Noncapital Financing Activities	<u>9,343</u>	<u>-</u>	<u>9,343</u>
<b>Cash Flows from Investing Activities</b>			
Interest Earnings	20	175	195
Net Cash Provided by Investing Activities	<u>20</u>	<u>175</u>	<u>195</u>
Net Increase in Cash and Cash Equivalents	11,588	461,449	473,037
Cash and Cash Equivalents, Beginning of Year	17,383	92,344	109,727
Cash and Cash Equivalents, End of Year	<u>\$ 28,971</u>	<u>\$ 553,793</u>	<u>\$ 582,764</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating Income	\$ 3,604	\$ 209,558	\$ 213,162
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Change in Assets and Liabilities			
(Increase)/Decrease in Prepaid Expense		7,820	7,820
Increase/(Decrease) in Unearned Revenue		58,013	58,013
Increase/(Decrease) in Interfund		182,723	182,723
Increase/(Decrease) in Accounts Payable	(1,379)	3,160	1,781
Total Adjustments	<u>(1,379)</u>	<u>251,716</u>	<u>250,337</u>
Net Cash Provided by Operating Activities	<u>\$ 2,225</u>	<u>\$ 461,274</u>	<u>\$ 463,499</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
AS OF JUNE 30, 2011**

	<b>Unemployment Compensation <u>Trust Fund</u></b>	<b><u>Agency Fund</u></b>
<b>ASSETS</b>		
Cash	\$ 140,474	\$ 187,044
Due from Other Funds	<u>15,828</u>	<u>8,000</u>
 Total Assets	 <u>156,302</u>	 <u>\$ 195,044</u>
<b>LIABILITIES</b>		
Payroll Deductions and Withholdings		\$ 4,624
Intergovernmental Payable	14,793	
Due to Other Funds		141,264
Due to Student Groups	<u>-</u>	<u>49,156</u>
 Total Liabilities	 <u>14,793</u>	 <u>\$ 195,044</u>
<b>NET ASSETS</b>		
Held In Trust For Unemployment Claims	 <u>\$ 141,509</u>	

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<b>Unemployment Compensation <u>Trust Fund</u></b>
<b>ADDITIONS</b>	
Contributions	
District	\$ 100,000
Employees	27,191
Interest	<u>78</u>
Total Additions	<u>127,269</u>
<b>DEDUCTIONS</b>	
Unemployment Claims	<u>100,094</u>
Total Deductions	<u>100,094</u>
Change in Net Assets	27,175
Net Assets, Beginning of Year	<u>114,334</u>
Net Assets, End of Year	<u>\$ 141,509</u>

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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

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

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

**B. Basic Financial Statements**

The basic financial statements include both district-wide financial statements (based on the District as a whole) and fund financial statements. Both the district-wide and fund financial statements categorize activities as either governmental activities or business-type activities.

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basic Financial Statements (Continued)**

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The District considers all of its governmental funds and after school child care program enterprise fund to be major funds.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

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

Property taxes, tuition, unrestricted state aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. All other revenue items are considered to be measurable and available only when cash is received by the District.

EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The District reports the following major governmental funds:

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

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

The *capital projects fund* accounts for the proceeds from the sale of bonds, lease purchases and other revenues used for the acquisition or construction of major capital facilities and other capital assets.

The *debt service fund* accounts for the accumulation of resources for and the payment of principal and interest on long-term general obligation debt of governmental funds.

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

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

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

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

Additionally, the government reports the following fund type:

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the district-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Board has elected not to follow private-sector guidance issued subsequent to December 1, 1989.

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

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

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

**D. Assets, Liabilities and Net Assets or Equity**

**1. *Deposits and Investments***

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

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

**2. *Receivables and Payables***

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

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

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

*Tuition Expenditures* - Tuition charges for the fiscal years 2009-2010 and 2010-2011 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Net Assets or Equity (Continued)**

**2. *Receivables and Payables* (Continued)**

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

**3. *Inventories***

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

**4. *Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and non-major proprietary fund financial statements.

**5. *Capital Assets***

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

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Net Assets or Equity (Continued)**

**5. *Capital Assets (Continued)***

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

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

**6. *Compensated Absences***

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused sick leave benefits and sabbatical leave. A long-term liability of accumulated sick leave, sabbatical leave and salary related payments has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. Proprietary Funds accrue accumulated sick leave, sabbatical leave and salary related payments in the period that they are earned. A liability is reported in the governmental funds only to the amount actually due at year end as a result of employee resignations and retirements.

**7. *Long-term obligations***

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Gains and losses resulting from debt refundings are also deferred and amortized over the life of the refunded bonds or new bonds whichever is less using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and refunding gains or losses. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Net Assets or Equity (Continued)**

**8. Fund Equity**

Beginning with fiscal year 2011, the District implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. This statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

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

*Excess Surplus – Designated for Subsequent Year's Expenditures* - This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2010 audited excess surplus that was appropriated in the 2011/2012 original budget certified for taxes.

*Excess Surplus* – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2011 audited excess surplus that is required to be appropriated in the 2012/2013 original budget certified for taxes.

*Capital Reserve* – This restriction was created by the District in accordance with NJAC 6A:23A-14.1 to fund future capital expenditures (See Note 3.)

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

*Capital Projects* – Represents fund balance restricted specifically for capital acquisitions and improvements in the Capital Projects Fund.

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

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

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Net Assets or Equity (Continued)**

**8. *Fund Equity (Continued)***

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

**9. *Reclassifications***

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

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

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

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent and is voted upon at the annual school election on the third Tuesday in April. Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2010/2011. During 2010/2011 the Board increased the original budget by \$668,236. The increase was funded by additional surplus appropriated, grant awards and the reappropriation of prior year general fund encumbrances.

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

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**B. Excess Expenditures Over Appropriations**

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriations resulted in unfavorable variances.

	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund			
Tuition to Private School for the Disabled - Within the State	\$ 810,915	\$ 815,908	\$ 4,993

The above variances were caused by an audit adjustment and were offset with other available resources.

**C. Capital Reserve**

A capital reserve account was established by the District on September 28, 2000. The accumulation of funds will be used for capital outlay expenditures in subsequent fiscal years. The capital reserve is maintained in the general fund and its activity is included in the general fund annual budget.

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

The activity of the capital reserve for the fiscal year ended June 30, 2011 is as follows:

Balance, July 1, 2010	\$ 264,507
Increase By:	
Deposits Approved by Board Resolution	\$ 175,000
Interest Earnings	<u>270</u>
	175,270
Decreased By:	
Withdrawals Approved by Voters in District Budget	<u>260,000</u>
Balance, June 30, 2011	<u>\$ 179,777</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**C. Capital Reserve (Continued)**

The June 30, 2011 LRFPS balance of local support costs of uncompleted capital projects is \$1,263,998. The withdrawals from the capital reserve were for use in a department approved facilities project, consistent with the district's Long Range Facilities Plan.

**D. Calculation of Excess Surplus**

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for Reserved Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2011 is \$75,360. Of this amount, \$30,713 was designated and appropriated in the 2011/2012 original budget certified for taxes and the remaining amount of \$44,647 will be appropriated in the 2012/2013 original budget certified for taxes.

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

**Deposits**

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2011, the book value of the Board's deposits was \$2,423,228 and bank balances of the Board's cash and deposits amounted to \$2,790,545. The Board's deposits which are displayed on the balance sheets and statement of net assets as "cash and cash equivalents" are categorized as:

**Depository Account**

Insured	\$ <u>2,790,545</u>
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Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2011 the Board's bank balances were not exposed to custodial credit risk as follow.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**A. Deposits and Investments (Continued)**

**Investments**

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

As of June 30, 2011, the Board had no outstanding investments.

**B. Receivables**

Receivables as of June 30, 2011 for the district's individual major funds, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Receivables:				
Intergovernmental	\$ 12,127	\$ 85,503	\$ 133,680	\$ 231,310
Other	<u>-</u>	<u>15,400</u>	<u>-</u>	<u>15,400</u>
Gross Receivables	12,127	100,903	133,680	246,710
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 12,127</u>	<u>\$ 100,903</u>	<u>\$ 133,680</u>	<u>\$ 246,710</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unearned</u>
Special Revenue Fund	
Grant Draw Downs Reserved to Encumbrances	\$ 44,419
Unencumbered Grant Draw Downs	<u>47,196</u>
 Total Deferred Revenue for Governmental Funds	 <u>\$ 91,615</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance, July 1, 2010	Increases	Decreases/ Adjustments	Balance June 30, 2011
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 139,675			\$ 139,675
Construction in Progress	58,424	\$ 323,498	\$ (58,424)	323,498
<b>Total Capital Assets, Not Being Depreciated</b>	<b>198,099</b>	<b>323,498</b>	<b>(58,424)</b>	<b>463,173</b>
Capital Assets, Being Depreciated:				
Land Improvements	53,954			53,954
Building and Building Improvements	17,213,079	213,569	58,424	17,485,072
Machinery and Equipment	914,989	59,955	-	974,944
<b>Total Capital Assets Being Depreciated</b>	<b>18,182,022</b>	<b>273,524</b>	<b>58,424</b>	<b>18,513,970</b>
Less Accumulated Depreciation for:				
Land Improvements	(45,089)	(1,663)		(46,752)
Building and Building Improvements	(3,316,382)	(189,588)		(3,505,970)
Machinery and Equipment	(748,340)	(55,674)	-	(804,014)
<b>Total Accumulated Depreciation</b>	<b>(4,109,811)</b>	<b>(246,925)</b>	<b>-</b>	<b>(4,356,736)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>14,072,211</b>	<b>26,599</b>	<b>58,424</b>	<b>14,157,234</b>
<b>Government Activities Capital Assets, Net</b>	<b>\$ 14,270,310</b>	<b>\$ 350,097</b>	<b>\$ -</b>	<b>\$ 14,620,407</b>
<b>Business-Type Activities:</b>				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 66,762	\$ 8,093	-	\$ 74,855
<b>Total Capital Assets Being Depreciated</b>	<b>66,762</b>	<b>8,093</b>	<b>-</b>	<b>74,855</b>
Less Accumulated Depreciation for:				
Machinery and Equipment	(66,762)	-	-	(66,762)
<b>Total Accumulated Depreciation</b>	<b>(66,762)</b>	<b>-</b>	<b>-</b>	<b>(66,762)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ -</b>	<b>\$ 8,093</b>	<b>\$ -</b>	<b>\$ 8,093</b>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**C. Capital Assets (Continued)**

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

**Governmental Activities:**

Instruction

Regular	\$ 114,223
Special	46,171
Other Instruction	9,745
School-Sponsored	<u>2,600</u>

Total Instruction	<u>172,739</u>
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Support Services

Student and Instruction Related Services	18,495
Health Services	4,380
Educational Media / School Library	3,632
General Administration	5,533
School Administration	18,734
Operations and Maintenance of Plant	18,153
Student Transportation	2,960
Central Services	<u>2,299</u>

Total Support Services	<u>74,186</u>
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Total Depreciation Expense - Governmental Activities	<u>\$ 246,925</u>
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**Construction commitments**

The District has the following active construction projects as of June 30, 2011:

<u>Project</u>	<u>Remaining Commitment</u>
Auditorium Seating and Hallway Locker Replacement	<u>\$ 52,021</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2011, is as follows:

**Due to/from other funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 3,713
General Fund	Payroll Agency Fund	125,436
General Fund	Capital Projects Fund	160,923
General Fund	After School Child Care Fund	193,072
General Fund	Food Service Fund	5,116
Student Activity Fund	General Fund	4,000
Net Payroll	Special Revenue Fund	4,000
Unemployment Fund	Payroll Agency Fund	15,828
		<u>\$ 512,088</u>

