

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, 2012

Prepared by

Business Office

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INTRODUCTORY SECTION

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

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

Deborah Muscara
Business Administrator/Board Secretary

Joseph L. Ricca
Superintendent

November 5, 2012

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, 2012, 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 2011-12 fiscal year was 1,112 students, which is a decrease of 6 students from the previous year's average enrollment.

The Honorable President and Members
of the Board of Education
East Hanover Township School District
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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>
2011-12	1,112	(0.54)
2010-11	1,118	(2.70)
2009-10	1,149	(0.05%)
2008-09	1,150	2.59%
2007-08	1,121	(3.94%)
2006-07	1,167	0.34%
2005-06	1,163	2.74%
2004-05	1,132	0.0%
2003-04	1,133	3.28%
2002-03	1,097	3.59%

2. ECONOMIC CONDITION AND OUTLOOK:

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

Construction for corporations is growing specifically with Novartis which is continually expanding its facility. This growth will increase the Township of East Hanover's commercial ratable base in 2013 and 2014.

3. MAJOR INTIATIVES:

The East Hanover Township School District continues to maintain a five-year cycle of curriculum review and revision. In the 2011-2012 school year, revising and updating the social studies and the physical education curriculum was a primary focus of district attention. The new curriculum guides reflected the Department of Education's goal of integrating 21st Century Skills and expectations into the academic curriculum. As part of the revision process, district staff reviewed the most current publishers' materials, identified those that were most closely aligned with our curricular goals and objectives and the New Jersey Core Content Curriculum Standards (NJCCCS) and recommended any potential purchase and adoption of materials to the Board of Education. Among the criteria for selection of new materials was the depth of support for a student-centered, differentiated approach and the perceived effectiveness of an integrated technology component. Stemming from the NJQSAC process in 2010, the district adhered to the established short and long term goals for needed improvement as defined in the District Improvement Plan. The district is fully committed to strengthening all areas of identified weakness. The district entered into the strategic planning process in the 2011-2012 academic year. We were excited at the chance to again revisit our mission and goals for the future of educational progress in East Hanover Township.

In response to the requirements of the newly adopted anti-bullying legislation in the state of New Jersey and in accordance with an identified need within the district, we included the additional services of a second guidance counselor in the 2011-2012 budget proposal. Requirements for monitoring, reporting, and ameliorating potential incidents of bullying, harassment and intimidation demanded the additional services of a second guidance professional.

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

To increase English Language Arts achievement, we continued to administer DRAs, a reading diagnostic tool, and use leveled reading materials to support the growth and development of students' reading abilities. We are committed to an annual purchase of additional leveled reading materials to establish a comprehensive inventory that will support all levels of pupil progress. The administration is responsible for forming and monitoring all curriculum revision teams and providing continued staff development and support through our annual professional development plan. As in past years, our local community will be the primary source of funding. Additionally, NCLB Title IIA funds, dedicated to professional opportunities, will also support our efforts.

Consistent with our efforts to more closely align our curriculum to the NJCCCS, we continued to participate in inter-district articulation meetings and shared professional development activities with our regional family that includes Hanover Park High School, Florham Park and Hanover Township school districts.

The district purchased additional computers, SMART Boards and CPU memory to facilitate the district's efforts to provide a thorough and efficient technological infrastructure accessible to all students. Upgrading the technology infrastructure and including the assistance of a Technology Coordinator helped to assure constant security and efficiency throughout the 2011-2012 academic year.

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, 2012.

The Honorable President and Members
of the Board of Education
East Hanover Township School District
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November 5, 2012

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, 2012, the District's outstanding bonded debt totals \$6,103,000.
8. **CASH MANAGEMENT:**
The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements." 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,



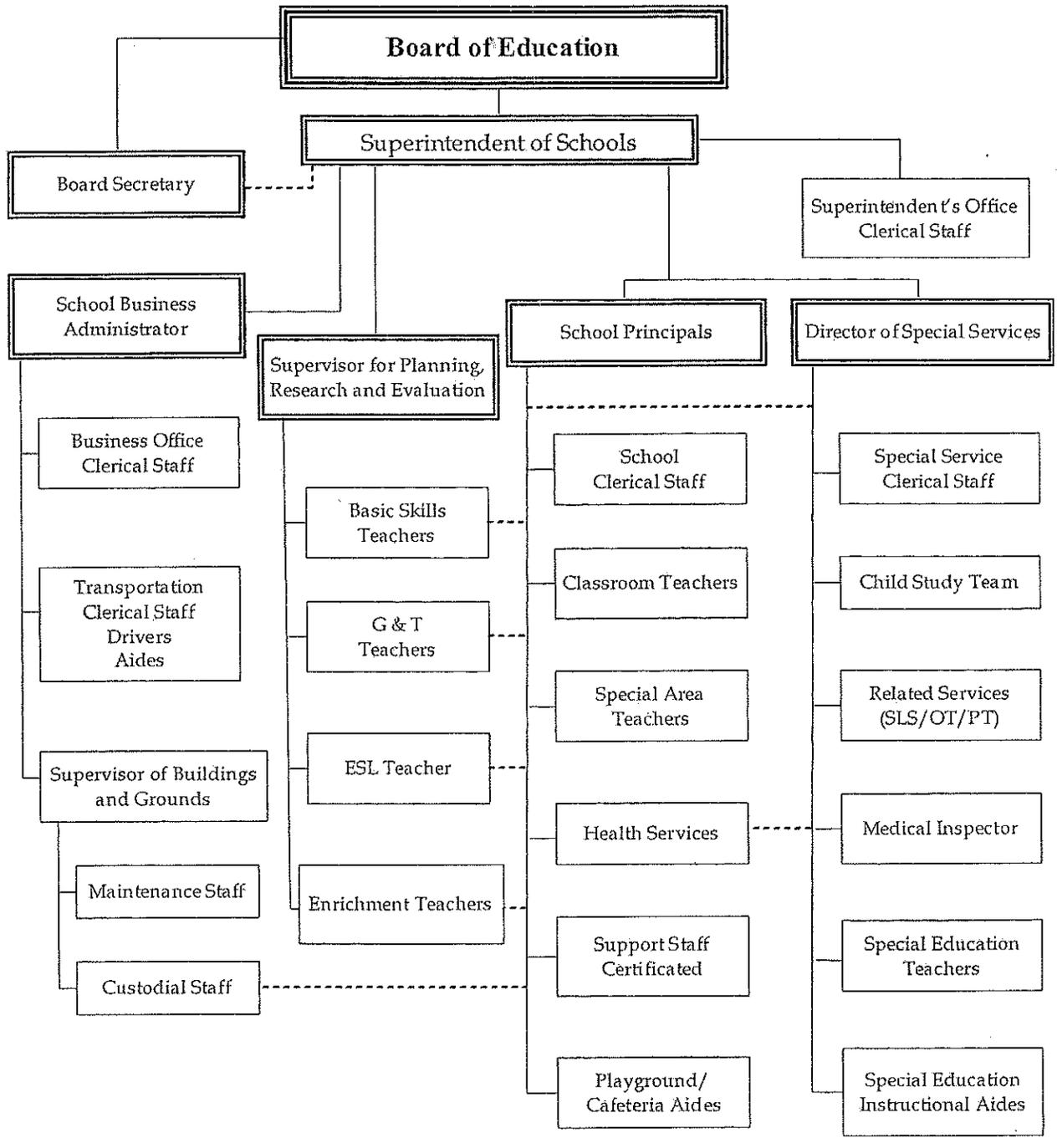
Deborah Muscara
Business Administrator/Board

POLICY

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Administration
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ORGANIZATIONAL CHART

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, 2012

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

Other Officials

Joseph L. Ricca, EdD, Superintendent of Schools

Katine Slunt, C.P.A., Business Administrator/Board Secretary, effective to June 30, 2012

Deborah Muscara, Business Administrator/ Board Secretary, effective July 1, 2012

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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GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA

JULIUS B. CONSONI, CPA, PSA
Honorable President and Members
of the Board of Trustees
East Hanover Township Board of Education
East Hanover, New Jersey

INDEPENDENT AUDITORS' REPORT

ELIZABETH A. SHICK, CPA, RMA, PSA
ANDREW PARENTE, CPA, RMA, PSA
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

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, 2012, 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.

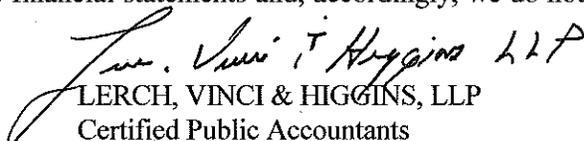
We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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.

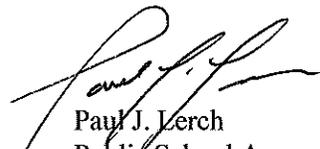
In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Hanover Township Board of Education as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows 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 November 5, 2012 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 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual nonmajor fund financial statements and schedules of expenditures of federal awards and state financial assistance have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.


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


Paul J. Lerch
Public School Accountant
PSA Number CS01118

Fair Lawn, New Jersey
November 5, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Management's Discussion and Analysis Year Ended June 30, 2012

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, 2012. 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 2012 are as follows:

- District-Wide - Overall revenues were \$20,938,013. General revenues accounted for \$17,536,050 or 84 percent of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,401,963 or 16 percent of total revenues of \$20,938,013.
- District-Wide - The School District had \$19,465,791 in expenses; only \$3,401,963 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$17,536,050 were adequate to provide for these programs.
- Fund Financials – As of the close of the current fiscal year, the East Hanover Township Board of Education's governmental funds reported combined ending fund balances of \$2,469,852, an increase of \$602,652 in comparison with the prior year.
- Fund Financials - At the end of June 30, 2012, unassigned fund balance (budgetary basis) for the General Fund was \$691,749, a decrease of \$52,142.

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

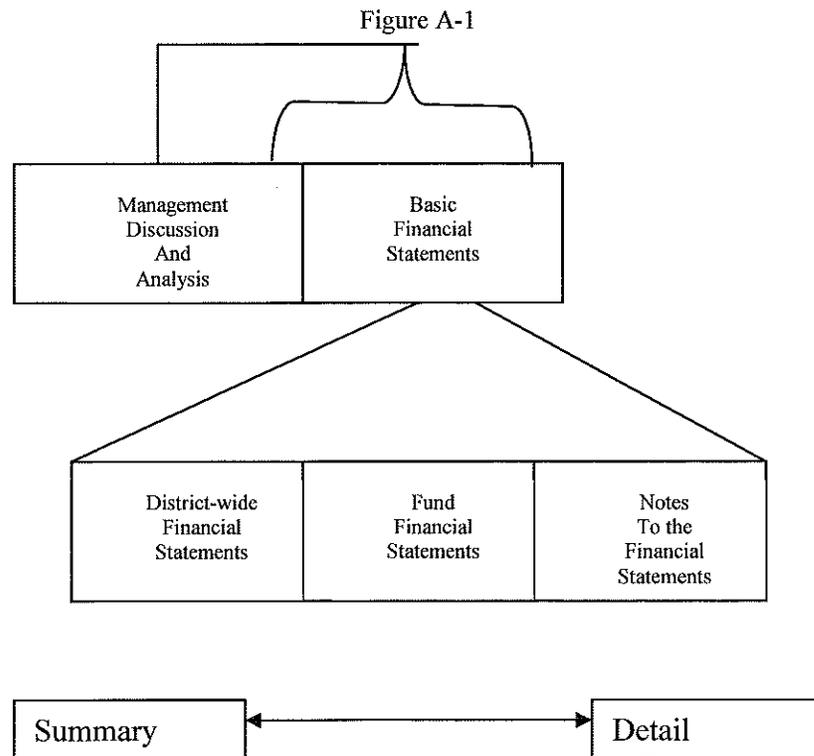
Management's Discussion and Analysis
Year Ended June 30, 2012