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

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

**Interfund transfers**

	<u>Transfer In:</u>		
	<u>Capital Projects</u>	<u>General Fund</u>	<u>Total</u>
Transfer Out:			
General Fund	\$ 260,000		\$ 260,000
Capital Projects Fund	<u>-</u>	<u>\$ 722</u>	<u>722</u>
 Total Transfers	 <u>\$ 260,000</u>	 <u>\$ 722</u>	 <u>\$ 260,722</u>

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**E. Long-Term Debt**

**General Obligation Bonds**

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

Bonds payable at June 30, 2011 are comprised of the following issues:

\$953,000, 2007 Bonds, due in annual installments of \$220,000 to \$253,000 through August 1, 2012, interest at 4.10%	\$473,000
\$6,355,000, 2010 Refunding Bonds, due in annual installments of \$460,000 to \$575,000 through January 15, 2023, interest at 1.50% to 3.00%	<u>6,310,000</u>
	<u>\$6,783,000</u>

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

**Governmental Activities:**

Year Ending June 30,	<u>Serial Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2012	\$ 680,000	\$ 162,746	\$ 842,746
2013	728,000	146,149	874,149
2014	485,000	131,463	616,463
2015	500,000	121,763	621,763
2016	505,000	111,763	616,763
2017-2021	2,765,000	388,702	3,153,702
2022-2023	<u>1,120,000</u>	<u>50,250</u>	<u>1,170,250</u>
	<u>\$ 6,783,000</u>	<u>\$ 1,112,836</u>	<u>\$ 7,895,836</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**E. Long-Term Debt (Continued)**

**Statutory Borrowing Power**

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2011 was as follows:

3% of Equalized Valuation Basis (Municipal)	\$ 115,655,910
Less: Net Debt	<u>6,783,000</u>
Remaining Borrowing Power	<u>\$ 108,872,910</u>

**Advance Refunding of Debt**

On October 20, 2010, the District issued \$6,355,000 in School District Refunding Bonds having an interest rate of 1.50% to 3.00%. These bonds were issued in order to advance refund certain principal maturities and certain interest payments of various School District Bonds of the District. The total bond principal defeased was \$6,129,000 and the total interest payments defeased was \$1,928,059. The net proceeds of \$6,253,310 (after payment of underwriting fees, insurance and other insurance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments. As a result, the advance refunding met the requirements of an in-substance debt defeasance and the refunded bond liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$124,310. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 12 years by \$574,225 and resulted in an economic gain of \$503,201.

**Changes in long-term liabilities**

Long-term liability activity for the fiscal year ended June 30, 2011, was as follows:

	Balance, July 1, 2010	Additions	Reductions	Balance, June 30, 2011	Due Within One Year
<b>Governmental Activities:</b>					
Bonds Payable	\$ 7,177,000	\$ 6,355,000	\$ 6,749,000	\$ 6,783,000	\$ 680,000
Deferred Amounts					
Add; Original Issue Premium		22,412	1,043	21,369	
Less: Refunding Escrow	-	(124,310)	(5,783)	(118,527)	-
Total Bonds Payable	7,177,000	6,253,102	6,744,260	6,685,842	680,000
Compensated Absences	485,216	-	134,151	351,065	-
Governmental Activity Long-Term Liabilities	<u>\$ 7,662,216</u>	<u>\$ 6,253,102</u>	<u>\$ 6,878,411</u>	<u>\$ 7,036,907</u>	<u>\$ 680,000</u>

The governmental activities, compensated absences are generally liquidated by the general fund.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 4 OTHER INFORMATION**

**A. Risk Management**

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

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

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

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

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

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

<u>Year Ended</u> <u>June 30,</u>	<u>District</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2011	\$ 100,000	\$ 27,191	\$ 100,094	\$ 141,509
2010	64,818	21,474	54,004	114,334
2009		22,700	32,542	81,895

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 4 OTHER INFORMATION (Continued)**

**B. Contingent Liabilities**

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

**Federal and State Awards** – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2011, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

**C. Federal Arbitrage Regulations**

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2011, the District had no estimated arbitrage earnings due to the IRS.

**D. Employee Retirement Systems and Pension Plans**

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

**Public Employees' Retirement System (PERS)** – Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**Other Pension Funds**

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

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required State contribution for the system.

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

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

**Basis of Accounting**

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

**Investment Valuation**

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

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 5 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**Significant Legislation**

P.L. 2010, c. 1, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, and employer contributions to the retirement system.

This new legislation changed the membership eligibility criteria for new members of TPAF and PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of TPAF and PERS to 1/60 from 1/55, and it provided that new members of TPAF and PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of TPAF and PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. This law also closed the prosecutor's part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time five years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/7<sup>th</sup> of the required amount, beginning in Fiscal Year 2012.

P.L. 2010, c.3, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the TPAF and PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

**Funding Status and Funding Progress**

As of June 30, 2009, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 66.0 percent with an unfunded actuarial accrued liability of \$45.8 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 62.0 percent and \$30.7 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and Police and Firemen's Retirement System ("PFRS") is 72.1 percent and \$15.1 billion.

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

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**Actuarial Methods and Assumptions**

In the June 30, 2009 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 8.25 percent for investment rate of return for the retirement systems and (2) 5.45 percent for projected salary increases for the PERS and 5.74 percent for TPAF.

**Employer and Employee Pension Contributions**

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 5.5% for PERS, 5.5% for TPAF and 5.50% for DCRP of the employee's annual compensation.

**Annual Pension Costs (APC)**

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2011 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended June 30, 2011, 2010 and 2009 the Board was required to contribute for PERS and DCRP and the State of New Jersey was required to contribute for TPAF for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Year Ended <u>June 30,</u>	<u>PERS</u>	<u>On-behalf</u> <u>TPAF</u>
2011	\$ 202,811	\$ 26,028
2010	172,584	30,103
2009	135,537	26,367

During the last three fiscal years the State of New Jersey did not contribute to the TPAF for normal cost and accrued liability. The State contributed \$26,028, \$30,103 and \$26,367 during 2010/2011, 2009/2010 and 2008/2009, respectively, for the NCGI premium only.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$605,030 during the year ended June 30, 2011 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount, along with the on-behalf TPAF pension contribution, has been included in the district-wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 4 OTHER INFORMATION (Continued)**

**E. Post-Retirement Medical Benefits**

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for school districts. The Plans are cost sharing multiple employer defined benefit plans.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 514 state and local participating employers and contributing entities for Fiscal Year 2010.

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

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

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

**Basis of Accounting**

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

**Significant Legislation**

P.L. 2010, c.2 effective May 21, 2010, makes changes to the SHBP-State/Local Government/Local Education concerning eligibility, cost sharing, choice of a plan, the application of benefit changes, the waiver of coverage, and multiple coverage under such plans. It also requires contributions toward the cost of health care benefits coverage by public employees and certain retirees.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Post-Retirement Medical Benefits (Continued)**

**Investment Valuation**

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

**Funded Status and Funding Progress**

As of June 30, 2009, the most recent actuarial valuation date, the State had a \$56.8 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$20.5 billion for state active and retired members and \$36.3 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

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

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

**Actuarial Methods and Assumptions**

In the June 30, 2009, actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included 4.50 percent for investment rate of return for the OPEB.

**Post-Retirement Medical Benefits Contributions**

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2010, there were 87,288 retirees receiving post-retirement medical benefits and the State contributed \$883.8 million on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education with 25 years of service. The State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in fiscal year 2010.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Post-Retirement Medical Benefits (Continued)**

**Post-Retirement Medical Benefits Contributions (Continued)**

The State sets the contribution rate based on a pay as you go basis and not on the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the years ended June 30, 2011, 2010 and 2009 were \$552,831, \$565,372 and \$503,020, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

**BUDGETARY COMPARISON SCHEDULES**

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
<b>REVENUES</b>					
Local Sources					
Local Tax Levy	\$ 17,013,656		\$ 17,013,656	\$ 17,013,656	
Interest on Capital Reserve	100		100	270	\$ 170
Miscellaneous	64,800	-	64,800	70,590	5,790
<b>Total Local Sources</b>	<u>17,078,556</u>	<u>-</u>	<u>17,078,556</u>	<u>17,084,516</u>	<u>5,960</u>
State Sources					
Special Education Aid	165,140		165,140	165,140	-
Extraordinary Aid				383,898	383,898
Nonpublic School Transportation Aid				12,127	12,127
On-behalf TPAF Pension Payments - NCGI Premium (Non-Budget)				26,028	26,028
On-behalf TPAF Pension Payments - Post Retirement Medical (Non-Budget)				552,831	552,831
On-behalf TPAF Social Security Payments (Non-Budget)	-	-	-	605,030	605,030
<b>Total State Sources</b>	<u>165,140</u>	<u>-</u>	<u>165,140</u>	<u>1,745,054</u>	<u>1,579,914</u>
<b>Total Revenues</b>	<u>17,243,696</u>	<u>-</u>	<u>17,243,696</u>	<u>18,829,570</u>	<u>1,585,874</u>
Instruction - Regular Programs					
Salaries of Teachers					
Kindergarten	141,220	\$ 3,095	144,315	143,965	350
Grades 1-5	2,661,182	63,854	2,725,036	2,703,925	21,111
Grades 6-8	2,050,995	1,655	2,052,650	2,020,722	31,928
Regular Program - Home Instruction					
Salaries of Teachers	1,000	-	1,000	900	100
Purchased Professional-Educational Services		2,958	2,958	2,958	-
Regular Programs - Undistributed Instruction					
Purchased Technical Services	22,193	23,061	45,254	43,950	1,304
Other Purchased Services	2,800	-	2,800	571	2,229
General Supplies	220,051	71,771	291,822	206,519	85,303
Textbooks	152,300	87,696	239,996	140,194	99,802
Other Objects	91,050	1,630	92,680	84,358	8,322
<b>Total Regular Programs</b>	<u>5,342,791</u>	<u>255,720</u>	<u>5,598,511</u>	<u>5,348,062</u>	<u>250,449</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Special Education (Continued)					
Resource Room					
Salaries of Teachers	\$ 1,433,767	\$ (13,942)	\$ 1,419,825	\$ 1,414,143	\$ 5,682
Other Salaries for Instruction	423,189	(33,324)	389,865	342,317	47,548
General Supplies	8,400	10,900	19,300	19,237	63
Total Resource Room	<u>1,865,356</u>	<u>(36,366)</u>	<u>1,828,990</u>	<u>1,775,697</u>	<u>53,293</u>
Preschool Disabilities - Part-Time					
Salaries of Teachers	116,355	2,400	118,755	118,755	
Other Salaries for Instruction	76,030	23,203	99,233	93,147	6,086
General Supplies	2,000	-	2,000	2,000	-
Total Preschool Disabilities - Part-Time	<u>194,385</u>	<u>25,603</u>	<u>219,988</u>	<u>213,902</u>	<u>6,086</u>
Total Special Education	<u>2,059,741</u>	<u>(10,763)</u>	<u>2,048,978</u>	<u>1,989,599</u>	<u>59,379</u>
Basic Skills/Remedial					
Salaries of Teachers	262,668	2,869	265,537	265,300	237
Total Basic Skills/Remedial	<u>262,668</u>	<u>2,869</u>	<u>265,537</u>	<u>265,300</u>	<u>237</u>
Bilingual Education					
Salaries of Teachers	95,445	-	95,445	95,445	-
Total Bilingual Education	<u>95,445</u>	<u>-</u>	<u>95,445</u>	<u>95,445</u>	<u>-</u>
School Sponsored Cocurricular Activities					
Salaries	36,383	11,131	47,514	47,514	
Supplies and Materials	5,100	-	5,100	281	4,819
Total School Sponsored Cocurricular Activities	<u>41,483</u>	<u>11,131</u>	<u>52,614</u>	<u>47,795</u>	<u>4,819</u>
School Sponsored Athletics					
Salaries	86,435	-	86,435	63,318	23,117
Purchased Services	8,000	-	8,000	8,000	-
Supplies and Materials	4,000	-	4,000	3,002	998
Total School Sponsored Cocurricular Activities	<u>98,435</u>	<u>-</u>	<u>98,435</u>	<u>74,320</u>	<u>24,115</u>
Total Instruction	<u>7,900,563</u>	<u>258,957</u>	<u>8,159,520</u>	<u>7,820,521</u>	<u>338,999</u>
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs Within the State-Special	91,450	51,123	142,573	142,573	
Tuition to Priv. Sch. for the Disabled- Within the State	892,255	(81,340)	810,915	815,908	(4,993)
Total Undistributed Expenditures - Instruction	<u>983,705</u>	<u>(30,217)</u>	<u>953,488</u>	<u>958,481</u>	<u>(4,993)</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Undistributed Expenditures (Continued)					
Health Services					
Salaries	\$ 190,540	\$ (3,750)	\$ 186,790	\$ 186,745	\$ 45
Other Purchased Services	200	-	200		200
Supplies and Materials	3,200	1,500	4,700	4,435	265
<b>Total Health Services</b>	<b>193,940</b>	<b>(2,250)</b>	<b>191,690</b>	<b>191,180</b>	<b>510</b>
Speech, OT, PT and Related Services					
Salaries	420,616	(8,165)	412,451	384,142	28,309
Purchased Professional-Educational Services	7,900	(3,910)	3,990	3,990	
Supplies and Materials	6,000	-	6,000	5,997	3
<b>Total OT, PT and Related Services</b>	<b>434,516</b>	<b>(12,075)</b>	<b>422,441</b>	<b>394,129</b>	<b>28,312</b>
Guidance					
Salaries of Other Professional Staff	64,505	(20)	64,485	64,485	
Supplies and Materials	2,002	2,993	4,995	4,988	7
<b>Total Guidance</b>	<b>66,507</b>	<b>2,973</b>	<b>69,480</b>	<b>69,473</b>	<b>7</b>
Child Study Teams					
Salaries of Other Professional Staff	303,759	(10,555)	293,204	278,495	14,709
Salaries of Secretarial and Clerical Assistants	46,665	-	46,665	46,661	4
Other Salaries	11,685	3,005	14,690	14,689	1
Purchased Professional-Educational Services	322,394	(1,749)	320,645	299,572	21,073
Miscellaneous Purchased Services	2,350	(600)	1,750	733	1,017
Supplies and Materials	3,600	(531)	3,069	2,669	400
Other Objects	4,200	(52)	4,148	4,135	13
<b>Total Child Study Teams</b>	<b>694,653</b>	<b>(10,482)</b>	<b>684,171</b>	<b>646,954</b>	<b>37,217</b>
Educational Media Services/School Library					
Salaries	150,385	(26,745)	123,640	123,550	90
Salaries of Technology Coordinators	50,619	(3,669)	46,950	31,300	15,650
Supplies and Materials	9,250	15,166	24,416	15,218	9,198
<b>Total Educational Media Serv./School Library</b>	<b>210,254</b>	<b>(15,248)</b>	<b>195,006</b>	<b>170,068</b>	<b>24,938</b>
Instructional Staff Training Services					
Purchased Professional-Educational Services	1,000	-	1,000		1,000
Supplies and Materials	500	(100)	400		400
Other Objects	3,070	-	3,070	1,094	1,976
<b>Total Instructional Staff Training Services</b>	<b>4,570</b>	<b>(100)</b>	<b>4,470</b>	<b>1,094</b>	<b>3,376</b>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Undistributed Expenditures (Continued)					
Support Services General Administration					
Salaries	\$ 259,745		\$ 259,745	\$ 235,881	\$ 23,864
Legal Services	25,000	\$ 383	25,383	17,912	7,471
Audit Fees	32,000	28,441	60,441	27,350	33,091
Other Purchased Professional Services		1,000	1,000		1,000
Communications/Telephone	40,000	(7,855)	32,145	32,145	-
BOE Other Purchased Services	2,000	2,200	4,200	4,200	-
Miscellaneous Purchased Services	22,439	(424)	22,015	22,015	-
General Supplies	3,900	600	4,500	2,851	1,649
Miscellaneous Expenditures	20,230	(4,423)	15,807	15,807	-
BOE Membership Dues and Fees	10,166	(737)	9,429	9,428	1
<b>Total Support Services General Administration</b>	<b>415,480</b>	<b>19,185</b>	<b>434,665</b>	<b>367,589</b>	<b>67,076</b>
Support Services School Administration					
Salaries of Principal/Asst. Principals	438,456	(12,365)	426,091	421,633	4,458
Salaries Other Prof. Staff	113,784	59	113,843	113,843	-
Salaries of Secretarial and Clerical Assistants	260,143	3,372	263,515	263,195	320
Supplies and Materials	-	400	400	-	400
<b>Total Support Services School Administration</b>	<b>812,383</b>	<b>(8,534)</b>	<b>803,849</b>	<b>798,671</b>	<b>5,178</b>
Central Services					
Salaries	102,630	(4,541)	98,089	98,014	75
Purchased Professional Services	127,760	2,000	129,760	129,581	179
Purchased Technical Services	8,200	(346)	7,854	7,854	-
Supplies and Materials	8,500	7,501	16,001	14,201	1,800
Other Objects	350	486	836	836	-
<b>Total Central Services</b>	<b>247,440</b>	<b>5,100</b>	<b>252,540</b>	<b>250,486</b>	<b>2,054</b>
Admin. Info. Tech.					
Salaries		-			
Purchased Technical Services	69,132	(2,377)	66,755	66,755	
Supplies and Materials	16,320	84,764	101,084	94,036	7,048
Other Objects	2,625	-	2,625	995	1,630
<b>Total Admin. Info. Tech.</b>	<b>88,077</b>	<b>82,387</b>	<b>170,464</b>	<b>161,786</b>	<b>8,678</b>
Required Maintenance for School Facilities					
Salaries	211,198	3,553	214,751	213,939	812
Cleaning, Repair and Maintenance	40,000	4,701	44,701	36,251	8,450
General Supplies	20,000	8,925	28,925	28,629	296
Other Objects	500	-	500	28	472
<b>Total Required Maintenance for School Fac.</b>	<b>271,698</b>	<b>17,179</b>	<b>288,877</b>	<b>278,847</b>	<b>10,030</b>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final To Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Undistributed Expenditures (Continued)					
Custodial Services					
Salaries	\$ 548,984	\$ 14,459	\$ 563,443	\$ 559,942	\$ 3,501
Purchased Prof. And Technical Serv.	7,000	9,305	16,305	16,305	-
Cleaning, Repair and Maint. Serv.	31,500	53,824	85,324	49,612	35,712
Insurance	49,021	2,823	51,844	51,844	-
General Supplies	43,000	12,251	55,251	54,754	497
Energy (Natural Gas)	419,746	(51,724)	368,022	310,298	57,724
Other Objects	2,800	200	3,000	2,605	395
	<u>1,102,051</u>	<u>41,138</u>	<u>1,143,189</u>	<u>1,045,360</u>	<u>97,829</u>
Student Transportation Services					
Salaries - Pupil Transportation (Between Home & School) - Regular	141,636	3,000	144,636	126,180	18,456
Cleaning, Repair & Maint. Svc.	2,000	600	2,600	2,388	212
Contracted Services - Aid in Lieu of Payments - Non-Public Schools	48,000	-	48,000	40,122	7,878
Contracted Services-Vendors (Between Home and School - Joint Agreements)	577,196	(7,655)	569,541	565,706	3,835
Contracted Service (Spl. Ed.) - ESCs	240,220	11,580	251,800	247,697	4,103
Misc. Purchased Svc. - Transportation	16,977	1,952	18,929	18,929	-
Supplies and Materials	10,000	-	10,000	4,857	5,143
	<u>1,036,029</u>	<u>9,477</u>	<u>1,045,506</u>	<u>1,005,879</u>	<u>39,627</u>
Unallocated Benefits - Employee Benefits					
Social Security Contributions	195,000	25,000	220,000	216,693	3,307
Other Retirement Contributions - PERS	179,100	23,711	202,811	202,811	-
Unemployment		100,000	100,000	100,000	-
Workmen's Compensation	111,765	(82)	111,683	111,682	1
Health Benefits	2,380,786	(307,852)	2,072,934	1,946,847	126,087
Tuition Reimbursement	40,000	(20,000)	20,000	18,444	1,556
Other Employee Benefits	-	98,941	98,941	98,941	-
	<u>2,906,651</u>	<u>(80,282)</u>	<u>2,826,369</u>	<u>2,695,418</u>	<u>130,951</u>
On-behalf TPAF Pension Payments - NCGI Premium (Non-Budget)					
				26,028	(26,028)
On-behalf TPAF Pension Payments - Post Retirement Medical (Non-Budget)					
				552,831	(552,831)
On-behalf TPAF Social Security Payments (Non-Budget)					
	-	-	-	605,030	(605,030)
	<u>9,467,954</u>	<u>18,251</u>	<u>9,486,205</u>	<u>10,219,304</u>	<u>(733,099)</u>
Total Expenditures - Current Expenditures	<u>17,368,517</u>	<u>277,208</u>	<u>17,645,725</u>	<u>18,039,825</u>	<u>(394,100)</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
<b>CAPITAL OUTLAY</b>					
Equipment					
Grades 1 - 5		\$ 3,347	\$ 3,347	\$ 3,347	
Undistributed Expenditures:					
Instruction		59,444	59,444	37,820	\$ 21,624
Equipment Maintenance		37,689	37,689		37,689
General Administration	-	2,280	2,280	-	2,280
Total Equipment	-	102,760	102,760	41,167	61,593
Facilities Acquisition and Construction Services					
Other Purchased Prof. & Tech. Services		31,000	31,000	30,904	96
Construction Services		107,079	107,079	69,220	37,859
Debt Service Assessment	\$ 49,434	-	49,434	49,434	-
Total Facilities Acquisition and Construction Services	49,434	138,079	187,513	149,558	37,955
Increase in Capital Reserve	100	-	100	-	100
Total Increase in Capital Reserve	100	-	100	-	100
Total Capital Outlay	49,534	240,839	290,373	190,725	99,648
Summer School - Instruction					
Salaries of Teachers	38,475	(4,674)	33,801	33,801	-
Other Salaries for Instruction	20,160	728	20,888	20,888	-
Purchased Prof. & Tech. Services	33,308	(1,799)	31,509	31,509	-
General Supplies	500	(76)	424	424	-
Total Summer School	92,443	(5,821)	86,622	86,622	-
Total Expenditures	17,510,494	512,226	18,022,720	18,317,172	(294,452)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(266,798)	(512,226)	(779,024)	512,398	1,291,422
Other Financing Sources					
Transfer In				722	722
Transfer Out	(260,000)	-	(260,000)	(260,000)	-
Total Other Financing Sources	(260,000)	-	(260,000)	(259,278)	722
Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Sources	(526,798)	(512,226)	(1,039,024)	253,120	1,292,144
Fund Balance, Beginning of Year	1,472,034	-	1,472,034	1,472,034	-
Fund Balance, End of Year	\$ 945,236	\$ (512,226)	\$ 433,010	\$ 1,725,154	\$ 1,292,144

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**Recapitulation of Fund Balance**