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, 2012

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, 2012

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, 2012

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, 2012

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 2012 and 2011 which for 2012 and 2011 were \$11,193,491 and \$9,721,269, 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, 2012 and 2011

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and Other Assets	\$ 2,733,391	\$ 2,180,470	\$ 632,855	\$ 390,516	\$ 3,366,246	\$ 2,570,986
Capital Assets	<u>14,634,792</u>	<u>14,620,407</u>	<u>8,607</u>	<u>8,093</u>	<u>14,643,399</u>	<u>14,628,500</u>
Total Assets	<u>17,368,183</u>	<u>16,800,877</u>	<u>641,462</u>	<u>398,609</u>	<u>18,009,645</u>	<u>17,199,486</u>
Current Liabilities	250,131	286,671	186,603	154,639	436,734	441,310
Noncurrent Liabilities	<u>6,379,420</u>	<u>7,036,907</u>	<u>-</u>	<u>-</u>	<u>6,379,420</u>	<u>7,036,907</u>
Total Liabilities	<u>6,629,551</u>	<u>7,323,578</u>	<u>186,603</u>	<u>154,639</u>	<u>6,816,154</u>	<u>7,478,217</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	9,018,662	8,428,587	8,607	8,093	9,027,269	8,436,680
Restricted	1,021,031	314,012			1,021,031	314,012
Unrestricted	<u>698,939</u>	<u>734,700</u>	<u>446,252</u>	<u>235,877</u>	<u>1,145,191</u>	<u>970,577</u>
Total Net Assets	<u>\$ 10,738,632</u>	<u>\$ 9,477,299</u>	<u>\$ 454,859</u>	<u>\$ 243,970</u>	<u>\$ 11,193,491</u>	<u>\$ 9,721,269</u>

Governmental activities. Governmental activities increased the District's net assets by \$1,261,333. 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, 2012

Table A-2
Change in Net Assets
For The Fiscal Years Ended June 30, 2012 and 2011

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues						
Program Revenues						
Charges for Services	\$ 60,449	\$ 41,573	\$ 570,872	\$ 484,753	\$ 631,321	\$ 526,326
Grants and Contributions	2,770,642	2,460,003		2,976	2,770,642	2,462,979
General Revenues						
Property Taxes	17,467,474	17,879,069			17,467,474	17,879,069
Other	68,514	30,009	62	195	68,576	30,204
Total Revenues	<u>20,367,079</u>	<u>20,410,654</u>	<u>570,934</u>	<u>487,924</u>	<u>20,938,013</u>	<u>20,898,578</u>
Expenses						
Instruction						
Regular	7,300,500	7,273,332			7,300,500	7,273,332
Special Education	3,994,843	3,971,192			3,994,843	3,971,192
Other Instruction	659,204	689,777			659,204	689,777
School Sponsored Activities and Athletics	143,543	165,258			143,543	165,258
Support Services					-	
Student and Instruction Related Services	1,522,631	1,494,658			1,522,631	1,494,658
Health Services	281,827	263,871			281,827	263,871
Educational Media / School Library	260,732	230,344			260,732	230,344
General Administrative Services	450,156	459,408			450,156	459,408
School Administrative Services	1,240,938	1,111,225			1,240,938	1,111,225
Plant Operations and Maintenance	1,600,416	1,529,296			1,600,416	1,529,296
Pupil Transportation	1,031,678	1,039,319			1,031,678	1,039,319
Central Services	394,801	438,247			394,801	438,247
Interest and Other Charges	224,477	198,129			224,477	198,129
Food Services			21,371	11,556	21,371	11,556
After School Child Care	-	-	338,674	260,035	338,674	260,035
Total Expenses	<u>19,105,746</u>	<u>18,864,056</u>	<u>360,045</u>	<u>271,591</u>	<u>19,465,791</u>	<u>19,135,647</u>
Change in Net Assets	1,261,333	1,546,598	210,889	216,333	1,472,222	1,762,931
Net Assets, Beginning 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>
Net Assets, End of Year	<u>\$ 10,738,632</u>	<u>\$ 9,477,299</u>	<u>\$ 454,859</u>	<u>\$ 243,970</u>	<u>\$ 11,193,491</u>	<u>\$ 9,721,269</u>

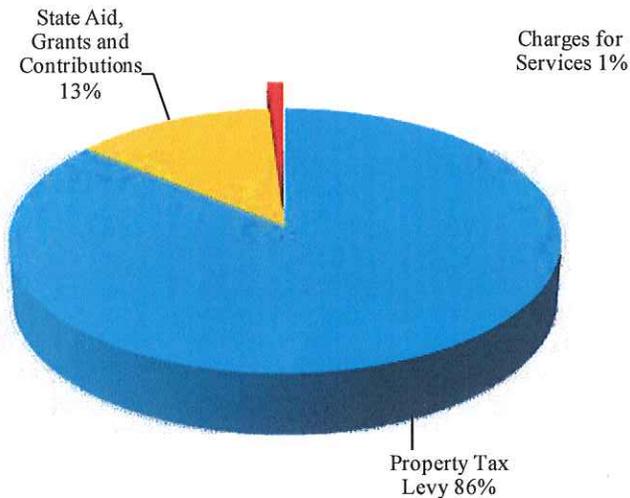
EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Management's Discussion and Analysis Year Ended June 30, 2012

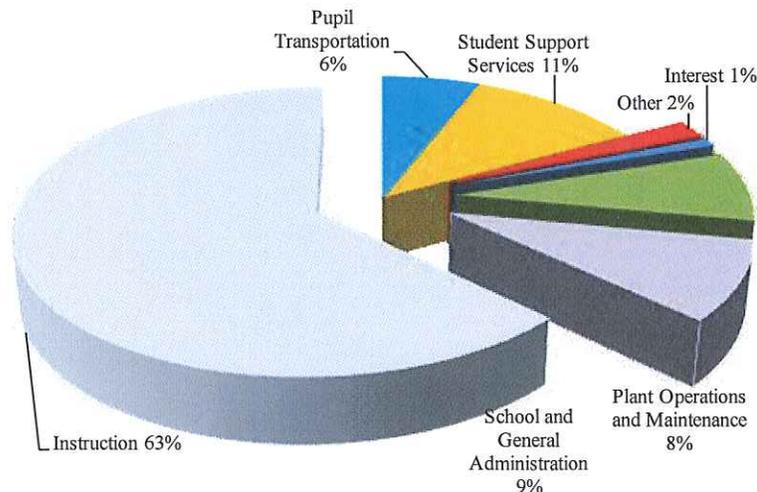
Governmental activities. The District's total governmental revenues were \$20,367,079. The local share of the revenues that included property taxes, interest and miscellaneous revenue amounted to \$17,535,988 or 86% of total revenues. Funding from state and federal sources and contributions amounted to \$2,770,642 or 13% and charges for services were \$60,449. (see Table A-2)

The District's governmental expenses are predominantly related to instruction and support services. Instruction totaled \$12,098,090 (63%); support services totaled \$6,783,179 (36%). Interest and Other Charges totaled \$224,477 (1%).

Revenues by Sources – Governmental Activities
For Fiscal Year 2012



Expenses by Type – Governmental Activities
For Fiscal Year 2012



EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Management's Discussion and Analysis
Year Ended June 30, 2012

Table A-3
Total and Net Cost of Governmental Activities
For the Fiscal Years Ended June 30, 2012 and 2011

<u>Functions/Programs</u>	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Governmental Activities				
Instruction				
Regular	\$ 7,300,500	\$ 7,273,332	\$ 6,486,180	\$ 6,473,450
Special Education	3,994,843	3,971,192	2,572,885	2,770,228
Other Instruction	659,204	689,777	544,368	558,330
School Sponsored Activities and Athletics	143,543	165,258	129,834	151,488
Support Services				
Student and Instruction Related Services	1,522,631	1,494,658	1,285,123	1,322,250
Health Services	281,827	263,871	253,044	240,669
Educational Media / School Library	260,732	230,344	234,501	211,105
General Administrative Services	450,156	459,408	417,231	430,101
School Administrative Services	1,240,938	1,111,225	1,113,312	1,011,995
Plant Operations and Maintenance	1,600,416	1,529,296	1,600,416	1,529,296
Pupil Transportation	1,031,678	1,039,319	1,018,483	1,027,192
Central Services	394,801	438,247	394,801	438,247
Interest and Other Charges	224,477	198,129	224,477	198,129
Total	<u>\$ 19,105,746</u>	<u>\$ 18,864,056</u>	<u>\$ 16,274,655</u>	<u>\$ 16,362,480</u>

Business-Type Activities – The District's total business-type activities revenues were \$570,872 for the year ended June 30, 2012. Charges for services accounted for 100% of total revenues.

Total cost of all business-type activities programs and services was \$360,045. The District's expenses are related to the milk and the after school child care program.

Total business-type activities revenues surpassed expenses, increasing net assets \$210,889 in comparison to the last year.

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Management's Discussion and Analysis
Year Ended June 30, 2012

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

As the District completed the year, its governmental funds reported a combined fund balance of \$2,469,852. At June 30, 2011, the fund balance was \$1,867,200.

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 \$20,342,410 and expenditures were \$19,739,758.

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, 2012 and 2011.

Governmental Funds Revenues

	<u>Year Ended</u> <u>6/30/2012</u>	<u>Year Ended</u> <u>6/30/2011</u>	<u>Amount of</u> <u>Increase</u> <u>(Decrease)</u>	<u>Percent</u> <u>Change</u>
Local Sources:				
Property Taxes	\$ 17,467,474	\$ 17,879,069	\$ (411,595)	-2%
Other	184,483	151,414	33,069	22%
Federal Sources	344,012	312,189	31,823	10%
State Sources	<u>2,346,441</u>	<u>2,067,982</u>	<u>278,459</u>	13%
 Total Revenues	 <u>\$ 20,342,410</u>	 <u>\$ 20,410,654</u>	 <u>\$ (68,244)</u>	 0%

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Management's Discussion and Analysis
Year Ended June 30, 2012

The following schedule represents a summary of governmental fund expenditures for the fiscal years ended June 30, 2012 and 2011.