<b>Restricted Fund Balance:</b>	
Excess Surplus	\$ 44,647
Excess Surplus - Designated for Subsequent Year's Expenditures	30,713
Maintenance Reserve	525,000
Capital Reserve	179,777
<b>Assigned Fund Balance:</b>	
Year-End Encumbrances	201,126
<b>Unassigned Fund Balance:</b>	<u>743,891</u>
 Budgetary Fund Balance	 <u>1,725,154</u>
 Reconciliation to Governmental Funds Statements (GAAP):	 1,725,154
Less: State Aid Revenue Not Recognized on GAAP Basis	<u>(385,021)</u>
 Fund Balance Per Governmental Funds (GAAP)	 <u>\$ 1,340,133</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
BUDGET (NON-GAAP) AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES</b>					
Intergovernmental					
Local	\$ 31,100	\$ 98,381	\$ 129,481	\$ 111,114	\$ (18,367)
State	77,702	2,849	80,551	54,716	(25,835)
Federal	300,048	54,780	354,828	306,538	(48,290)
Total Revenues	<u>408,850</u>	<u>156,010</u>	<u>564,860</u>	<u>472,368</u>	<u>(92,492)</u>
<b>EXPENDITURES</b>					
Instruction					
Salaries of Teachers		240	240	240	-
Purchased Professional Educational Services		3,520	3,520		3,520
Purchased Professional and Technical Services	15,652	2,031	17,683	10,641	7,042
General Supplies	31,100	93,659	124,759	104,331	20,428
Tuition	252,530	(558)	251,972	248,671	3,301
Other Objects		15,000	15,000	15,000	-
Textbooks	13,228	(4,247)	8,981	8,981	-
Total Instruction	<u>312,510</u>	<u>109,645</u>	<u>422,155</u>	<u>387,864</u>	<u>34,291</u>
Support Services					
Purchased Professional/Educational Services	2,000	15,224	17,224	8,386	8,838
Purchased Professional and Technical Services	24,861	1,941	26,802	13,864	12,938
Other Purchased Services	20,657	(5,500)	15,157	9,959	5,198
Tuition	48,822	5,039	53,861	35,094	18,767
Supplies and Materials	-	8,359	8,359	8,359	-
Other Objects	-	5,500	5,500	-	5,500
Total Support Services	<u>96,340</u>	<u>30,563</u>	<u>126,903</u>	<u>75,662</u>	<u>51,241</u>
Facilities Acquisition and Construction Services					
Non Instructional Equipment	-	15,802	15,802	8,842	6,960
Total Facilities Acquisition and Construction	<u>-</u>	<u>15,802</u>	<u>15,802</u>	<u>8,842</u>	<u>6,960</u>
Total Expenditures	<u>408,850</u>	<u>156,010</u>	<u>564,860</u>	<u>472,368</u>	<u>92,492</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	(C-1) \$ 18,829,570	(C-2) \$ 472,368
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and the related revenue is recognized (2010/2011)		(44,419)
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and the related revenue is recognized (2009/2010)		18,788
State Aid payment and Extraordinary Aid recognized for GAAP purposes, not recognized for Budgetary statements (2010/2011 State Aid)	(385,021)	
State Aid payment and Extraordinary Aid recognized for GAAP purposes, not recognized for GAAP statements (2009/2010 State Aid)	<u>519,553</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	(B-2) \$ <u>18,964,102</u>	(B-2) \$ <u>446,737</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	(C-1) \$ 18,317,172	(C-2) \$ 472,368
Differences - Budget to GAAP		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and the related revenue is recognized (2010/2011)		(44,419)
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and the related revenue is recognized (2009/2010)	<u>-</u>	<u>18,788</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	(B-2) \$ <u>18,317,172</u>	(B-2) \$ <u>446,737</u>

**SCHOOL LEVEL SCHEDULES**

**(General Fund)**

**NOT APPLICABLE**

**SPECIAL REVENUE FUND**

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Nonpublic Textbooks	Nonpublic Nursing	Nonpublic Chapter 192			Local	Page Total
			Compensatory Education	Corrective Speech	Nonpublic Chapter 193 Examination & Classification		
<b>REVENUES</b>							
Intergovernmental							
Local							
State	\$ 8,981	\$ 10,641	\$ 10,382	\$ 8,606	\$ 9,088	\$ 111,114	\$ 111,114
Federal							\$ 54,716
Total Revenues	\$ 8,981	\$ 10,641	\$ 10,382	\$ 8,606	\$ 9,088	\$ 111,114	\$ 165,830
<b>EXPENDITURES</b>							
Instruction							
Purchased Professional and Technical Services		\$ 10,641					\$ 10,641
General Supplies						\$ 96,114	\$ 96,114
Textbooks	\$ 8,981						8,981
Other Objects						15,000	15,000
Total Instruction	\$ 8,981	\$ 10,641				\$ 111,114	\$ 130,736
Support Services							
Tuition			\$ 10,382	\$ 8,606	\$ 9,088		\$ 35,094
Supplies and Materials							
Total Support Services			\$ 10,382	\$ 8,606	\$ 9,088		\$ 35,094
Facilities Acquisition and Construction Services							
Construction Services							
Total Facilities Acquisition and Const. Svc							
Total Expenditures	\$ 8,981	\$ 10,641	\$ 10,382	\$ 8,606	\$ 9,088	\$ 111,114	\$ 165,830

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Total Page 1	Title IIA	Title IIA Carryover	Title IV Carryover	I.D.E.L.A. Part B Basic	I.D.E.L.A. Preschool	I.D.E.L.A. Basic ARRA	I.D.E.L.A. Preschool ARRA	Grand Total
<b>REVENUES</b>									
Intergovernmental	\$ 111,114								\$ 111,114
Local	54,716								54,716
State	-	\$ 12,982	\$ 14,215	\$ 1,883	\$ 244,063	\$ 14,567	\$ 12,613	\$ 6,215	306,538
Federal	-								
Total Revenues	\$ 165,830	\$ 12,982	\$ 14,215	\$ 1,883	\$ 244,063	\$ 14,567	\$ 12,613	\$ 6,215	\$ 472,368
<b>EXPENDITURES</b>									
Instruction									
Salaries of Teachers	\$ 10,641		\$ 240						\$ 240
Purchased Professional and Technical Services									10,641
Purchased Professional Educational Services									-
Other Purchased Services									-
Tuition	96,114		5,119	1,883	\$ 234,104	\$ 14,567	\$	1,215	248,671
General Supplies	8,981								104,331
Textbooks	15,000								8,981
Other Objects									15,000
Total Instruction	130,736		5,359	1,883	234,104	14,567		1,215	387,864
Support Services									
Purchased Professional and Technical Services	\$ 11,892		1,972						13,864
Purchased Professional Educational Services	1,090		5,606				\$ 1,690		8,386
Personal Services - Employee Benefits									-
Other Purchased Services					9,959				9,959
Tuition	35,094		1,278				7,081		35,094
Supplies and Materials									8,359
Total Support Services	35,094	12,982	8,856		9,959		8,771		75,662
Facilities Acquisition and Construction Services									
Buildings									
Non Instructional Equipment							3,842	5,000	8,842
Total Facilities Acquisition and Const. Svc							3,842	5,000	8,842
Total Expenditures	\$ 165,830	\$ 12,982	\$ 14,215	\$ 1,883	\$ 244,063	\$ 14,567	\$ 12,613	\$ 6,215	\$ 472,368

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
SCHEDULE OF PRESCHOOL EDUCATION AID EXPENDITURES  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOT APPLICABLE**

**CAPITAL PROJECTS FUND**

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF PROJECT EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<u>Project</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance, June 30, 2011</u>
		<u>Prior Year</u>	<u>Current Year</u>	
Auditorium Seating and Hallway Locker Replacement	\$ 393,680		\$ 323,498	\$ 70,182
Additions and Renovations to Central School, Frank J. Smith School and Middle School	<u>14,540,955</u>	\$ <u>14,035,920</u>	<u>112,203</u>	<u>392,832</u>
Total Referendum Project	<u>\$ 14,934,635</u>	<u>\$ 14,035,920</u>	<u>\$ 435,701</u>	463,014
			Fund Balance, June 30, 2011	<u>\$ 463,014</u>

## Analysis of Appropriations:

## Auditorium Seating and Hallway Locker Replacement

Facilities Grant	\$ 133,680
Capital Reserve	<u>260,000</u>
	<u>393,680</u>

## Additions and Renovations to Central School

Facilities Grant	\$ 1,827,494
Bond Proceeds	3,072,000
Capital Reserve	<u>10</u>
	<u>4,899,504</u>

## Additions and Renovations to Frank J. Smith School

Facilities Grant	2,016,063
Bond Proceeds	5,364,000
Capital Reserve	<u>175</u>
	<u>7,380,238</u>

## Additions and Renovations to Middle School

Facilities Grant	904,485
Bond Proceeds	1,356,000
Capital Reserve	<u>728</u>
	<u>2,261,213</u>

Subtotal	<u>14,540,955</u>
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Total Appropriations	<u>\$ 14,934,635</u>
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**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**Revenues and Other Financing Sources**

Transfer from Other Funds - Capital Reserve	\$	260,000
State Sources - SDA Grant		133,680
Interest Earned		<u>722</u>
 Total Revenues and Other Financing Sources		 <u>394,402</u>

**Expenditures and Other Financing Uses**

Construction Services		342,938
Equipment		92,763
Transfer to General Fund		<u>722</u>
 Total Expenditures and Other Financing Uses		 <u>436,423</u>

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses		(42,021)
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Fund Balance- Beginning of Year		<u>505,035</u>
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Fund Balance- End of Year	\$	<u>463,014</u>
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Fund Balance	\$	410,993
Encumbrances		<u>52,021</u>
	\$	<u><u>463,014</u></u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS  
ADDITIONS AND RENOVATIONS TO CENTRAL SCHOOL  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
State Sources- SCC Grant	\$ 4,748,042		\$ 4,748,042	\$ 4,748,042
Bond Proceeds	9,792,000		9,792,000	9,792,000
Transfer from Capital Reserve	913	-	913	913
	<u>14,540,955</u>	<u>-</u>	<u>14,540,955</u>	<u>14,540,955</u>
<b>Expenditures and Other Financing Uses</b>				
Construction Services	11,305,327	\$ 19,440	11,324,767	11,717,599
Purchased Professional Services	2,086,309		2,086,309	2,086,309
Equipment	453,669	92,763	546,432	546,432
Other Costs	190,615	-	190,615	190,615
	<u>14,035,920</u>	<u>112,203</u>	<u>14,148,123</u>	<u>14,540,955</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ 505,035</u>	<u>\$ (112,203)</u>	<u>\$ 392,832</u>	<u>\$ -</u>
<b>Additional Project Information:</b>				
Project Number	1190-030-02-0590			
Grant Date	08/07/02			
Bond Authorization Date	01/15/03			
Bonds Authorized	\$ 9,792,000			
Bonds Issued	9,792,000			
Original Authorized Cost	13,587,955			
Additional Authorized Cost	953,000			
Revised Authorized Cost	14,540,955			
Percentage Increase(Decrease) Over Original				
Authorized Cost	7.01%			
Percentage Completion	97%			
Original Target Completion Date	Aug-04			
Revised Target Completion Date	Jun-10			

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS  
AUDITORIUM SEATING AND HALLWAY LOCKER REPLACEMENT  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
State Sources- SDA Grant		\$ 133,680	\$ 133,680	\$ 133,680
Transfer from Capital Reserve	-	260,000	260,000	260,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues and Other Financing Sources	-	393,680	393,680	393,680
<b>Expenditures and Other Financing Uses</b>				
Construction Services	-	323,498	323,498	393,680
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures and Other Financing Uses	-	323,498	323,498	393,680
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>				
	<u>\$ -</u>	<u>\$ 70,182</u>	<u>\$ 70,182</u>	<u>\$ -</u>