Governmental Funds Expenditures

	<u>Year Ended</u> <u>6/30/2012</u>	<u>Year Ended</u> <u>6/30/2011</u>	<u>Amount of</u> <u>Increase</u> <u>(Decrease)</u>	<u>Percent</u> <u>Change</u>
Instruction	\$ 11,907,596	\$ 12,020,668	\$ (113,072)	-0.9%
Support Services	6,700,335	6,532,486	167,849	3%
Debt Service	871,494	1,099,207	(227,713)	-21%
Capital Outlay	<u>260,333</u>	<u>597,022</u>	<u>(336,689)</u>	-56%
 Total Expenditures	 <u>\$ 19,739,758</u>	 <u>\$ 20,249,383</u>	 <u>\$ (509,625)</u>	 -2.5%

General Fund Budgetary Highlights

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

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

Capital Assets. At the end of the fiscal years 2012 and 2011, 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, 2012

Table A-4

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Land	\$ 139,675	\$ 139,675
Construction in Progress	-	323,498
Land Improvements	84,691	53,954
Building and Building Improvements	17,903,513	17,485,072
Machinery and Equipment	<u>1,134,266</u>	<u>974,944</u>
 Total	 19,262,145	 18,977,143
 Less: Accumulated Depreciation	 <u>(4,627,353)</u>	 <u>(4,356,736)</u>
 Total	 <u>\$ 14,634,792</u>	 <u>\$ 14,620,407</u>

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

Debt Administration. As of June 30, 2012 and 2011, 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>2012</u>	<u>2011</u>
General Obligation Bonds	\$ 6,103,000	\$ 6,783,000
Compensated Absences Payable	<u>353,786</u>	<u>351,065</u>
 Total	 <u>\$ 6,456,786</u>	 <u>\$ 7,134,065</u>

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

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Management's Discussion and Analysis Year Ended June 30, 2012

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, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 2,100,965	\$ 639,046	\$ 2,740,011
Receivables, net			
Receivables from Other Governments	516,627		516,627
Other Receivables	15,400		15,400
Deferred Charge	80,176		80,176
Prepaid Expense		14,032	14,032
Internal Balances	20,223	(20,223)	-
Capital Assets, net			
Not Being Depreciated	139,675		139,675
Being Depreciated, Net	14,495,117	8,607	14,503,724
Total Assets	<u>17,368,183</u>	<u>641,462</u>	<u>18,009,645</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	85,850	4,680	90,530
Payable to Other Governments	25,678	78	25,756
Accrued Interest Payable	71,835		71,835
Unearned Revenue	66,768	181,845	248,613
Noncurrent Liabilities			
Due within one year	728,000		728,000
Due beyond one year	5,651,420	-	5,651,420
Total Liabilities	<u>6,629,551</u>	<u>186,603</u>	<u>6,816,154</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	9,018,662	8,607	9,027,269
Restricted for			
Capital Projects	378,154		378,154
Debt Service	17,877		17,877
Other Purposes	625,000		625,000
Unrestricted	698,939	446,252	1,145,191
Total Net Assets	<u>\$ 10,738,632</u>	<u>\$ 454,859</u>	<u>\$ 11,193,491</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, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction							
Regular	\$ 7,300,500	\$ 60,449	\$ 726,602	\$ 27,269	\$ (6,486,180)	\$	\$ (6,486,180)
Special Education	3,994,843		1,421,958		(2,572,885)		(2,572,885)
Other Instruction	659,204		114,836		(544,368)		(544,368)
School Sponsored Activities and Athletics	143,543		13,709		(129,834)		(129,834)
Support Services							
Student and Instruction Related Services	1,522,631		237,508		(1,285,123)		(1,285,123)
Health Services	281,827		28,783		(253,044)		(253,044)
Educational Media / School Library	260,732		26,231		(234,501)		(234,501)
General Administrative Services	450,156		32,925		(417,231)		(417,231)
School Administrative Services	1,240,938		127,626		(1,113,312)		(1,113,312)
Plant Operations and Maintenance	1,600,416				(1,600,416)		(1,600,416)
Pupil Transportation	1,031,678				(1,018,483)		(1,018,483)
Central Services	394,801				(394,801)		(394,801)
Interest and Other Charges	224,477				(224,477)		(224,477)
Total Governmental Activities	19,105,746	60,449	2,743,373	27,269	(16,274,655)	-	(16,274,655)
Business-Type Activities							
Food Service - Non-Major	21,371	13,817				\$ (7,554)	(7,554)
After School Child Care	338,674	557,055				218,381	218,381
Total Business-Type Activities	360,045	570,872	-	-	-	210,827	210,827
Total Primary Government	\$ 19,465,791	\$ 631,321	\$ 2,743,373	\$ 27,269	(16,274,655)	210,827	(16,063,828)
General Revenues							
Taxes:							
Property Taxes, levied for general purposes, net					16,670,904		16,670,904
Property Taxes, levied for debt service					796,570		796,570
Miscellaneous Income					68,514	62	68,576
Total General Revenues					17,535,988	62	17,536,050
Change in Net Assets					1,261,333	210,889	1,472,222
Net Assets, Beginning of Year					9,477,299	243,970	9,721,269
Net Assets, End of Year					\$ 10,738,632	\$ 454,859	\$ 11,193,491

FUND FINANCIAL STATEMENTS

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2012**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 1,797,479		\$ 285,609	\$ 17,877	\$ 2,100,965
Due from Other Funds	308,500				308,500
Receivables, Net					
Receivables From Other Governments	54,597	\$ 328,350	133,680		516,627
Other Receivables	-	15,400	-	-	15,400
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 2,160,576</u>	<u>\$ 343,750</u>	<u>\$ 419,289</u>	<u>\$ 17,877</u>	<u>\$ 2,941,492</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 84,206	\$ 1,644			\$ 85,850
Due to Other Funds		246,693	\$ 41,584		288,277
Payable to State Governments		11,660			11,660
Payable to Federal Governments		14,018			14,018
Deferred Revenue	2,100	69,735	-	-	71,835
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>86,306</u>	<u>343,750</u>	<u>41,584</u>	<u>-</u>	<u>471,640</u>
Fund Balance					
Restricted:					
Excess Surplus - Designated for Subsequent Year's Expenditure	44,647				44,647
Excess Surplus	248,388				248,388
Maintenance Reserve	625,000				625,000
Capital Reserve	329,777				329,777
Capital Projects			377,705		377,705
Debt Service				\$ 17,877	17,877
Assigned:					
Year-end Encumbrances	219,594				219,594
Designated for Subsequent Year's Expenditure	291,444				291,444
Unassigned	315,420	-	-	-	315,420
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>2,074,270</u>	<u>-</u>	<u>377,705</u>	<u>17,877</u>	<u>2,469,852</u>
Total Liabilities and Fund Balances	<u>\$ 2,160,576</u>	<u>\$ 343,750</u>	<u>\$ 419,289</u>	<u>\$ 17,877</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 \$19,262,145 and the accumulated depreciation is \$4,627,353. 14,634,792

The District has financed capital assets through the issuance of serial bonds. The interest accrual at year end is: (66,768)

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	\$ (6,025,634)	
Less: Deferred charge for issuance costs	80,176	
Compensated Absences	<u>(353,786)</u>	
		<u>(6,299,244)</u>

Net assets of governmental activities \$ 10,738,632

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local Sources					
Property Tax Levy	\$ 16,670,904			\$ 796,570	\$ 17,467,474
Tuition	60,449				60,449
Miscellaneous	<u>68,514</u>	<u>\$ 55,520</u>	<u>-</u>	<u>-</u>	<u>124,034</u>
Total - Local Sources	16,799,867	55,520	-	796,570	17,651,957
Intergovernmental					
State Sources	2,291,049	55,392			2,346,441
Federal Sources	<u>35,961</u>	<u>308,051</u>	<u>-</u>	<u>-</u>	<u>344,012</u>
Total Revenues	<u>19,126,877</u>	<u>418,963</u>	<u>-</u>	<u>796,570</u>	<u>20,342,410</u>
EXPENDITURES					
Current					
Instruction					
Regular Instruction	7,158,944	17,386			7,176,330
Special Education Instruction	3,693,758	247,407			3,941,165
Other Instruction	592,643	56,315			648,958
School-Sponsored Activities and Athletics	141,143				141,143
Support Services					
Student and Instruction Related Services	1,408,767	95,255			1,504,022
Health Services	276,788				276,788
Educational Media/School Library	256,139				256,139
General Administrative Services	444,392				444,392
School Administrative Services	1,218,594				1,218,594
Plant Operations and Maintenance	1,579,941				1,579,941
Pupil Transportation	1,028,368				1,028,368
Central Services	392,091				392,091
Debt Service					
Principal				680,000	680,000
Interest and Other Charges	28,748			162,746	191,494
Capital Outlay	<u>172,424</u>	<u>2,600</u>	<u>\$ 85,309</u>	<u>-</u>	<u>260,333</u>
Total Expenditures	<u>18,392,740</u>	<u>418,963</u>	<u>85,309</u>	<u>842,746</u>	<u>19,739,758</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>734,137</u>	<u>-</u>	<u>(85,309)</u>	<u>(46,176)</u>	<u>602,652</u>
Fund Balance, Beginning of Year	<u>1,340,133</u>	<u>-</u>	<u>463,014</u>	<u>64,053</u>	<u>1,867,200</u>
Fund Balance, End of Year	<u>\$ 2,074,270</u>	<u>\$ -</u>	<u>\$ 377,705</u>	<u>\$ 17,877</u>	<u>\$ 2,469,852</u>

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, 2012**

Total net change in fund balances - governmental funds (Exhibit B-2) \$ 602,652

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 and donated assets exceeds depreciation in the current period.

Capital Outlay	\$	260,333	
Donated Capital Assets		24,669	
Depreciation Expense		<u>(270,617)</u>	
			14,385

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 (accrued):

Compensated Absences	(2,721)
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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.

Reduction of Long Term Debt	\$	680,000	
Amortization of Bond Premium		4,353	
Amortization of Deferred Amounts on Refunding		(24,145)	
Amortization of Cost of Issuance		<u>(21,014)</u>	
			639,194

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>7,823</u>
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Change in net assets of governmental activities \$ 1,261,333

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 AS OF JUNE 30, 2012**

	Business-Type Activities		Total
	Non-Major Enterprise Funds	After School Child Care Program Enterprise Fund	
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 19,532	\$ 619,514	\$ 639,046
Prepaid Expense	-	14,032	14,032
Total Current Assets	<u>19,532</u>	<u>633,546</u>	<u>653,078</u>
Noncurrent Assets			
Equipment	80,035		80,035
Less: Accumulated Depreciation	<u>(71,428)</u>	<u>-</u>	<u>(71,428)</u>
Total Noncurrent Assets	<u>8,607</u>	<u>-</u>	<u>8,607</u>
Total Assets	<u>28,139</u>	<u>633,546</u>	<u>661,685</u>
LIABILITIES			
Current Liabilities			
Intergovernmental Payable	78		78
Due to Other Funds		20,223	20,223
Accounts Payable	4,357	323	4,680
Unearned Revenue	<u>-</u>	<u>181,845</u>	<u>181,845</u>
Total Current Liabilities	<u>4,435</u>	<u>202,391</u>	<u>206,826</u>
NET ASSETS			
Invested in Capital Assets	8,607		8,607
Unrestricted	<u>15,097</u>	<u>431,155</u>	<u>446,252</u>
Total Net Assets	<u>\$ 23,704</u>	<u>\$ 431,155</u>	<u>\$ 454,859</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, 2012**

	Business-Type Activities		Total
	Non-Major Enterprise Funds	After School Child Care Program Enterprise Fund	
OPERATING REVENUES			
Charges for Services			
Daily Sales	\$ 13,817		\$ 13,817
Program Fees	-	\$ 557,055	557,055
Total Operating Revenues	13,817	557,055	570,872
OPERATING EXPENSES			
Salaries and Benefits		239,075	239,075
Cost of Sales	16,705		16,705
Professional Services		26,509	26,509
Field Trips		35,485	35,485
Depreciation	4,666		
Supplies	-	37,605	37,605
Total Operating Expenses	21,371	338,674	360,045
Operating Income/ <Loss>	(7,554)	218,381	210,827
NONOPERATING REVENUES			
Interest Earnings	-	62	62
Total Nonoperating Revenues	-	62	62
Change in Net Assets	(7,554)	218,443	210,889
Total Net Assets, Beginning of Year	31,258	212,712	243,970
Total Net Assets, End of Year	\$ 23,704	\$ 431,155	\$ 454,859