**Additional Project Information:**

Project Number	#1190-050-10-GOCR
Grant Date	8/25/10
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	334,200
Additional Authorized Cost	59,480
Revised Authorized Cost	393,680
Percentage Increase(Decrease) Over Original Authorized Cost	17.80%
Percentage Completion	82.17%
Original Target Completion Date	
Revised Target Completion Date	

**ENTERPRISE FUND**

**EXHIBIT G-1**

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
PROPRIETARY FUNDS  
COMBINING STATEMENTS OF NET ASSETS  
AS OF JUNE 30, 2011**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

**EXHIBIT G-2**

**COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES  
IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

**EXHIBIT G-3**

**COMBINING STATEMENTS OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

**FIDUCIARY FUNDS**

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2011**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
<b>ASSETS</b>			
Cash	\$ 45,156	\$ 141,888	\$ 187,044
Due from Other Funds	<u>4,000</u>	<u>4,000</u>	<u>8,000</u>
Total Assets	<u>\$ 49,156</u>	<u>\$ 145,888</u>	<u>\$ 195,044</u>
<b>LIABILITIES</b>			
Due to Student Groups	\$ 49,156		\$ 49,156
Accounts Payable			-
Due to Other Funds		\$ 141,264	141,264
Payroll Deductions and Withholdings	<u>-</u>	<u>4,624</u>	<u>4,624</u>
Total Liabilities	<u>\$ 49,156</u>	<u>\$ 145,888</u>	<u>\$ 195,044</u>

**FIDUCIARY FUNDS  
COMBINING STATEMENT OF CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

**STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Balance, July 1, 2010</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2011</u>
<u>Elementary Schools:</u>				
Frank J. Smith	\$ 9,382	\$ 19,247	\$ 19,146	\$ 9,483
Central School	3,274	25,673	24,156	4,791
Middle School	<u>36,706</u>	<u>165,574</u>	<u>171,398</u>	<u>30,882</u>
 Total All Schools	 <u>\$ 49,362</u>	 <u>\$ 210,494</u>	 <u>\$ 214,700</u>	 <u>\$ 45,156</u>

**PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Balance, July 1, 2010</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2011</u>
<b>LIABILITIES</b>				
Payroll Deductions and Withholdings	\$ 1,157	\$ 4,436,957	\$ 4,433,490	\$ 4,624
Accrued Salaries and Wages		7,107,626	7,107,626	
Due to/(from) Other Funds	<u>33,874</u>	<u>154,566</u>	<u>51,176</u>	<u>137,264</u>
 Total	 <u>\$ 35,031</u>	 <u>\$ 11,699,149</u>	 <u>\$ 11,592,292</u>	 <u>\$ 141,888</u>

**LONG-TERM DEBT**



**EAST HANOVER TOWNSHIP BOARD OF EDUCATION**  
**DEBT SERVICE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES</b>					
Local Sources					
Local Property Tax Levy	\$ 865,413	-	\$ 865,413	\$ 865,413	-
Total Revenues	<u>865,413</u>	<u>-</u>	<u>865,413</u>	<u>865,413</u>	<u>-</u>
<b>EXPENDITURES</b>					
Regular Debt Service					
Interest	290,414	\$ 45,000	245,414	199,238	\$ 46,176
Principal	575,000	(45,000)	620,000	620,000	-
Cost of Issuance	-	-	-	106,225	(106,225)
Advance Refunding Escrow	-	-	-	124,310	(124,310)
Total Expenditures	<u>865,414</u>	<u>-</u>	<u>865,414</u>	<u>1,049,773</u>	<u>(184,359)</u>
Other Finance Sources					
Refunding Bond Proceeds				6,355,000	6,355,000
Premium on Refunding Bonds				22,412	22,412
Payment to Refunded Bond Escrow Agent				(6,129,000)	(6,129,000)
Total Other Financing Sources				<u>248,412</u>	<u>248,412</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1)	-	(1)	64,052	64,053
Fund Balance, Beginning of Year	1	-	1	1	-
Fund Balance, End of Year	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,053</u>	<u>\$ 64,053</u>
			Designated for Subsequent Year's		
			Expenditures	\$ 46,176	
			Restricted	17,877	
			Total Restricted	<u>\$ 64,053</u>	

## STATISTICAL SECTION

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

### Contents

### Exhibits

#### **Financial Trends**

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

J-1 to J-5

#### **Revenue Capacity**

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

J-6 to J-9

#### **Debt Capacity**

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

J-10 to J-13

#### **Demographic and Economic Information**

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

J-14 and J-15

#### **Operating Information**

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

J-16 to J-20

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION**  
**NET ASSETS BY COMPONENT**  
**LAST NINE FISCAL YEARS**  
*(Unaudited)*  
*(accrual basis of accounting)*

	Fiscal Year Ended June 30,								
	2003	2004	2005	2006	2007 (Restated)	2008	2009	2010	2011
<b>Governmental Activities</b>									
Invested in Capital Assets, Net of Related Debt	\$ (7,640,642)	\$ 1,420,033	\$ 532,421	\$ 106,529	\$ 6,588,286	\$ 6,893,035	\$ 7,088,183	\$ 7,448,345	\$ 8,428,587
Restricted	9,907,689	6,160,846	1,990,118	251,656	261,133	263,053	263,799	414,508	314,012
Unrestricted	118,457	(558,319)	(229,834)	106,529	(275,424)	(344,397)	(263,667)	67,848	734,700
<b>Total Governmental Activities Net Assets</b>	<u>\$ 2,385,504</u>	<u>\$ 7,022,560</u>	<u>\$ 2,292,705</u>	<u>\$ 464,714</u>	<u>\$ 6,573,995</u>	<u>\$ 6,811,691</u>	<u>\$ 7,088,315</u>	<u>\$ 7,930,701</u>	<u>\$ 9,477,299</u>
<b>Business-Type Activities</b>									
Invested in Capital Assets	\$ 2,385	\$ 1,075	\$ (1,317)	\$ 616	\$ 6,372	\$ 13,599	\$ 18,910	\$ 27,637	\$ 8,093
Unrestricted		(615)							235,877
<b>Total Business-Type Activities Net Assets</b>	<u>\$ 2,385</u>	<u>\$ 460</u>	<u>\$ (1,317)</u>	<u>\$ 616</u>	<u>\$ 6,372</u>	<u>\$ 13,599</u>	<u>\$ 18,910</u>	<u>\$ 27,637</u>	<u>\$ 243,970</u>
<b>District-Wide</b>									
Invested in Capital Assets, Net of Related Debt	\$ (7,640,642)	\$ 1,421,108	\$ 532,421	\$ 6,254,970	\$ 6,588,286	\$ 6,893,035	\$ 7,088,183	\$ 7,448,345	\$ 8,436,680
Restricted	9,907,689	6,160,846	1,990,118	251,656	261,133	263,053	263,799	414,508	314,012
Unrestricted	120,842	(558,934)	(231,151)	107,145	(269,052)	(330,798)	(244,757)	95,485	970,577
<b>Total District Net Assets</b>	<u>\$ 2,387,889</u>	<u>\$ 7,023,020</u>	<u>\$ 2,291,388</u>	<u>\$ 6,613,771</u>	<u>\$ 6,580,367</u>	<u>\$ 6,825,290</u>	<u>\$ 7,107,225</u>	<u>\$ 7,958,338</u>	<u>\$ 9,721,269</u>

Source: District's Financial Records

Note:  
 GASB requires that ten years of statistical data be presented. However, since the District implemented the new reporting model contained in GASB No. 34 in fiscal year 2003 only nine years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

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

	Fiscal Year Ended June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Expenses</b>									
<b>Governmental Activities</b>									
Instruction									
Regular	\$ 6,589,094	\$ 7,126,757	\$ 7,007,276	\$ 7,234,255	\$ 7,316,648	\$ 7,375,642	\$ 7,242,000	\$ 7,335,791	\$ 7,273,332
Special Education	2,477,123	2,190,943	2,930,407	3,377,737	3,900,588	4,114,560	3,921,340	4,105,242	3,971,192
Other Special Education	207,860	215,164	357,627	304,639	482,462	501,997	515,643	535,460	689,777
Other Instruction	75,016	105,771	111,493	112,825	135,733	138,141	156,545	153,907	165,258
Support Services:									
Student & Instruction Related Services	1,567,295	1,635,862	1,645,379	1,772,106	1,992,862	2,123,891	2,183,912	2,164,484	1,988,873
General Administration	453,077	487,008	576,433	511,748	1,049,983	1,033,427	739,616	600,557	439,408
School Administrative Services	665,605	631,913	714,268	894,622	508,755	584,160	1,046,552	1,216,253	1,111,225
Plant Operations And Maintenance	1,303,753	1,507,703	1,418,677	1,537,161	1,456,878	1,488,315	1,601,921	1,648,716	1,529,296
Pupil Transportation	636,876	731,224	884,907	990,168	977,532	974,757	1,042,949	1,022,589	1,039,319
Central Services	359,936	394,801	443,641	448,225	507,052	588,070	584,705	454,181	438,247
Special Schools	24,020	45,752	40,307	-	-	-	-	-	-
Charter Schools	7,478	8,280	8,385	325,875	325,677	367,679	300,734	302,318	198,129
Interest On Long-Term Debt	162,033	545,018	154,748	-	-	-	-	-	-
Retirement of Fixed Assets	576,501	-	-	-	-	-	-	-	-
Bond Issue Costs	45,154	-	-	-	-	-	-	-	-
Unallocated Depreciation	86,052	75,117	323,560	-	-	-	-	-	-
Total Governmental Activities Expenses	14,615,218	16,322,968	16,617,108	17,509,361	18,654,190	19,290,639	19,335,917	19,539,498	18,864,056
<b>Business-Type Activities:</b>									
Food Service	14,136	21,440	16,846	15,733	14,606	15,205	15,979	10,794	11,556
Summer Program	-	-	-	-	-	2,363	1,200	-	260,035
Total Business-Type Activities Expense	14,136	21,440	16,846	15,733	14,606	17,568	17,179	10,794	271,591
Total District Expenses	14,629,354	16,344,408	16,633,954	17,525,094	18,668,796	19,308,207	19,353,096	19,550,292	19,135,647
<b>Program Revenues</b>									
<b>Governmental Activities:</b>									
Charges For Services	\$ 2,444,256	\$ 1,407,637	\$ 1,474,363	\$ 2,612,953	\$ 3,283,268	\$ 3,341,698	\$ 2,522,100	\$ 3,022,004	\$ 41,573
Operating Grants And Contributions	51,133	-	-	-	-	-	-	-	2,306,293
Capital Grants And Contributions	-	-	-	-	-	-	-	-	153,710
Total Governmental Activities Program Revenues	2,495,389	1,407,637	1,474,363	2,612,953	3,283,268	3,341,698	2,522,100	3,022,004	2,501,576