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Business-Type Activities		<u>Total</u>
	<u>Non-Major Enterprise Funds</u>	<u>After School Child Care Program Enterprise Fund</u>	
Cash Flows from Operating Activities			
Cash Received from Customers	\$ 13,817	\$ 588,111	\$ 601,928
Cash Payments to Suppliers for Goods and Services	(18,076)	(522,452)	(540,528)
Net Cash Provided by/ <used for> Operating Activities	(4,259)	65,659	61,400
Cash Flows from Investing Activities			
Interest Earnings	-	62	62
Net Cash Provided by Investing Activities	-	62	62
Cash Flows from Capital Financing Activities			
Purchase of Capital Assets	(5,180)	-	(5,180)
Net Cash Provided by/ <used for> Noncapital Financing Activities	(5,180)	-	(5,180)
Net Increase/ (decrease) in Cash and Cash Equivalents	(9,439)	65,721	56,282
Cash and Cash Equivalents, Beginning of Year	28,971	553,793	582,764
Cash and Cash Equivalents, End of Year	\$ 19,532	\$ 619,514	\$ 639,046
Reconciliation of Operating Income/ <Loss> to Net Cash Provided by/ <used for> Operating Activities			
Operating Income/ <Loss>	\$ (7,554)	\$ 218,381	\$ 210,827
Adjustments to Reconcile Operating Income/ <Loss> to Net Cash Provided by/ <used for> Operating Activities			
Depreciation	4,666		
Change in Assets and Liabilities			
(Increase)/Decrease in Prepaid Expense		(8,092)	(8,092)
Increase/ (Decrease) in Unearned Revenue		31,056	31,056
Increase/ (Decrease) in Interfund	(5,116)	(172,849)	(177,965)
Increase/ (Decrease) in Accounts Payable	3,745	(2,837)	908
Total Adjustments	3,295	(152,722)	(149,427)
Net Cash Provided by/ <used for> Operating Activities	\$ (4,259)	\$ 65,659	\$ 61,400

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
AS OF JUNE 30, 2012**

	Unemployment Compensation <u>Trust Fund</u>	<u>Agency Fund</u>
ASSETS		
Cash	\$ 107,906	\$ 93,608
Total Assets	<u>107,906</u>	<u>\$ 93,608</u>
LIABILITIES		
Payroll Deductions and Withholdings		\$ 6,869
Accrued Salary and Wages		774
Intergovernmental Payable	12,388	
Due to Student Groups	<u>-</u>	<u>85,965</u>
Total Liabilities	<u>12,388</u>	<u>\$ 93,608</u>
NET ASSETS		
Held In Trust For Unemployment Claims	<u>\$ 95,518</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, 2012**

	Unemployment Compensation <u>Trust Fund</u>
ADDITIONS	
Contributions	
Employees	\$ <u>16,062</u>
Total Additions	<u>16,062</u>
DEDUCTIONS	
Unemployment Claims	<u>62,053</u>
Total Deductions	<u>62,053</u>
Change in Net Assets	(45,991)
Net Assets, Beginning of Year	<u>141,509</u>
Net Assets, End of Year	<u>\$ 95,518</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, 2012**

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements (Continued)

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Board of Education. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the statement of net 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.

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

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

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

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements with the exception of the agency fund which does not have a measurement focus. All assets 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.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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 capital facilities and other capital assets, other than those financed by the proprietary funds.

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 are organized to be self-supporting through user charges:

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

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

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

Additionally, the government reports the following fund types:

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.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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 enterprise fund, and after school child care enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 2010-2011 and 2011-2012 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.

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 1st in the year following the calendar year levy when the same became in arrears, the tax collector of the municipality shall, subject to the provisions of New Jersey Statute, enforce the lien by placing the property on a tax sale. The municipality may institute annual "in rem" tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property.

3. *Inventories*

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

4. *Prepaid Items*

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. *Capital Assets*

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

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

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

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

6. *Compensated Absences*

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused sick leave benefits. A long-term liability of accumulated sick leave, 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.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

8. *Fund Equity*

With the implementation of GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions* during fiscal year 2011, fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Fund balance categories are designed to make the nature and extent of the constraints placed on the District's fund balance more transparent. These categories are comprised of a hierarchy based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

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

Reserved Excess Surplus – Designated for Subsequent Year's Expenditures - This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2011 audited excess surplus that was appropriated in the 2012/2013 original budget certified for taxes.

Reserved Excess Surplus – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2012 audited excess surplus that is required to be appropriated in the 2013/2014 original budget certified for taxes.

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

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.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. Fund Equity (Continued)

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.

Designated for Subsequent Year's Expenditures – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2012/2013 District budget certified for taxes.

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

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

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.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption 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 2011/2012. During 2011/2012 the Board increased the original budget by \$715,685. The increase was funded by additional surplus appropriated, grant awards and the reappropriation of prior year general fund encumbrances.

On January 17, 2012, Chapter 202 of the Laws of P.L. 2011 was approved which established procedures for moving the date of a school district's annual school election from April to the general election in November. Under the new law, districts that have their school board members elected in November no longer have to submit their budgets that meet levy cap requirements for voter approval beginning with the 2012/2013 budget year. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot. On February 13, 2012, the Board adopted a resolution to move its annual election to the date of the general elections in accordance with the law.

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

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

B. Capital Reserve

A capital reserve account was established by the District 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.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Capital Reserve Account (Delete if no Capital Reserve) (Continued)

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, 2012 is as follows:

Balance, July 1, 2011	\$ 179,777
Increase By:	
Deposits Approved by Board Resolution	<u>150,000</u>
Balance, June 30, 2012	<u>\$ 329,777</u>

The June 30, 2012 LRFP 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.

C. Transfers to Capital Outlay

During the 2011/2012 school year, the district transferred \$53,643 to the capital outlay accounts. The transfer was approved by the County Superintendent to support an emergent circumstance pursuant to N.J.A.C. 6A:23A-13.3(h).

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, 2012 is \$293,035. Of this amount, \$44,647 was designated and appropriated in the 2012/2013 original budget certified for taxes and the remaining amount of \$248,388 will be appropriated in the 2013/2014 original budget certified for taxes.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2012, the book value of the Board's deposits was \$2,941,525 and bank balances of the Board's cash and deposits amounted to \$3,306,793. 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>3,306,793</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, 2012 the Board's bank balances were not was exposed to custodial credit risk.

Investments

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

As of June 30, 2012, the Board had no outstanding investments.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

B. Receivables

Receivables as of June 30, 2012 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	\$ 54,597	\$ 328,349	\$ 133,680	\$ 516,626
Other	<u>-</u>	<u>15,400</u>	<u>-</u>	<u>15,400</u>
Gross Receivables	54,597	343,749	133,680	532,026
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 54,597</u>	<u>\$ 343,749</u>	<u>\$ 133,680</u>	<u>\$ 532,026</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>
General Fund	
Tuition Charges Receivable	\$ 2,100
Special Revenue Fund	
Grant Draw Downs Reserved to Encumbrances	15,865
Unencumbered Grant Draw Downs	<u>53,870</u>
Total Deferred Revenue for Governmental Funds	<u>\$ 71,835</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

	<u>Balance, July 1, 2011</u>	<u>Increases</u>	<u>Decreases/ Adjustments</u>	<u>Balance June 30, 2012</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 139,675			\$ 139,675
Construction in Progress	<u>323,498</u>	<u>-</u>	<u>\$ (323,498)</u>	<u>-</u>
Total Capital Assets, Not Being Depreciated	<u>463,173</u>	<u>-</u>	<u>(323,498)</u>	<u>139,675</u>
Capital Assets, Being Depreciated:				
Land Improvements	53,954	\$ 30,737		84,691
Building and Building Improvements	17,485,072	94,943	323,498	17,903,513
Machinery and Equipment	<u>974,944</u>	<u>159,322</u>	<u>-</u>	<u>1,134,266</u>
Total Capital Assets Being Depreciated	<u>18,513,970</u>	<u>285,002</u>	<u>323,498</u>	<u>19,122,470</u>
Less Accumulated Depreciation for:				
Land Improvements	(46,752)	(2,867)		(49,619)
Building and Building Improvements	(3,505,970)	(230,225)		(3,736,195)
Machinery and Equipment	<u>(804,014)</u>	<u>(37,525)</u>	<u>-</u>	<u>(841,539)</u>
Total Accumulated Depreciation	<u>(4,356,736)</u>	<u>(270,617)</u>	<u>-</u>	<u>(4,627,353)</u>
Total Capital Assets, Being Depreciated, Net	<u>14,157,234</u>	<u>14,385</u>	<u>323,498</u>	<u>14,495,117</u>
Government Activities Capital Assets, Net	<u>\$ 14,620,407</u>	<u>\$ 14,385</u>	<u>\$ -</u>	<u>\$ 14,634,792</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

	Balance, <u>July 1, 2011</u>	<u>Increases</u>	Decreases/ <u>Adjustments</u>	Balance <u>June 30, 2012</u>
Business-Type Activities:				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 74,855	\$ 5,180	-	\$ 80,035
Total Capital Assets Being Depreciated	<u>74,855</u>	<u>5,180</u>	<u>-</u>	<u>80,035</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	(66,762)	(4,666)	-	(71,428)
Total Accumulated Depreciation	<u>(66,762)</u>	<u>(4,666)</u>	<u>-</u>	<u>(71,428)</u>
Total Capital Assets, Being Depreciated, Net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-Type Activities Capital Assets, Net	<u>\$ 8,093</u>	<u>\$ 514</u>	<u>\$ -</u>	<u>\$ 8,607</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

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

Governmental Activities:

Instruction

Regular	\$ 122,933
Special	53,144
Other Instruction	10,144
School-Sponsored	<u>2,376</u>
 Total Instruction	 <u>188,597</u>

Support Services

Student and Instruction Related Services	18,424
Health Services	4,989
Educational Media / School Library	4,547
General Administration	5,707
School Administration	22,122
Operations and Maintenance of Plant	20,271
Student Transportation	3,277
Central Services	<u>2,683</u>
 Total Support Services	 <u>82,020</u>

Total Depreciation Expense - Governmental Activities	<u>\$ 270,617</u>
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Business Type Activities:

Food Service Fund	<u>\$ 4,666</u>
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Total Depreciation Expense - Business Type Activities	<u>\$ 4,666</u>
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**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

Construction and Other Significant Commitments

The District has the following active construction projects as of June 30, 2012:

<u>Project</u>	<u>Remaining Commitment</u>
Additions and Renovations to Central School, Frank J. Smith School and Middle School	\$ 329,328
Auditorium Seating and Hallway Locker Replacement	<u>48,377</u>
	<u>\$ 377,705</u>

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2012, is as follows:

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 246,693
General Fund	After School Child Care Program	20,223
General Fund	Capital Projects Fund	<u>41,584</u>
		<u>\$ 308,500</u>

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

The above balances are the result of expenditures paid by one fund on behalf of another fund and to cover cash balances which were in an overdraft position.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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, 2012 are comprised of the following issues:

\$953,000, 2007 Bonds, due in annual installments of \$253,000 through August 1, 2012, interest at 4.10%	\$ 253,000
\$6,355,000, 2012 Refunding Bonds, due in annual installments of \$475,000 to \$575,000 through January 15, 2023, interest at 1.50% to 3.00%	<u>5,850,000</u>
	<u>\$6,103,000</u>

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

Governmental Activities:

Fiscal Year Ending June 30,	<u>Serial Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
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	520,000	101,663	621,663
2018-2022	2,810,000	320,638	3,130,638
2023	<u>555,000</u>	<u>16,650</u>	<u>571,650</u>
	<u>\$ 6,103,000</u>	<u>\$ 950,087</u>	<u>\$ 7,053,087</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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, 2012 was as follows:

3% of Equalized Valuation Basis (Municipal)	\$ 115,255,469
Less: Net Debt	<u>6,103,000</u>
Remaining Borrowing Power	<u>\$ 109,152,469</u>

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2012, was as follows:

	Balance, <u>July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance, <u>June 30, 2012</u>	Due Within <u>One Year</u>
Governmental Activities:					
Bonds Payable	\$ 6,783,000		\$ 680,000	\$ 6,103,000	\$ 728,000
Deferred Amounts					
Add; Original Issue Premium	21,369		4,353	17,016	
Less: Refunding Escrow	<u>(118,527)</u>	<u>-</u>	<u>(24,145)</u>	<u>(94,382)</u>	<u>-</u>
Total Bonds Payable	6,685,842	-	660,208	6,025,634	728,000
Compensated Absences	<u>351,065</u>	<u>\$ 49,330</u>	<u>46,609</u>	<u>353,786</u>	<u>-</u>
Governmental Activity					
Long-Term Liabilities	<u>\$ 7,036,907</u>	<u>\$ 49,330</u>	<u>\$ 706,817</u>	<u>\$ 6,379,420</u>	<u>\$ 728,000</u>

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, 2012**

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' students accident, termination of employees and natural disasters.

The relationship between the Board and the insurance funds 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 funds, to report claims on a timely basis, cooperate with the management of the funds, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the funds. Members have a contractual obligation to fund any deficit of the funds 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 respective insurance funds are on file with the School's Business Administrator.

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

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

Fiscal Year Ended June 30,	District Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2012		\$ 16,062	\$ 62,053	\$ 95,518
2011	\$ 100,000	27,191	100,094	141,509
2010	64,818	21,474	54,004	114,334

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.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 5 OTHER INFORMATION (Continued)

B. Contingent Liabilities (Continued)

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, 2012, 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, 2012, the District has not estimated its arbitrage earnings due to the IRS, if any.

D. Employee Retirement Systems and Pension Plans

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

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

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.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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.

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, 2012**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Significant Legislation

P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which TPAF and PERS operate and to the benefit provisions of those systems.

This new legislation's provisions impacting employee pension and health benefits include:

- New members of TPAF and PERS hired on or after June 28, 2011 (Tier 5 members), will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ to 1 percent for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the TPAF and PERS is increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60 percent instead of 65 percent of the member's final compensation plus 1 percent for each year of creditable service over 25 years but not to exceed 30 years.
- Active member contribution rates will increase. TPAF and PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years. For Fiscal Year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contributions for TPAF and PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.

In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Funding Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 70.5 percent with an unfunded actuarial accrued liability of \$36.3 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 65.2 percent and \$25.6 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and Police and Firemen's Retirement System ("PFRS") is 78.5 percent and \$10.7 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, 2012**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Actuarial Methods and Assumptions

In the July 1, 2010 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 5.91 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 6.5% for PERS, 6.5% 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, 2012 for TPAF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended June 30, 2012, 2011 and 2010 the Board was required to contribute for PERS and DCRP and the State of New Jersey was required to contribute for TPAF for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Fiscal Year Ended <u>June 30,</u>	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2012	\$ 211,245	\$ 265,094	\$ 1,380
2011	202,811	26,028	
2010	172,584	30,103	

During the previous two fiscal years, the State of New Jersey did not contribute to the TPAF for normal cost and accrued liability. The State contributed \$265,094 during 2011/2012 for normal cost pension, accrued liability and the NCGI premium. For fiscal years 2010/2011 and 2009/2010, the State contributed \$26,028 and \$30,103, 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 \$611,896 during the year ended June 30, 2012 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, 2012**

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 547 state and local participating employers and contributing entities for Fiscal Year 2011.

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.

Basis of Accounting

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

Significant Legislation

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 4 OTHER INFORMATION (Continued)

E. 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 July 1, 2010, the most recent actuarial valuation date, the State had a \$59.3 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$21.1 billion for state active and retired members and \$38.2 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 July 1, 2010, 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, 2011, there were 93,323 retirees receiving post-retirement medical benefits and the State contributed \$935.5 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 \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in fiscal year 2011.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 4 OTHER INFORMATION (Continued)

E. 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, 2012, 2011 and 2010 were \$532,910, \$552,831 and \$565,372, 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, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
REVENUES					
Local Sources					
Local Tax Levy	\$ 16,670,904		\$ 16,670,904	\$ 16,670,904	
Tuition	49,300		49,300	60,449	\$ 11,149
Interest on Capital Reserve	100		100		(100)
Miscellaneous	18,000	-	18,000	68,514	50,514
Total Local Sources	<u>16,738,304</u>	<u>-</u>	<u>16,738,304</u>	<u>16,799,867</u>	<u>61,563</u>
State Sources					
Special Education Aid	342,753		342,753	520,365	177,612
Extraordinary Aid				338,897	338,897
Nonpublic School Transportation Aid				13,195	13,195
On-behalf TPAF Pension Payments (Non-Budget)				239,403	239,403
On-behalf TPAF Pension Payments - NCGI Premium (Non-Budget)				25,691	25,691
On-behalf TPAF Pension Payments - Post Retirement Medical (Non-Budget)				532,910	532,910
On-behalf TPAF Social Security Payments (Non-Budget)	-	-	-	611,896	611,896
Total State Sources	<u>342,753</u>	<u>-</u>	<u>342,753</u>	<u>2,282,357</u>	<u>1,939,604</u>
Federal Sources					
Education Jobs Fund Program	34,869	\$ 1,092	35,961	35,961	-
Total Federal Sources	<u>34,869</u>	<u>1,092</u>	<u>35,961</u>	<u>35,961</u>	<u>-</u>
Total Revenues	<u>17,115,926</u>	<u>1,092</u>	<u>17,117,018</u>	<u>19,118,185</u>	<u>2,001,167</u>
Instruction - Regular Programs					
Salaries of Teachers					
Kindergarten	150,555	28,787	179,342	179,342	-
Grades 1-5	2,578,224	(36,119)	2,542,105	2,506,659	35,446
Grades 6-8	2,107,893	48,405	2,156,298	2,156,298	-
Regular Program - Home Instruction					
Salaries of Teachers	500	694	1,194	1,194	-
Regular Programs - Undistributed Instruction					
Purchased Technical Services	30,000	(15,765)	14,235	13,505	730
Other Purchased Services	54,393	(605)	53,788	51,265	2,523
General Supplies	201,021	119,083	320,104	280,108	39,996
Textbooks		64,951	64,951	64,951	-
Other Objects	16,850	(8,094)	8,756	6,174	2,582
Total Regular Programs	<u>5,139,436</u>	<u>201,337</u>	<u>5,340,773</u>	<u>5,259,496</u>	<u>81,277</u>
Special Education					
Learning and Language Disabilities					
Salaries of Teachers	-	25,042	25,042	24,810	232
Total Learning and Language Disabilities	<u>-</u>	<u>25,042</u>	<u>25,042</u>	<u>24,810</u>	<u>232</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Special Education (Continued)					
Auditory Impairments					
Salaries of Teachers	-	\$ 59,585	\$ 59,585	\$ 59,585	-
Total Auditory Impairments	-	59,585	59,585	59,585	-
Multiple Disabilities					
Salaries of Teachers	-	94,346	94,346	93,494	\$ 852
Total Multiple Disabilities	-	94,346	94,346	93,494	852
Resource Room					
Salaries of Teachers	\$ 1,489,945	(140,665)	1,349,280	1,349,280	-
Other Salaries for Instruction	311,429	(108,851)	202,578	202,578	-
General Supplies	8,400	705	9,105	9,105	-
Total Resource Room	1,809,774	(248,811)	1,560,963	1,560,963	-
Autism					
Salaries of Teachers	-	142,274	142,274	142,071	203
Total Autism	-	142,274	142,274	142,071	203
Preschool Disabilities - Part-Time					
Salaries of Teachers	123,565	225	123,790	123,790	-
Other Salaries for Instruction	117,417	(19,168)	98,249	98,249	-
General Supplies	2,000	(474)	1,526	1,526	-
Total Preschool Disabilities - Part-Time	242,982	(19,417)	223,565	223,565	-
Total Special Education	2,052,756	53,019	2,105,775	2,104,488	1,287
Basic Skills/Remedial					
Salaries of Teachers	237,327	4,865	242,192	241,922	270
General Supplies	200	(200)	-	-	-
Total Basic Skills/Remedial	237,527	4,665	242,192	241,922	270
Bilingual Education					
Salaries of Teachers	97,870	-	97,870	97,850	20
Purchased Professional-Educational Services	700	(700)	-	-	-
General Supplies	-	600	600	-	600
Total Bilingual Education	98,570	(100)	98,470	97,850	620
School Sponsored Cocurricular Activities					
Salaries	11,917	35,990	47,907	47,907	-
Supplies and Materials	300	-	300	-	300
Total School Sponsored Cocurricular Activities	12,217	35,990	48,207	47,907	300

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
School Sponsored Athletics					
Salaries	\$ 80,518	\$ (34,798)	\$ 45,720	\$ 45,720	-
Purchased Services	6,500	-	6,500	6,500	-
Supplies and Materials	4,300	139	4,439	4,439	-
Other Objects	1,500	(1,500)	-	-	-
Total School Sponsored Cocurricular Activities	<u>92,818</u>	<u>(36,159)</u>	<u>56,659</u>	<u>56,659</u>	<u>-</u>
Before & After School Programs- Instruction					
Salaries of Teachers	32,500	(19,125)	13,375	6,383	\$ 6,992
Total Before & After School Programs	<u>32,500</u>	<u>(19,125)</u>	<u>13,375</u>	<u>6,383</u>	<u>6,992</u>
Summer School - Instruction					
Salaries of Teachers	34,628	-	34,628	30,774	3,854
Other Salaries for Instruction	20,160	2,576	22,736	22,736	-
Purchased Prof. & Tech. Services	42,548	(5,593)	36,955	35,780	1,175
General Supplies	500	(37)	463	463	-
Total Summer School	<u>97,836</u>	<u>(3,054)</u>	<u>94,782</u>	<u>89,753</u>	<u>5,029</u>
Total Instruction	<u>7,763,660</u>	<u>236,573</u>	<u>8,000,233</u>	<u>7,904,458</u>	<u>95,775</u>
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs Within the State-Special		100	100	100	
Tuition to Priv. Sch. for the Disabled- Within the State	935,597	(82,564)	853,033	768,032	85,001
Total Undistributed Expenditures - Instruction	<u>935,597</u>	<u>(82,464)</u>	<u>853,133</u>	<u>768,132</u>	<u>85,001</u>
Health Services					
Salaries	195,880	690	196,570	196,570	-
Other Purchased Services	200	147	347	13	334
Supplies and Materials	3,200	211	3,411	3,411	-
Total Health Services	<u>199,280</u>	<u>1,048</u>	<u>200,328</u>	<u>199,994</u>	<u>334</u>
Speech, OT, PT and Related Services					
Salaries	396,976	(112,280)	284,696	282,294	2,402
Purchased Professional-Educational Services	9,400	330,541	339,941	337,880	2,061
Supplies and Materials	5,000	3,999	8,999	4,848	4,151
Total OT, PT and Related Services	<u>411,376</u>	<u>222,260</u>	<u>633,636</u>	<u>625,022</u>	<u>8,614</u>
Guidance					
Salaries of Other Professional Staff	120,330	4,025	124,355	124,355	-
Other Purchased Prof. and Tech. Services	2,990	-	2,990	-	2,990
Supplies and Materials	4,510	3,288	7,798	7,798	-
Total Guidance	<u>127,830</u>	<u>7,313</u>	<u>135,143</u>	<u>132,153</u>	<u>2,990</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Child Study Teams					
Salaries of Other Professional Staff	\$ 252,037	\$ 1,048	\$ 253,085	\$ 253,085	-
Salaries of Secretarial and Clerical Assistants	51,620	100	51,720	51,720	-
Other Salaries	11,683	2,773	14,456	14,456	-
Purchased Professional-Educational Services	331,484	(103,658)	227,826	9,403	\$ 218,423
Miscellaneous Purchased Services	1,750	556	2,306	2,306	-
Supplies and Materials	3,600	245	3,845	3,845	-
Other Objects	3,500	(3,231)	269	-	269
Total Child Study Teams	655,674	(102,167)	553,507	334,815	218,692
Improvement of Instructional Services					
Other Salaries	8,000	(8,000)	-	-	-
Total Child Study Teams	8,000	(8,000)	-	-	-
Educational Media Services/School Library					
Salaries	130,675	-	130,675	128,982	1,693
Salaries of Technology Coordinators	53,245	(3,083)	50,162	50,162	-
Other Purchased Services	5,081	1,140	6,221	-	6,221
Supplies and Materials	9,250	12	9,262	7,009	2,253
Supplies and Materials	1,900	(1,900)	-	-	-
Total Educational Media Serv./School Library	200,151	(3,831)	196,320	186,153	10,167
Instructional Staff Training Services					
Purchased Professional-Educational Services		30,579	30,579	30,579	-
Other Purchased Services		3,500	3,500	1,522	1,978
Supplies and Materials	1,000	-	1,000	-	1,000
Other Objects	1,170	(1,170)	-	-	-
Total Instructional Staff Training Services	2,170	32,909	35,079	32,101	2,978
Support Services General Administration					
Salaries	248,806	(23,950)	224,856	224,856	-
Legal Services	35,000	(9,280)	25,720	16,831	8,889
Audit Fees	32,000	30,500	62,500	30,430	32,070
Other Purchased Professional Services	7,990	(1,572)	6,418	5,393	1,025
Communications/Telephone	36,000	3,685	39,685	37,498	2,187
BOE Other Purchased Services	9,122	1,829	10,951	10,939	12
Miscellaneous Purchased Services	29,965	1,129	31,094	8,094	23,000
General Supplies	3,850	(646)	3,204	2,804	400
Miscellaneous Expenditures	9,060	(318)	8,742	8,284	458
BOE Membership Dues and Fees	9,428	1,990	11,418	11,418	-
Total Support Services General Administration	421,221	3,367	424,588	356,547	68,041
Support Services School Administration					
Salaries of Principal/Asst. Principals	411,030	60,134	471,164	471,164	-
Salaries Other Prof. Staff	131,786	(1,040)	130,746	130,746	-
Salaries of Secretarial and Clerical Assistants	268,735	963	269,698	269,698	-
Other Purchased Services	600	2,940	3,540	1,841	1,699
Supplies and Materials	-	6,143	6,143	3,331	2,812
Total Support Services School Administration	812,151	69,140	881,291	876,780	4,511