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

	Fiscal Year Ended June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Business-Type Activities:</b>									
Charges For Services	\$ 10,976	\$ 16,290	\$ 15,069	\$ 13,571	\$ 14,126	\$ 15,044	\$ 17,258	\$ 15,612	\$ 15,160
Food Service						5,145			469,593
Summer Program				4,095	4,888	4,515	5,210	3,845	2,976
Operating Grants And Contributions	2,931	-	-	-					
<b>Total Business-Type Activities Program Revenues</b>	<b>13,907</b>	<b>16,290</b>	<b>15,069</b>	<b>17,666</b>	<b>19,014</b>	<b>24,704</b>	<b>22,468</b>	<b>19,457</b>	<b>487,729</b>
<b>Total District Program Revenues</b>	<b>\$ 2,509,296</b>	<b>\$ 1,423,927</b>	<b>\$ 1,489,432</b>	<b>\$ 2,630,619</b>	<b>\$ 3,302,282</b>	<b>\$ 3,366,402</b>	<b>\$ 2,544,568</b>	<b>\$ 3,041,461</b>	<b>\$ 2,989,305</b>
<b>Net (Expense)/Revenue</b>									
Governmental Activities	\$ (12,119,829)	\$ (14,915,331)	\$ (15,142,745)	\$ (14,896,408)	\$ (15,370,922)	\$ (15,948,941)	\$ (16,813,817)	\$ (16,517,494)	\$ (16,362,480)
Business-Type Activities	(229)	(5,150)	(1,777)	1,933	4,408	7,136	5,289	8,663	216,138
<b>Total District-Wide Net Expense</b>	<b>\$ (12,120,058)</b>	<b>\$ (14,920,481)</b>	<b>\$ (15,144,522)</b>	<b>\$ (14,894,475)</b>	<b>\$ (15,366,514)</b>	<b>\$ (15,941,805)</b>	<b>\$ (16,808,528)</b>	<b>\$ (16,508,831)</b>	<b>\$ (16,146,342)</b>
<b>General Revenues and Other Changes in Net Assets</b>									
Governmental Activities:									
Property Taxes Levied For General Purposes, Net	\$ 12,260,541	\$ 12,847,842	\$ 12,997,127	\$ 13,466,716	\$ 14,218,199	\$ 15,228,543	\$ 15,837,685	\$ 16,431,592	\$ 17,013,656
Taxes Levied For Debt Service		648,526	647,610	651,326	649,486	652,276	840,054	846,839	865,413
Restricted Grants And Contributions		4,696,909							
Unrestricted Grants And Contributions		1,205,872	1,340,991	155,602	155,557	188,951	133,679	21,922	
Tuition Received		8,615	4,845						
Investment Earnings	80,131			128,128					
Miscellaneous Income	35,878	147,848	230,359	84,130	308,478	116,867	279,023	59,527	30,009
Gain on Disposal of Capital Assets				6,555					
Transfers				99	42				
<b>Total Governmental Activities</b>	<b>12,376,550</b>	<b>19,555,612</b>	<b>15,160,932</b>	<b>14,492,556</b>	<b>15,331,762</b>	<b>16,186,637</b>	<b>17,090,441</b>	<b>17,359,880</b>	<b>17,909,078</b>
<b>Business-Type Activities:</b>									
Miscellaneous Income				99	88	91	22	64	195
Transfers				(99)	(42)				
<b>Total Business-Type Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46</b>	<b>91</b>	<b>22</b>	<b>64</b>	<b>195</b>
<b>Total District-Wide</b>	<b>\$ 12,376,550</b>	<b>\$ 19,555,612</b>	<b>\$ 15,160,932</b>	<b>\$ 14,492,556</b>	<b>\$ 15,331,808</b>	<b>\$ 16,186,728</b>	<b>\$ 17,090,463</b>	<b>\$ 17,359,944</b>	<b>\$ 17,909,273</b>
<b>Change in Net Assets</b>									
Governmental Activities	\$ 256,721	\$ 4,640,281	\$ 18,187	\$ (403,852)	\$ (39,160)	\$ 237,696	\$ 276,624	\$ 842,386	\$ 1,546,598
Business-Type Activities	(229)	(5,150)	(1,777)	1,933	4,454	7,227	5,311	8,727	216,333
<b>Total District</b>	<b>\$ 256,492</b>	<b>\$ 4,635,131</b>	<b>\$ 16,410</b>	<b>\$ (401,919)</b>	<b>\$ (34,706)</b>	<b>\$ 244,923</b>	<b>\$ 281,935</b>	<b>\$ 851,113</b>	<b>\$ 1,762,931</b>

Source: District's Financial Records

Note: GASB requires that ten years of statistical data be presented. However, since the District implemented the new reporting model contained in GASB No. 34 in fiscal year 2003 only nine years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

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

	Fiscal Year Ended June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund									
Reserved	\$ 1,100,298	\$ 1,847,295	\$ 1,365,464	\$ 697,486	\$ 378,277	\$ 520,308	\$ 633,271	\$ 916,417	
Unreserved	729,906	260,812	345,994	354,188	261,092	127,910	26,697	36,064	
Restricted									\$ 780,137
Assigned									201,126
Unassigned									358,870
<b>Total General Fund</b>	<b>\$ 1,830,204</b>	<b>\$ 2,108,107</b>	<b>\$ 1,711,458</b>	<b>\$ 1,051,674</b>	<b>\$ 639,369</b>	<b>\$ 648,218</b>	<b>\$ 659,968</b>	<b>\$ 952,481</b>	<b>\$ 1,340,133</b>
All Other Governmental Funds									
Reserved		\$ 4,798,815	\$ 8,133,677	\$ 562,918	\$ 4,023,445	\$ 470,976	\$ 47,347	\$ 25,100	
Unreserved	\$ 8,762,235	8,058,737	1,560,033	5,261,558	108,690	803,543	698,186	479,936	
Restricted									\$ 527,067
Assigned									
<b>Total All Other Governmental Funds</b>	<b>\$ 8,762,235</b>	<b>\$ 12,857,552</b>	<b>\$ 9,693,710</b>	<b>\$ 5,824,476</b>	<b>\$ 4,132,135</b>	<b>\$ 1,274,519</b>	<b>\$ 745,533</b>	<b>\$ 505,036</b>	<b>\$ 527,067</b>

Source: District's Financial Records

Note: GASB requires that ten years of statistical data be presented. However, since the District implemented the new reporting model contained in GASB No. 34 in fiscal year 2003 only nine years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

Beginning with Fiscal Year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Reclassification of prior year fund balance amounts to comply with Statement No. 54 is not required.

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

	Fiscal Year Ended June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues</b>									
Tax Levy	\$ 12,260,541	\$ 13,496,368	\$ 13,584,737	\$ 14,118,042	\$ 14,867,685	\$ 15,880,819	\$ 16,677,739	\$ 17,278,431	\$ 17,879,069
Tuition Charges		8,615	4,845						
Interest Earnings	80,131			128,128					
Miscellaneous	34,998	147,848	230,359	84,130	308,478	116,867	279,023	59,527	151,414
State Sources	2,050,588	7,039,546	2,500,482	2,487,407	3,150,311	3,248,426	2,353,107	2,500,747	2,067,982
Federal Sources	444,801	270,373	289,131	281,148	288,514	282,223	302,673	543,179	312,189
Private Sources		500	2,000						
<b>Total Revenue</b>	<b>14,871,059</b>	<b>20,963,250</b>	<b>16,611,554</b>	<b>17,098,855</b>	<b>18,614,988</b>	<b>19,528,335</b>	<b>19,612,542</b>	<b>20,381,884</b>	<b>20,410,654</b>
<b>Expenditures</b>									
Instruction									
Regular Instruction	5,119,968	5,433,883	5,382,266	7,154,513	7,294,219	7,309,836	7,140,499	7,254,801	7,221,167
Special Education Instruction	2,098,319	1,770,758	2,427,038	3,354,462	3,879,284	4,090,088	3,865,377	4,057,394	3,950,105
Other Special Instruction	158,806	159,486	267,191						
Other Instruction	60,138	82,597	86,687	301,495	478,930	498,001	508,351	529,406	685,326
School Sponsored Activities and Athletics				111,757	135,753	138,001	156,679	154,195	164,070
Support Services:									
Student and Inst. Related Services	1,259,986	1,296,168	1,316,410	1,738,801	1,980,936	2,110,042	2,153,061	2,138,540	1,976,767
General Administration	379,229	402,901	489,264	508,351	505,863	580,840	728,956	593,669	456,881
School Administrative Services	504,197	509,724	580,372	884,851	1,040,978	1,023,231	1,031,935	1,204,492	1,102,669
Central Services	300,795	324,464	374,685	445,555	504,118	584,651	576,272	448,692	437,197
Plant Operations And Maintenance	1,084,576	1,281,561	1,176,083	1,524,612	1,448,718	1,479,030	1,579,028	1,629,523	1,521,005
Pupil Transportation	579,384	677,506	826,223	955,105	975,012	971,890	1,027,598	1,009,733	1,037,967
Employee Benefits	2,692,104	3,137,926	3,290,070						
Special Schools	19,549	35,494	32,109						
Charter Schools	7,478	8,280	8,385						
Capital Outlay	274,118	820,756	3,303,844	3,889,234	2,757,221	2,861,252	397,853	462,585	597,022
Debt Service									
Principal		295,000	305,000	414,130	404,506	421,259	607,051	535,000	620,000
Cost of Issuance									
Advance Refunding Escrow									
Interest and Other Charges		353,526	342,611	345,107	329,994	308,981	357,117	311,839	248,672
<b>Total Expenditures</b>	<b>14,538,647</b>	<b>16,590,030</b>	<b>20,208,238</b>	<b>21,627,973</b>	<b>21,715,532</b>	<b>22,377,102</b>	<b>20,129,777</b>	<b>20,329,869</b>	<b>20,249,383</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>332,412</b>	<b>4,373,220</b>	<b>(3,596,684)</b>	<b>(4,529,118)</b>	<b>(3,100,544)</b>	<b>(2,848,767)</b>	<b>(517,235)</b>	<b>52,015</b>	<b>161,271</b>

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

	Fiscal Year Ended June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Other Financing Sources (Uses)</b>									
Bond Proceeds	\$ 8,839,880				\$ 953,000				\$ 6,355,000
Premium on Bond Proceeds	880								22,412
Payment to Refunded Bond Eserow Agent			\$ 36,194		42,856				(6,129,000)
Capital Leases (Non-Budgeted)	58,261	\$ 117,199	155,877	\$ 74,623	138,289	\$ 1,208	\$ 6,154	\$ 2,078	260,722
Transfers In	(58,261)	(117,199)	(155,877)	(74,524)	(138,247)	(1,208)	(6,154)	(2,078)	(260,722)
Transfers Out									
<b>Total Other Financing Sources (Uses)</b>	<u>8,839,880</u>	<u>-</u>	<u>36,194</u>	<u>99</u>	<u>995,898</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>248,412</u>
<b>Net Change in Fund Balances</b>	<u>\$ 9,172,292</u>	<u>\$ 4,373,220</u>	<u>\$ (3,560,490)</u>	<u>\$ (4,529,019)</u>	<u>\$ (2,104,646)</u>	<u>\$ (2,848,767)</u>	<u>\$ (517,235)</u>	<u>\$ 52,015</u>	<u>\$ 409,683</u>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	0.00%	4.11%	3.83%	4.28%	3.87%	3.74%	4.89%	4.26%	4.42%

Source: District's Financial Records

\* Noncapital expenditures are total expenditures less capital outlay.