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Central Services					
Salaries	\$ 105,672	\$ 25	\$ 105,697	\$ 105,697	-
Purchased Professional Services	129,256	28,470	157,726	129,256	\$ 28,470
Purchased Technical Services	15,500	998	16,498	16,498	-
Miscellaneous Purchased Services	5,454	(2,106)	3,348	3,348	-
Supplies and Materials	9,000	1,755	10,755	9,891	864
Other Objects	2,450	(1,083)	1,367	1,290	77
Total Central Services	267,332	28,059	295,391	265,980	29,411
Admin. Info. Tech.					
Salaries	50,000	(50,000)			
Purchased Technical Services	50,000	31,504	81,504	81,504	
Supplies and Materials	10,650	6,501	17,151	17,151	-
Other Objects	1,975	(335)	1,640	1,640	-
Total Admin. Info. Tech.	112,625	(12,330)	100,295	100,295	-
Required Maintenance for School Facilities					
Salaries	210,396	3,742	214,138	214,138	-
Cleaning, Repair and Maintenance	52,400	47,707	100,107	86,505	13,602
General Supplies	20,000	(3,827)	16,173	13,224	2,949
Other Objects	500	-	500	-	500
Total Required Maintenance for School Fac.	283,296	47,622	330,918	313,867	17,051
Custodial Services					
Salaries	577,374	10,076	587,450	584,517	2,933
Purchased Prof. And Technical Serv.	2,000	33,320	35,320	35,320	-
Cleaning, Repair and Maint. Serv.	22,000	34,907	56,907	45,376	11,531
Insurance	51,844	37,120	88,964	88,964	-
General Supplies	46,000	8,065	54,065	50,051	4,014
Energy (Natural Gas)	400,000	(132,588)	267,412	265,026	2,386
Other Objects	400	1,353	1,753	1,753	-
Total Custodial Services	1,099,618	(7,747)	1,091,871	1,071,007	20,864
Student Transportation Services					
Salaries - Pupil Transportation (Between Home & School) - Regular	144,842	(12,973)	131,869	129,111	2,758
Management Fee	1,569	-	1,569	1,569	1,569
Cleaning, Repair & Maint. Svc.	2,000	-	2,000	1,843	157
Contracted Services - Aid in Lieu of Payments - Non-Public Schools	46,000	8,380	54,380	54,380	-
Contracted Services-Vendors (Between Home and School - Joint Agreements)	556,543	-	556,543	555,306	1,237
Contracted Services-Vendors (Other than Bet Home and School - Joint Agreements)	29,400	(6,369)	23,031	23,031	-
Contracted Service (Spl. Ed.) - ESCs	223,100	35,074	258,174	228,813	29,361
Misc. Purchased Svc. - Transportation	18,929	(18,929)			-
Supplies and Materials	4,000	349	4,349	4,349	-
Total Student Transportation Services	1,026,383	5,532	1,031,915	996,833	35,082

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Unallocated Benefits - Employee Benefits					
Social Security Contributions	\$ 230,000	\$ (7,132)	\$ 222,868	\$ 216,197	\$ 6,671
Other Retirement Contributions - PERS	228,000	(9,615)	218,385	212,625	5,760
Workmen's Compensation	112,000	(9,401)	102,599	102,599	-
Health Benefits	2,108,072	(64,019)	2,044,053	2,024,249	19,804
Tuition Reimbursement	40,000	(26,650)	13,350	13,350	-
Other Employee Benefits	73,355	(21,746)	51,609	48,511	3,098
Total Unallocated Benefits - Employee Benefits	2,791,427	(138,563)	2,652,864	2,617,531	35,333
On-behalf TPAF Pension Payments (Non-Budget)				239,403	(239,403)
On-behalf TPAF Pension Payments - NCGI Premium (Non-Budget)				25,691	(25,691)
On-behalf TPAF Pension Payments - Post Retirement Medical (Non-Budget)				532,910	(532,910)
On-behalf TPAF Social Security Payments (Non-Budget)	-	-	-	611,896	(611,896)
Total Undistributed Expenditures	9,354,131	62,148	9,416,279	10,287,110	(870,831)
Total Expenditures - Current Expenditures	17,117,791	298,721	17,416,512	18,191,568	(775,056)
CAPITAL OUTLAY					
Equipment					
Grades 1 - 5		11,340	11,340	11,340	-
Grades 6 - 8		82,256	82,256	73,260	8,996
Undistributed Expenditures:					
Instruction		78,391	78,391	20,735	57,656
Equipment Maintenance		70,203	70,203	31,689	38,514
General Administration	-	2,698	2,698	2,698	-
Total Equipment	-	244,888	244,888	139,722	105,166
Facilities Acquisition and Construction Services					
Construction Services		53,643	53,643	32,702	20,941
Debt Service Assessment	28,748	-	28,748	28,748	-
Total Facilities Acquisition and Construction Services	28,748	53,643	82,391	61,450	20,941
Increase in Capital Reserve	100	-	100	-	100
Total Increase in Capital Reserve	100	-	100	-	100
Total Capital Outlay	28,848	298,531	327,379	201,172	126,207

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Total Expenditures	\$ 17,146,639	\$ 597,252	\$ 17,743,891	\$ 18,392,740	\$ (648,849)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(30,713)	(596,160)	(626,873)	725,445	1,352,318
Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Sources	(30,713)	(596,160)	(626,873)	725,445	1,352,318
Fund Balance, Beginning of Year	1,725,154	-	1,725,154	1,725,154	-
Fund Balance, End of Year	\$ 1,694,441	\$ (596,160)	\$ 1,098,281	\$ 2,450,599	\$ 1,352,318
Recapitulation of Fund Balance					
Restricted Fund Balance:					
Excess Surplus				\$ 248,388	
Excess Surplus - Designated for Subsequent Year's Expenditures				44,647	
Maintenance Reserve				625,000	
Capital Reserve				329,777	
Assigned Fund Balance:					
Year-End Encumbrances				219,594	
Designated for Subsequent Year's Expenditures				291,444	
Unassigned Fund Balance:					
				691,749	
Budgetary Fund Balance				<u>2,450,599</u>	
Reconciliation to Governmental Fund Statements (GAAP)					
2011/2012 State Aid Payment Not Recognized on a GAAP Basis				37,432	
2011/2012 Extraordinary Aid and Last State Aid Payments Not Recognized on a GAAP Basis				<u>338,897</u>	
Fund Balance per Governmental Funds (GAAP Basis)				<u>\$ 2,074,270</u>	

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
EDUCATION JOBS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
REVENUES					
Federal Sources					
Education Jobs Fund Program	\$ 34,869	\$ 1,092	\$ 35,961	\$ 35,961	\$ -
Total Federal Sources	<u>34,869</u>	<u>1,092</u>	<u>35,961</u>	<u>35,961</u>	<u>-</u>
EXPENDITURES					
 CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures					
Guidance					
Salaries of Other Professional Staff	34,869	1,092	35,961	35,961	-
Total Guidance	<u>34,869</u>	<u>1,092</u>	<u>35,961</u>	<u>35,961</u>	<u>-</u>
Total Expenditures	<u>34,869</u>	<u>1,092</u>	<u>35,961</u>	<u>35,961</u>	<u>-</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Sources	-	-	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2012**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Intergovernmental					
Local	\$ 15,000	\$ 65,896	\$ 80,896	\$ 39,637	\$ (41,259)
State	115,725	(42,401)	73,324	55,392	(17,932)
Federal	245,154	94,938	340,092	295,380	(44,712)
Total Revenues	<u>375,879</u>	<u>118,433</u>	<u>494,312</u>	<u>390,409</u>	<u>(103,903)</u>
EXPENDITURES					
Instruction					
Purchased Professional Educational Services	20,502	(9,959)	10,543	10,543	-
Purchased Professional and Technical Services		7,042	7,042		7,042
General Supplies	15,000	68,559	83,559	39,637	43,922
Tuition	223,408	23,444	246,852	243,552	3,300
Textbooks	21,660	(14,279)	7,381	6,843	538
Total Instruction	<u>280,570</u>	<u>74,807</u>	<u>355,377</u>	<u>300,575</u>	<u>54,802</u>
Support Services					
Purchased Professional/Educational Services	16,896	(11,768)	5,128	4,800	328
Purchased Professional and Technical Services	5,989	9,456	15,445	11,261	4,184
Other Purchased Services	72,424	12,419	84,843	53,818	31,025
Tuition		14,511	14,511	9,760	4,751
Supplies and Materials	-	10,642	10,642	4,722	5,920
Other Objects	-	5,500	5,500	5,473	27
Total Support Services	<u>95,309</u>	<u>40,760</u>	<u>136,069</u>	<u>89,834</u>	<u>46,235</u>
Facilities Acquisition and Construction Services					
Non Instructional Equipment	-	2,866	2,866	-	2,866
Total Facilities Acquisition and Construction	<u>-</u>	<u>2,866</u>	<u>2,866</u>	<u>-</u>	<u>2,866</u>
Total Expenditures	<u>375,879</u>	<u>118,433</u>	<u>494,312</u>	<u>390,409</u>	<u>103,903</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, 2012**

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>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	(C-1) \$ 19,118,185	(C-2) \$ 390,409
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and the related revenue is recognized (2011/2012)		(15,865)
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and the related revenue is recognized (2010/2011)		44,419
State Aid payment and Extraordinary Aid recognized for GAAP purposes, not recognized for Budgetary statements (2011/2012 State Aid)	(376,329)	
Extraordinary Aid recognized for GAAP purposes, not recognized for GAAP statements (2010/2011 State Aid)	<u>385,021</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	(B-2) \$ <u>19,126,877</u>	(B-2) \$ <u>418,963</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	(C-1) \$ 18,392,740	(C-2) \$ 390,409
Differences - Budget to GAAP		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and the related revenue is recognized (2011/2012)		(15,865)
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and the related revenue is recognized (2010/2011)	<u>-</u>	<u>44,419</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	(B-2) \$ <u>18,392,740</u>	(B-2) \$ <u>418,963</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, 2012**

	Nonpublic		Nonpublic Chapter 193				Page Total
	Chapter 192	Chapter 193	Examination & Classification	Supplemental Instruction	Home Instruction	Local	
REVENUES	Nonpublic Textbooks	Nonpublic Nursing	Nonpublic Compensatory Education	Corrective Speech	Examination & Classification	Supplemental Instruction	Home Instruction
Intergovernmental							
Local							
State	\$ 6,843	\$ 10,543	\$ 13,356	\$ 8,846	\$ 8,694	\$ 6,314	\$ 796
Federal	-	-	-	-	-	-	-
Total Revenues	\$ 6,843	\$ 10,543	\$ 13,356	\$ 8,846	\$ 8,694	\$ 6,314	\$ 796
EXPENDITURES							
Instruction							
Purchased Professional Educational Services		\$ 10,543					\$ 10,543
Purchased Professional and Technical Services							
General Supplies							
Tuition							
Textbooks	\$ 6,843	-	-	-	-	-	-
Total Instruction	\$ 6,843	\$ 10,543	-	-	-	-	\$ 39,637
Support Services							
Purchased Professional Educational Services							
Purchased Professional and Technical Services							
Other Purchased Services							
Tuition							
Supplies and Materials							
Other Objects							
Total Support Services	-	-	\$ 13,356	\$ 8,846	\$ 8,694	\$ 6,314	\$ 796
Total Expenditures	\$ 6,843	\$ 10,543	\$ 13,356	\$ 8,846	\$ 8,694	\$ 6,314	\$ 796

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, 2012

	Total Page 1	Title IIA	Title IIA Carrvoer	I.D.E.L.A. Part B		I.D.E.L.A. Preschool	Grand Total
				Basic	Carrvoer		
REVENUES							
Intergovernmental	\$ 39,637					\$	39,637
Local	55,392	\$ 16,800	8,929	248,630	11,261	9,760	55,392
State	-						295,380
Federal	-						
Total Revenues	\$ 95,029	\$ 16,800	8,929	248,630	11,261	9,760	\$ 390,409
EXPENDITURES							
Instruction							
Purchased Professional Educational Services	\$ 10,543					\$	10,543
General Supplies	39,637			243,552	-	-	39,637
Tuition	-						243,552
Textbooks	6,843						6,843
Total Instruction	57,023			243,552			300,575
Support Services							
Purchased Professional Educational Services	-	\$ 4,800			11,261		4,800
Purchased Professional and Technical Services	-						11,261
Other Purchased Services	38,006	7,278	3,456	5,078			53,818
Tuition	-					9,760	9,760
Supplies and Materials	-	4,722	5,473				4,722
Other Objects	-						5,473
Total Support Services	38,006	16,800	8,929	5,078	11,261	9,760	89,834
Total Expenditures	\$ 95,029	\$ 16,800	8,929	248,630	11,261	9,760	\$ 390,409

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SPECIAL REVENUE FUND
SCHEDULE OF PRESCHOOL EDUCATION AID EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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, 2012**

<u>Project</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance, June 30, 2012</u>
		<u>Prior Year</u>	<u>Current Year</u>	
Auditorium Seating and Hallway Locker Replacement	\$ 393,680	\$ 323,498	\$ 21,805	\$ 48,377
Additions and Renovations to Central School, Frank J. Smith School and Middle School	<u>14,540,955</u>	<u>14,148,123</u>	<u>63,504</u>	<u>329,328</u>
Total Referendum Project	<u>\$ 14,934,635</u>	<u>\$ 14,471,621</u>	<u>\$ 85,309</u>	<u>377,705</u>
		Fund Balance, June 30, 2012		<u>\$ 377,705</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, 2012**

Expenditures and Other Financing Uses	
Professional Services	\$ 9,654
Construction Services	36,805
Equipment	<u>38,850</u>
 Total Expenditures and Other Financing Uses	 <u>85,309</u>
 Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	 (85,309)
 Fund Balance- Beginning of Year	 <u>463,014</u>
 Fund Balance- End of Year	 <u>\$ 377,705</u>
 Fund Balance	 \$ 265,862
Encumbrances	<u>111,843</u>
	 <u>\$ 377,705</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, 2012**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources- SCC Grant	\$ 4,748,042		\$ 4,748,042	\$ 4,748,042
Bond Proceeds	9,792,000		9,792,000	9,792,000
Transfer from Capital Reserve	913	-	913	913
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues and Other Financing Sources	14,540,955	-	14,540,955	14,540,955
Expenditures and Other Financing Uses				
Construction Services	11,324,767	\$ 15,000	11,339,767	11,717,599
Purchased Professional Services	2,086,309	9,654	2,095,963	2,086,309
Equipment	546,432	38,850	585,282	546,432
Other Costs	190,615	-	190,615	190,615
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures and Other Financing Uses	14,148,123	63,504	14,211,627	14,540,955
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses				
	<u>\$ 392,832</u>	<u>\$ (63,504)</u>	<u>\$ 329,328</u>	<u>\$ -</u>
Additional Project Information:				
Project Number	1190-030-02-0590			
Grant Date	08/07/02			
Bond Authorization Date	01/15/03			
Bonds Authorized	\$ 9,792,000			
Bonds Issued	9,792,000			
Original Authorized Cost	13,587,955			
Additional Authorized Cost	953,000			
Revised Authorized Cost	14,540,955			
Percentage Increase(Decrease) Over Original				
Authorized Cost	7.01%			
Percentage Completion	98%			
Original Target Completion Date	Aug-04			
Revised Target Completion Date	Jun-12			

**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, 2012**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources- SDA Grant	\$ 133,680		\$ 133,680	\$ 133,680
Transfer from Capital Reserve	<u>260,000</u>	<u>-</u>	<u>260,000</u>	<u>260,000</u>
 Total Revenues and Other Financing Sources	 <u>393,680</u>	 <u>-</u>	 <u>393,680</u>	 <u>393,680</u>
Expenditures and Other Financing Uses				
Construction Services	<u>323,498</u>	<u>\$ 21,805</u>	<u>345,303</u>	<u>393,680</u>
 Total Expenditures and Other Financing Uses	 <u>323,498</u>	 <u>21,805</u>	 <u>345,303</u>	 <u>393,680</u>
 Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	 <u>\$ 70,182</u>	 <u>\$ (21,805)</u>	 <u>\$ 48,377</u>	 <u>\$ -</u>

Additional Project Information:

Project Number	#1190-050-10-G0CR
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	87.71%
Original Target Completion Date	
Revised Target Completion Date	

ENTERPRISE FUND

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
PROPRIETARY FUNDS
COMBINING STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2012**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

**COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

**COMBINING STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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, 2012**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
ASSETS			
Cash	\$ 85,965	\$ 7,643	\$ 93,608
Total Assets	<u>\$ 85,965</u>	<u>\$ 7,643</u>	<u>\$ 93,608</u>
LIABILITIES			
Due to Student Groups	\$ 85,965		\$ 85,965
Accrued Salaries and Wages		\$ 774	774
Payroll Deductions and Withholdings	<u>-</u>	<u>6,869</u>	<u>6,869</u>
Total Liabilities	<u>\$ 85,965</u>	<u>\$ 7,643</u>	<u>\$ 93,608</u>

**FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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, 2012**

	<u>Balance, July 1, 2011</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2012</u>
<u>Elementary Schools:</u>				
Frank J. Smith	\$ 9,483	\$ 36,453	\$ 23,750	\$ 22,186
Central School	4,791	40,321	33,831	11,281
Middle School	<u>30,882</u>	<u>199,916</u>	<u>178,300</u>	<u>52,498</u>
 Total All Schools	 <u>\$ 45,156</u>	 <u>\$ 276,690</u>	 <u>\$ 235,881</u>	 <u>\$ 85,965</u>

EXHIBIT H-4

**PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Balance, July 1, 2011</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2012</u>
LIABILITIES				
Payroll Deductions and Withholdings	\$ 4,624	\$ 4,606,144	\$ 4,603,899	\$ 6,869
Accrued Salaries and Wages		7,231,107	7,230,333	774
Due to/(from) Other Funds	<u>137,264</u>	<u>6,627</u>	<u>143,891</u>	<u>-</u>
		-		
Total	<u>\$ 141,888</u>	<u>\$ 11,843,878</u>	<u>\$ 11,978,123</u>	<u>\$ 7,643</u>

LONG-TERM DEBT

EXHIBIT I-1

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 LONG-TERM DEBT
 SCHEDULE OF SERIAL BONDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Purpose	Date of Issue	Amount of Issue	Annual Maturities Date	Annual Maturities Amount	Interest Rate	Balance, July 1, 2011	Matured	Balance, June 30, 2012
Various Improvements	8/1/2007	\$ 953,000	8/1/2012	\$ 253,000	4.10%	\$ 473,000	220,000	\$ 253,000
Various Improvements	1/15/2011	6,355,000	1/1/2013	475,000	2.00%			
			1/1/2014	485,000	2.00%			
			1/1/2015	500,000	2.00%			
			1/1/2016	505,000	2.00%			
			1/1/2017	520,000	2.00%			
			1/1/2018	540,000	2.25%			
			1/1/2019	560,000	2.38%			
			1/1/2020	570,000	2.63%			
			1/1/2021	575,000	3.00%			
			1/1/2022	565,000	3.00%			
			1/1/2023	555,000	3.00%			
						6,310,000	460,000	5,850,000
						\$ 6,783,000	\$ 680,000	\$ 6,103,000