Note:

GASB requires that ten years of statistical data be presented. However, since the District implemented the new reporting model contained in GASB No. 34 in fiscal year 2003 only nine years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

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

<b>Fiscal Year Ended June 30,</b>	<b><u>Interest on Investments</u></b>	<b><u>Sale of Assets</u></b>	<b><u>Tuition</u></b>	<b><u>Miscellaneous</u></b>	<b><u>Total</u></b>
2002	\$ 61,452			\$ 54,134	\$ 115,586
2003	34,998			23,663	58,661
2004	29,785			864	30,649
2005	30,861			43,620	74,481
2006	53,604			84,130	137,734
2007	55,463			114,699	170,162
2008	54,610			61,048	115,658
2009	30,257	\$ 130,400		112,212	272,869
2010	8,431			49,018	57,449
2011	2,333		\$ 41,573	26,954	70,860

Source: District's Financial Records

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

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate <sup>a</sup>
* 2002	\$ 36,839,700	\$ 1,365,457,900			\$ 822,104,400	\$ 170,817,700		\$ 2,395,219,700	\$ 3,298,920	\$ 2,398,518,620	\$ 2,204,160,914	0.490
2003	32,439,300	1,364,694,600			901,204,500	169,952,300		2,468,290,700	3,294,957	2,471,585,657	2,468,290,700	0.530
2004	33,857,800	1,365,638,900			907,849,900	166,259,500		2,473,606,100	3,057,155	2,476,663,255	2,473,606,100	0.520
2005	30,941,400	1,373,868,900			891,080,700	161,390,200		2,457,281,200	2,498,689	2,459,779,889	3,012,237,212	0.462
2006	27,842,000	1,392,164,500			860,768,600	158,651,300		2,439,426,400	2,204,322	2,441,630,722	3,263,474,645	0.489
2007	28,357,400	1,398,387,900			858,164,200	159,026,300		2,443,935,800	2,450,212	2,446,386,012	3,451,954,019	0.610
2008	25,273,000	1,412,610,900			903,419,300	158,521,600		2,499,824,800	2,382,719	2,502,207,519	3,734,169,526	0.648
2009	23,661,400	1,413,759,500			832,574,397	200,519,200		2,470,514,697	2,650,113	2,473,164,810	3,678,662,516	0.693
2010	22,852,400	1,417,254,300			820,763,797	200,142,200	\$ 224,300	2,461,236,997		2,461,236,997	4,044,738,170	0.714

Source: County Abstract of Rates

N/A - Information is not available.

<sup>a</sup> Tax rates are per \$100

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN YEARS**

**(Unaudited)**

*(rate per \$100 of assessed value)*

<u>Assessment Year</u>	<u>Hanover Park Regional District</u>	<u>East Hanover School District</u>	<u>East Hanover Township</u>	<u>Morris County</u>	<u>Total</u>
* 2002	\$ 0.26	\$ 0.49	\$ 0.38	\$ 0.24	\$ 1.37
2003	0.25	0.53	0.38	0.29	1.45
2004	0.27	0.52	0.42	0.30	1.51
2005	0.31	0.57	0.46	0.33	1.68
2006	0.35	0.60	0.49	0.34	1.78
2007	0.39	0.61	0.51	0.34	1.85
2008	0.38	0.65	0.52	0.34	1.89
2009	0.39	0.69	0.59	0.29	1.96
2010	0.42	0.71	0.56	0.38	2.07
2011	0.372	0.553	0.463	0.576	1.97

Source: County Abstract of Ratables

\* Note - The District had a revaluation of property values which became effective in 2002.

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

Taxpayer	2011		2002	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Novartis	\$ 353,910,100	14.66%	Not Available	
Kraft Foods N. America	71,962,600	2.98%		
New Hanover L.L.C.	24,917,000	1.03%		
Castle Ridge Plaza	22,000,000	0.91%		
Givaudan Flavors Corp	21,400,000	0.89%		
Paradigm Eash Hanover LLC	21,303,497	0.88%		
Eagle Rock Executive C/O Wells	20,000,000	0.83%		
Givaudan Flavors Corp	19,991,300	0.83%		
Eric Reichard D.R. Company LLC	15,500,000	0.64%		
Cosctco Wholesale Corp	14,000,000	0.58%		
	<u>\$ 584,984,497</u>	<u>24.24%</u>	<u>\$ -</u>	<u>0.00%</u>

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2002	\$ 11,076,556	\$ 11,076,556	100.00%	N/A
2003	12,260,541	12,260,541	100.00%	N/A
2004	13,496,368	13,496,368	100.00%	N/A
2005	13,584,737	13,584,737	100.00%	N/A
2006	14,118,042	14,118,042	100.00%	N/A
2007	14,867,685	14,867,685	100.00%	N/A
2008	15,880,819	15,880,819	100.00%	N/A
2009	16,677,739	16,677,739	100.00%	N/A
2010	17,278,431	17,278,431	100.00%	N/A
2011	17,879,069	17,879,069	100.00%	N/A

Source: District Financial Records

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

Fiscal Year Ended June 30,	<u>Governmental Activities</u>		Total District	Population	Per Capita
	General Obligation Bonds	Capital Leases			
2005	\$ 8,239,000	\$ 324,090	\$ 8,563,090	11,438	\$ 749
2006	7,919,000	229,960	8,148,960	11,455	711
2007	8,542,000	198,310	8,740,310	11,375	768
2008	8,197,000	122,051	8,319,051	11,396	730
2009	7,712,000		7,712,000	11,372	678
2010	7,177,000		7,177,000	11,157	643
2011	6,783,000		6,783,000	11,157 *	608

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

Note:

GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2007 only seven years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

\*Estimated

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions			
2005	\$ 8,239,000		\$ 8,239,000	0.33%	\$ 749
2006	7,919,000		7,919,000	0.32%	711
2007	8,542,000		8,542,000	0.35%	768
2008	8,197,000		8,197,000	0.33%	730
2009	7,712,000		7,712,000	0.31%	677
2010	7,177,000		7,177,000	0.29%	631
2011	6,783,000		6,783,000	0.28%	608

Source: District Financial Records and Abstract of Ratables

Notes:

- a See Exhibit J-6 for property tax data.
- b See Exhibit J-14 for population data.

Note:

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
DECEMBER 31, 2010  
(Unaudited)**

**Total Debt**

Municipal Debt: (1)	
East Hanover Township Board of Education	\$ 6,828,000
Regional High School - Township's Share	8,916,171
Township of East Hanover	<u>16,885,221</u>
	32,629,392
Overlapping Debt Apportioned to the Municipality:	
Morris County:	
County of Morris (A)	<u>9,851,180</u>
Total Direct and Overlapping Debt	<u>\$ 42,480,572</u>

**Source:**

(1) Township's 2010 Annual Debt Statement

(A) The debt for this entity was apportioned to East Hanover by dividing the municipality's 2010 equalized value by the total 2010 equalized value for Morris County.

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

Legal Debt Margin Calculation for Fiscal Year 2011

Equalized Valuation Basis						
2010	\$	3,811,144,312				
2009		4,036,129,222				
2008		3,718,317,418				
	\$	<u>11,565,590,952</u>				
Average Equalized Valuation Of Taxable Property	\$	<u>3,855,196,984</u>				
Debt Limit (3% of Average Equalization	\$	115,655,910				
Total Net Debt Applicable to Limit		<u>6,783,000</u>				
Legal Debt Margin	\$	<u>108,872,910</u>				

	Fiscal Year						
	2005	2006	2007	2008	2009	2010	2011
Debt Limit	\$ 79,586,780	\$ 88,423,662	\$ 96,972,895	\$ 103,145,699	\$ 104,722,629	\$ 113,820,788	\$ 115,655,910
Total Net Debt Applicable To Limit	8,239,000	7,919,000	8,542,000	8,197,000	7,712,000	7,177,000	6,783,000
Legal Debt Margin	<u>\$ 71,347,780</u>	<u>\$ 80,504,662</u>	<u>\$ 88,430,895</u>	<u>\$ 94,948,699</u>	<u>\$ 97,010,629</u>	<u>\$ 106,643,788</u>	<u>\$ 108,872,910</u>

Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	10.35%	8.96%	8.81%	7.94%	7.36%	6.31%	5.86%
--	--------	-------	-------	-------	-------	-------	-------

Source: Annual Debt Statements

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

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

<u>Year</u>	<u>Population</u>	<u>County Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2001	11,376	\$ 56,551	2.5%
2002	11,392	55,984	3.8%
2003	11,376	56,415	3.8%
2004	11,407	60,823	3.0%
2005	11,438	63,605	3.5%
2006	11,455	67,788	3.5%
2007	11,375	71,713	3.2%
2008	11,396	71,812	4.2%
2009	11,372	68,251	7.2%
2010	11,157	N/A	7.3%

Source: New Jersey State Department of Education

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

	<u>2011</u>		<u>2002</u>	
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>

INFORMATION NOT AVAILABLE

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

<u>Function/Program</u>	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Instruction										
Regular										
Special Education										
Other Special Education										
Vocational										
Other Instruction										
Nonpublic School Programs										
Adult/Continuing Education Programs										
Support Services:										
Student and Instruction Related Services										
General Administration										
School Administrative Services										
Other Administrative Services										
Central Services										
Administrative Information Technology										
Plant Operations And Maintenance										
Pupil Transportation										
Other Support Services										
Special Schools										
Food Service										
Child Care										
Total										

INFORMATION NOT AVAILABLE

Source: District Personnel Records

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

Fiscal Year	Enrollment <sup>a</sup>	Operating Expenditures <sup>b</sup>	Cost Per Pupil <sup>c</sup>	Percentage Change	Teaching Staff	Pupil/Teacher Ratio			Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	Average Daily Enrollment (ADE)			
2002	1,059	\$ 13,193,306	\$ 12,458	3.01%	N/A	N/A	N/A	1,059	1,012	3.62%	95.56%
2003	1,097	14,300,627	13,036	4.64%	N/A	N/A	N/A	1,097	1,047	3.59%	95.44%
2004	1,133	15,120,748	13,346	2.58%	N/A	N/A	N/A	1,133	1,084	3.28%	95.68%
2005	1,139	16,256,783	14,273	6.95%	N/A	N/A	N/A	1,139	1,083	0.53%	95.08%
2006	1,163	16,987,707	14,607	2.34%	N/A	N/A	N/A	1,163	1,123	2.11%	96.56%
2007	1,167	18,243,811	15,633	7.03%	N/A	N/A	N/A	1,167	1,110	0.34%	95.12%
2008	1,121	18,785,610	16,758	7.20%	N/A	N/A	N/A	1,121	1,079	-3.94%	96.25%
2009	1,150	18,767,756	16,320	-2.61%	N/A	N/A	N/A	1,150	1,107	2.59%	96.26%
2010	1,149	19,020,445	16,554	1.43%	N/A	N/A	N/A	1,149	1,108	-0.09%	96.43%
2011	1,118	18,553,154	16,595	0.25%	N/A	N/A	N/A	1,118	1,008	-2.70%	90.16%

Sources: District Financial Records and Personnel Records

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

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

	2006	2007	2008	2009	2010	2011
<b><u>District Building</u></b>						
<b><u>Elementary</u></b>						
<b>Central School</b>						
Square Feet	48,369	48,369	58,328	58,328	58,328	58,328
Capacity (students)						
Enrollment	373	373	394	394	394	394
<b>Frank J. Smith School</b>						
Square Feet	29,830	29,830	39,197	39,197	39,197	39,197
Capacity (students)						
Enrollment	355	355	344	344	344	344
<b><u>Middle School</u></b>						
Square Feet	59,688	59,688	60,502	60,502	60,502	60,502
Capacity (students)						
Enrollment	402	402	384	384	384	384
<b><u>Other</u></b>						
<b>Board of Education Offices</b>						
Square Feet	7,083	7,083	7,083	7,083	7,083	7,083

Number of Schools at June 30, 2011

Elementary = 2

Middle School = 1

Other = 1

Source: District Records

Note:

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

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

UNDISTRIBUTED EXPENDITURES - REQUIRED  
MAINTENANCE FOR SCHOOL FACILITIES  
11-000-261-XXX

	<u>Project # (s)</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>School Facilities</b>											
Frank J. Smith School	N/A	\$ 91,579	\$ 73,717	\$ 81,318	\$ 72,838	\$ 62,735	\$ 74,505	\$ 48,966	\$ 65,512	\$ 59,770	\$ 55,823
Central School	N/A	122,064	94,283	107,191	127,466	109,785	130,384	85,690	114,645	104,599	97,692
Middle School	N/A	175,619	142,098	158,939	145,676	125,470	149,010	97,932	131,023	119,241	111,368
Administration Building	N/A	20,487	18,406	22,178	18,210	15,684	18,626	12,242	16,378	14,949	13,964
<b>Total School Facilities</b>		<u>\$ 409,749</u>	<u>\$ 328,504</u>	<u>\$ 369,626</u>	<u>\$ 364,190</u>	<u>\$ 313,674</u>	<u>\$ 372,525</u>	<u>\$ 244,830</u>	<u>\$ 327,558</u>	<u>\$ 298,559</u>	<u>\$ 278,847</u>

Source: District Records

Note:

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
INSURANCE SCHEDULE  
JUNE 30, 2011  
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - NJSBAIG		
Property:		
Blanket Building and Content	\$ 17,681,899	\$ 5,000
Boiler and Machinery	100,000,000	5,000
Flood and Earthquake	5,000,000	500,000
Computer Equipment	88,000	1,000
Comprehensive General Liability	1,000,000	1,000
Comprehensive Automotive Liability	1,000,000	1,000
 Umbrella Liability - NJSBAIG		
Umbrella Policy	10,000,000	N/A
 Workers' Compensation - NJSBAIG	2,000,000	N/A
 School Board Legal Liability - NJBAIG		
Director's and Officer's Policy	6,000,000	N/A
 Public Employees' Faithful Performance Blanket		
Position Bond:		
NJSBAIG		
Board Secretary/School Business Administrator	250,000	1,000
Treasurer	200,000	1,000
General Employees	25,000	500
 Catastrophic Umbrella Liability	50,000,000	N/A

Source: District records

**SINGLE AUDIT SECTION**

# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

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RALPH M. PICONE, CPA, RMA, PSA  
EDWARD N. KERE, CPA

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Hanover Township Board of Education as of and for the fiscal year ended June 30, 2011, which collectively comprise the East Hanover Township Board of Education's basic financial statements and have issued our report thereon dated December 5, 2011. 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 Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey.

### Internal Control Over Financial Reporting

Management of the East Hanover Township Board of Education is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the East Hanover Township Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the East Hanover Township Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the East Hanover Township Board of Education's internal control over financial reporting.

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 East Hanover Township Board of Education's financial statements will not be prevented, or detected and corrected on a timely basis.

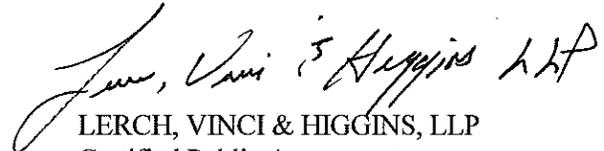
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

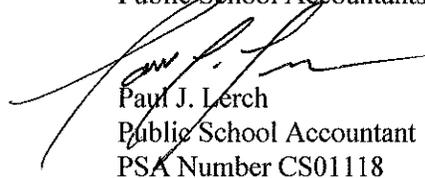
As part of obtaining reasonable assurance about whether the East Hanover Township Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could 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 and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey.

We noted certain matters that we have reported to management of the East Hanover Township Board of Education in a separate report entitled, "Auditors' Management Report on Administrative Findings – Financial, Compliance and Performance" dated December 5, 2011.

This report is intended solely for the information and use of management, the Board of Trustees, others within the District, the New Jersey State Department of Education and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



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



Paul J. Lerch  
Public School Accountant  
PSA Number CS01118

Fair Lawn, New Jersey  
December 5, 2011

# LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-2

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
RALPH M. PICONE, CPA, RMA, PSA  
EDWARD N. KERE, CPA

## REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04

### Independent Auditor's Report

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

### Compliance

We have audited the East Hanover Township Board of Education's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the New Jersey OMB Circular 04-04 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of East Hanover Township Board of Education's major state programs for the fiscal year ended June 30, 2011. East Hanover Township Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirement of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the East Hanover Township Board of Education's management. Our responsibility is to express an opinion on East Hanover Township Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and circulars require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about East Hanover Township Board of Education's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on East Hanover Township Board of Education's compliance with those requirements.

In our opinion, East Hanover Township Board of Education complied, in all material respects, with the 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, 2011.

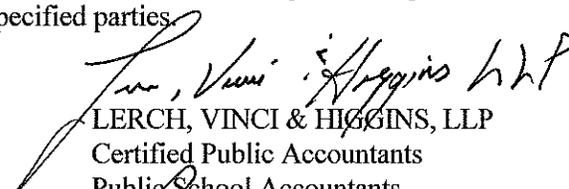
### Internal Control Over Compliance

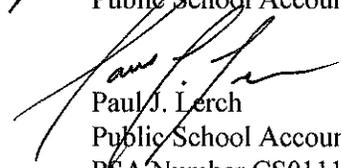
Management of East Hanover Township Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered East Hanover Township Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

A deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected on a timely basis.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Trustees, others within the District, the New Jersey State Department of Education and other state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

  
Paul J. Lerch  
Public School Accountant  
PSA Number CS01118

Fair Lawn, New Jersey  
December 5, 2011

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Federal CFDA Number	Federal/Grantor/Pass-Through Grantor/ Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2010	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustment	Refund of Prior Years Balances	Balance, June 30, 2011		Memo Only GAAP Receivable
											(Account Receivable)	Due to Grantor	
10.556	Special Milk Program	N/A	7/1/10-6/30/11	\$ 2,976	\$ (643)	-	\$ 2,976	-	-	-	-	-	*
10.556	Special Milk Program	N/A	7/1/09-6/30/10	3,845	643	-	-	-	-	-	-	-	*
	Total U.S. Department of Education			-	(643)	-	3,619	2,976	-	-	-	-	*
	<b>U.S. Department of Education</b>												
	<b>Passed-through State Department of Education</b>												
	<b>NCLB</b>												
84.168A	Title II - A	NCLB111011	9/1/10-8/31/11	22,657	(15,134)	-	12,982	12,982	9,674	-	9,674	9,674	*(22,656)
84.168A	Title II - A-Carryover	NCLB119010	9/1/09-8/31/10	22,358	5,445	-	14,215	14,215	1,061	-	1,061	1,061	*(11,522)
84.186A	Title IV-Carryover	NCLB119010	9/1/09-8/31/10	1,883	1,764	-	1,883	1,883	(1,937)	-	3,508	3,508	*(1,883)
84.298A	Title V-Carryover	NCLB119009	9/1/08-8/31/09	111	1,764	-	1,764	1,764	12,094	-	1,764	1,764	*(15,852)
84.391	ARRA - I.D.E.A. Basic	N/A	9/1/09-8/31/10	267,477	(266,564)	-	251,625	251,625	394	-	394	394	*(6,215)
84.392	ARRA - I.D.E.A. Preschool	N/A	9/1/09-8/31/10	9,683	(2,822)	-	6,215	6,215	18,144	-	18,144	18,144	*(7,494)
84.027	I.D.E.A. Part B, Basic Regular	FT-1110-11	9/1/10-8/31/11	262,207	(1,900)	-	256,893	244,063	4,582	-	1,625	1,625	*(14,567)
84.027	I.D.E.A. Part B, Basic Regular C/O	FT-1190-10	9/1/09-8/31/10	261,951	(1,900)	-	613	613	-	-	-	-	*(85,503)
84-173	I.D.E.A. Preschool	PS-1110-11	9/1/10-8/31/11	14,567	(70)	-	14,567	14,567	-	-	-	-	*(85,503)
84-173	I.D.E.A. Preschool C/O	PS-1190-10	9/1/09-8/31/10	14,205	(70)	-	70	70	-	-	-	-	*(85,503)
	Total U.S. Department of Education			-	(279,281)	-	530,317	306,538	10,751	-	33,855	6,897	*(85,503)
	Total Federal Awards			\$ -	\$ (279,924)	\$ -	\$ 533,936	\$ 309,514	\$ 10,751	\$ -	\$ 33,855	\$ 6,897	\$ (85,503)



**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE SCHEDULES OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 1 GENERAL**

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

**NOTE 2 BASIS OF ACCOUNTING**

The accompanying schedules are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes 1(C) to the Board's basic financial statements.

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is an increase of \$134,532 for the general fund and a decrease of \$25,631 for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 1,879,586	\$ 1,879,586
Special Revenue Fund	\$ 312,189	54,716	366,905
Capital Projects Fund		133,680	133,680
Food Service Fund	<u>2,976</u>	<u>-</u>	<u>2,976</u>
Total Financial Assistance	<u>\$ 315,165</u>	<u>\$ 2,067,982</u>	<u>\$ 2,383,147</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
NOTES TO THE SCHEDULES OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011****NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

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

**NOTE 5 OTHER INFORMATION**

Revenues and expenditures reported under the National School Lunch Program as non-cash assistance represent current year value received and current year distributions, respectively of the Federal Food Distribution Program. TPAF Social Security contributions in the amount of \$605,030 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2011. The amount reported as TPAF Pension System Contributions in the amount of \$26,028 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$552,831 represents the amount paid by the State on behalf of the District for the year ended June 30, 2011.

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

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

EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Part I – Summary of Auditor’s Results

**Financial Statement Section**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

1) Material weakness(es) identified? \_\_\_\_\_ yes  X  no

2) Were significant deficiency(ies) identified that were not considered to be material weaknesses? \_\_\_\_\_ yes  X  none reported

Noncompliance material to the basic financial statements noted? \_\_\_\_\_ yes  X  no

**Federal Awards Section - Not Applicable**

Internal Control over compliance:

1) Material weakness(es) identified? \_\_\_\_\_ yes \_\_\_\_\_ no

2) Were significant deficiency(ies) identified that were not considered to be material weaknesses? \_\_\_\_\_ yes \_\_\_\_\_ none reported

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

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section.510(a))? \_\_\_\_\_ yes \_\_\_\_\_ none

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Dollar threshold used to distinguish between Type A and Type B Programs \$ \_\_\_\_\_

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes \_\_\_\_\_ no

EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Part I – Summary of Auditor’s Results

State Awards Section

Internal Control over compliance:

1) Material weakness(es) identified? \_\_\_\_\_ yes  X  no

2) Were significant deficiency(ies) identified that were not considered to be material weaknesses? \_\_\_\_\_ yes  X  none reported

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

Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 04-04, as amended? \_\_\_\_\_ yes  X  none

Identification of major programs:

<u>State Grant/Project Number (s)</u>	<u>Name of State Program</u>
<u>100-034-5120-473</u>	<u>Extraordinary Aid</u>
<u>495-034-5095-002</u>	<u>TPAF Social Security</u>
<u> </u>	<u> </u>

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

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes  X  no

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

*Part 2 - Schedule of Financial Statement Findings*

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

THERE ARE NONE.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04.

**CURRENT YEAR FEDERAL AWARDS**

NOT APPLICABLE

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04.

**CURRENT YEAR STATE AWARDS**

THERE ARE NONE.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION  
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

**STATUS OF PRIOR YEAR FINDINGS**

**Finding 2010-1**

Our audit of salaries (test of transactions) revealed that the salary of the Director of Curriculum was allocated to the Improvement of Instructional Services functions and should have been allocated to school administration functions. The expenditure and the related appropriation were reclassified to "school administration" for financial statement presentation purposes.

**Current Status**

Corrective action has been taken.

**CURRENT YEAR STATE AWARDS**

**Finding 2010-2**

Our audit of salaries (test of transactions) revealed that the salary of the Director of Curriculum was allocated to the Improvement of Instructional Services functions and should have been allocated to school administration functions. The expenditure and the related appropriation were reclassified to "school administration" for financial statement presentation purposes.

**Current Status**

Corrective action has been taken.