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Local Sources					
Local Property Tax Levy	\$ 796,570	-	\$ 796,570	\$ 796,570	-
Total Revenues	<u>796,570</u>	<u>-</u>	<u>796,570</u>	<u>796,570</u>	<u>-</u>
EXPENDITURES					
Regular Debt Service					
Interest	162,746	-	162,746	162,746	-
Principal	680,000	-	680,000	680,000	-
Total Expenditures	<u>842,746</u>	<u>-</u>	<u>842,746</u>	<u>842,746</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(46,176)	-	(46,176)	(46,176)	-
Fund Balance, Beginning of Year	64,053	-	64,053	64,053	-
Fund Balance, End of Year	<u>\$ 17,877</u>	<u>\$ -</u>	<u>\$ 17,877</u>	<u>\$ 17,877</u>	<u>\$ -</u>
			Designated for Subsequent Year's Expenditures	<u>\$ 17,877</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 TEN FISCAL YEARS
 (Unaudited)
 (accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities					(Restated)					
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	\$ 9,018,662
Restricted	9,907,689	6,160,846	1,990,118	251,656	261,133	263,053	263,799	414,508	314,012	1,021,031
Unrestricted	118,457	(558,319)	(229,834)	106,529	(275,424)	(344,397)	(263,667)	67,848	734,700	698,939
Total Governmental Activities Net Assets	\$ 2,385,504	\$ 7,022,560	\$ 2,292,705	\$ 464,714	\$ 6,573,995	\$ 6,811,691	\$ 7,088,315	\$ 7,930,701	\$ 9,477,299	\$ 10,738,632
Business-Type Activities										
Invested in Capital Assets	\$ 2,385	\$ 1,075	\$ (1,317)	\$ 616	\$ 6,372	\$ 13,599	\$ 18,910	\$ 27,637	\$ 8,093	\$ 8,607
Unrestricted	2,385	(615)	(1,317)	616	6,372	13,599	18,910	27,637	235,877	446,252
Total Business-Type Activities Net Assets	\$ 2,385	\$ 460	\$ (1,317)	\$ 616	\$ 6,372	\$ 13,599	\$ 18,910	\$ 27,637	\$ 243,970	\$ 454,859
District-Wide										
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	9,027,269
Restricted	9,907,689	6,160,846	1,990,118	251,656	261,133	263,053	263,799	414,508	314,012	1,021,031
Unrestricted	120,842	(558,934)	(231,151)	107,145	(269,052)	(330,798)	(244,757)	95,485	970,577	1,145,191
Total District Net Assets	\$ 2,387,889	\$ 7,023,020	\$ 2,291,388	\$ 6,613,771	\$ 6,580,367	\$ 6,825,290	\$ 7,107,225	\$ 7,958,338	\$ 9,721,269	\$ 11,193,491

Source: District's Financial Records

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

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental Activities										
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	\$ 7,300,500
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	3,994,843
Other Special Education	207,860	215,164	357,627	304,639	482,462	501,997	515,643	535,460	689,777	659,204
Other Instruction	75,016	105,771	111,493	112,825	135,753	138,141	156,545	153,907	165,258	143,543
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	2,065,190
General Administration	453,077	487,008	576,433	511,748	1,049,983	1,033,427	739,616	600,557	459,408	450,156
School Administrative Services	665,605	631,913	714,268	894,622	508,755	584,160	1,046,552	1,216,253	1,111,225	1,240,938
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	1,600,416
Pupil Transportation	636,876	731,224	884,907	990,168	977,532	974,757	1,042,949	1,022,589	1,039,319	1,031,678
Central Services	359,936	394,801	443,641	448,225	507,052	588,070	584,705	454,181	438,247	394,801
Special Schools	24,020	45,752	40,307							
Charter Schools	7,478	8,280	8,385							
Interest and Other Charges	162,033	545,018	154,748	325,875	325,677	367,679	300,734	302,318	198,129	224,477
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	19,105,746
Business-Type Activities:										
Food Service	14,136	21,440	16,846	15,733	14,606	15,205	15,979	10,794	11,556	21,371
Summer Program						2,363	1,200		260,035	338,674
Total Business-Type Activities Expense	14,136	21,440	16,846	15,733	14,606	17,568	17,179	10,794	271,591	360,045
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	\$ 19,465,791
Program Revenues										
Governmental Activities:										
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	\$ 60,449
Operating Grants And Contributions	51,133								2,306,293	2,743,373
Capital Grants And Contributions									153,710	27,269
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	2,831,091

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

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Business-Type Activities:										
Charges For Services	\$ 10,976	\$ 16,290	\$ 15,069	\$ 13,571	\$ 14,126	\$ 15,044	\$ 17,258	\$ 15,612	\$ 15,160	\$ 13,817
Food Service	2,931	-	-	4,095	4,888	5,145	5,210	3,845	469,593	557,055
After School Child Care Program						4,515			2,976	-
Operating Grants And Contributions										
Total Business Type Activities Program Revenues	<u>13,907</u>	<u>16,290</u>	<u>15,069</u>	<u>17,666</u>	<u>19,014</u>	<u>24,704</u>	<u>22,468</u>	<u>19,457</u>	<u>487,729</u>	<u>570,872</u>
Total District Program Revenues	\$ 2,509,296	\$ 1,423,927	\$ 1,489,432	\$ 2,630,619	\$ 3,302,282	\$ 3,366,402	\$ 2,544,568	\$ 3,041,461	\$ 2,989,305	\$ 3,401,963
Net (Expense)/Revenue										
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)	\$ (16,274,655)
Business-Type Activities	(229)	(5,150)	(1,777)	1,933	4,408	7,136	5,289	8,663	216,138	210,827
Total District-Wide Net Expense	<u>\$ (12,120,058)</u>	<u>\$ (14,920,481)</u>	<u>\$ (15,144,522)</u>	<u>\$ (14,894,475)</u>	<u>\$ (15,366,514)</u>	<u>\$ (15,941,805)</u>	<u>\$ (16,808,528)</u>	<u>\$ (16,508,831)</u>	<u>\$ (16,146,342)</u>	<u>\$ (16,063,828)</u>
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Property Taxes Levied For General Purposes, Net	\$ 12,260,541	\$ 12,847,842	\$ 12,937,127	\$ 13,466,716	\$ 14,218,199	\$ 15,228,543	\$ 15,837,685	\$ 16,431,592	\$ 17,013,656	\$ 16,670,904
Taxes Levied For Debt Service		648,526	647,610	651,326	649,486	652,276	840,054	846,839	865,413	796,570
Restricted Grants And Contributions		4,696,909	1,340,991	1,55,602	155,557	188,951	133,679	21,922		
Unrestricted Grants And Contributions		1,205,872	4,845							
Tuition Received		80,131		128,128						
Investment Earnings		35,878		84,130	308,478	116,867	279,023	59,527	30,009	68,514
Miscellaneous Income				6,555						
Gain on Disposal of Capital Assets				99	42					
Transfers										
Total Governmental Activities	<u>12,376,550</u>	<u>19,555,612</u>	<u>15,160,932</u>	<u>14,492,556</u>	<u>15,331,762</u>	<u>16,186,637</u>	<u>17,090,441</u>	<u>17,359,880</u>	<u>17,909,078</u>	<u>17,535,988</u>
Business-Type Activities:										
Miscellaneous Income				99	88	91	22	64	195	62
Transfers				(99)	(42)					
Total Business-Type Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46</u>	<u>91</u>	<u>22</u>	<u>64</u>	<u>195</u>	<u>62</u>
Total District-Wide	<u>\$ 12,376,550</u>	<u>\$ 19,555,612</u>	<u>\$ 15,160,932</u>	<u>\$ 14,492,556</u>	<u>\$ 15,331,808</u>	<u>\$ 16,186,728</u>	<u>\$ 17,090,463</u>	<u>\$ 17,359,944</u>	<u>\$ 17,909,273</u>	<u>\$ 17,536,050</u>
Change in Net Assets										
Governmental Activities	\$ 256,721	\$ 4,640,281	\$ 18,187	\$ (403,852)	\$ (39,160)	\$ 237,696	\$ 276,624	\$ 842,586	\$ 1,546,598	\$ 1,261,333
Business-Type Activities	(229)	(5,150)	(1,777)	1,933	4,454	7,227	5,311	8,727	216,333	210,889
Total District	<u>\$ 256,492</u>	<u>\$ 4,635,131</u>	<u>\$ 16,410</u>	<u>\$ (401,919)</u>	<u>\$ (34,706)</u>	<u>\$ 244,923</u>	<u>\$ 281,935</u>	<u>\$ 851,113</u>	<u>\$ 1,762,931</u>	<u>\$ 1,472,222</u>

Source: District's Financial Records

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

	Fiscal Year Ended June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ 1,100,298	\$ 1,847,295	\$ 1,365,464	\$ 697,486	\$ 378,277	\$ 520,308	\$ 633,271	\$ 916,417	\$ 780,137	\$ 1,247,812
Unreserved	729,906	260,812	345,994	354,188	261,092	127,910	26,697	36,064	201,126	511,038
Restricted	-	-	-	-	-	-	-	-	358,870	315,420
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total General Fund	\$ 1,830,204	\$ 2,108,107	\$ 1,711,458	\$ 1,051,674	\$ 639,369	\$ 648,218	\$ 659,968	\$ 952,481	\$ 1,340,133	\$ 2,074,270
All Other Governmental Funds										
Reserved	\$ 4,798,815	\$ 4,798,815	\$ 8,133,677	\$ 562,918	\$ 4,023,445	\$ 470,976	\$ 47,347	\$ 25,100	\$ 527,067	\$ 395,582
Unreserved	8,762,235	8,058,737	1,560,033	5,261,558	108,690	803,543	698,186	479,936	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	\$ 8,762,235	\$ 12,857,552	\$ 9,693,710	\$ 5,824,476	\$ 4,132,135	\$ 1,274,519	\$ 745,533	\$ 505,036	\$ 527,067	\$ 395,582

Source: District's Financial Records

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 balance more transparent. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Reclassification of prior year fund balance amounts to comply with Statement No. 54 is not required.

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS

(Unaudited)
 (modified accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
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	\$ 17,467,474
Tuition Charges		8,615	4,845							60,449
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	124,034
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	2,346,441
Federal Sources	444,801	270,373	289,131	281,148	288,514	282,223	302,673	543,179	312,189	344,012
Private Sources	-	500	2,000	-	-	-	-	-	-	-
Total Revenue	14,871,059	20,963,250	16,611,554	17,098,855	18,614,988	19,528,355	19,612,542	20,381,884	20,410,654	20,342,410
Expenditures										
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	7,176,330
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	3,941,165
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	648,958
School Sponsored Activities and Athletics				111,757	135,753	138,001	156,679	154,195	164,070	141,143
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	2,036,949
General Administration	379,229	402,901	489,264	508,351	505,863	580,840	728,956	593,669	456,881	444,392
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	1,218,594
Central Services	300,795	324,464	374,685	445,555	504,118	584,651	576,272	448,692	437,197	392,091
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	1,579,941
Pupil Transportation	579,384	677,506	826,223	955,105	975,012	971,890	1,027,598	1,009,733	1,037,967	1,028,368
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	2,737,221	2,861,252	397,853	462,585	597,022	260,333
Debt Service										
Principal		295,000	305,000	414,130	404,506	421,259	607,051	535,000	620,000	680,000
Cost of Issuance										
Advance Refunding Escrow									106,225	
Interest and Other Charges									124,310	
Total Expenditures	14,538,647	16,590,030	20,208,238	21,627,973	21,715,532	22,377,102	20,129,777	20,329,869	20,249,383	19,739,758
Excess (Deficiency) of Revenues Over (Under) Expenditures	332,412	4,373,220	(3,596,684)	(4,529,118)	(3,100,544)	(2,848,767)	(517,235)	52,015	161,271	602,652

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS

(Unaudited)
 (modified accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Other Financing Sources (Uses)										
Bond Proceeds	\$ 8,839,000				\$ 953,000				\$ 6,355,000	
Premium on Bond Proceeds	880								22,412	
Payment to Refunded Bond Escrow Agent			\$ 36,194		42,856				(6,129,000)	
Capital Leases (Non-Budgeted)			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	(58,261)	(117,199)								
Total Other Financing Sources (Uses)	8,839,880	-	36,194	99	995,898	-	-	-	248,412	-
Net Change in Fund Balances	\$ 9,172,292	\$ 4,373,220	\$ (3,560,490)	\$ (4,529,019)	\$ (2,104,646)	\$ (2,848,767)	\$ (517,235)	\$ 52,015	\$ 409,683	\$ 602,652
Debt Service as a Percentage of Noncapital Expenditures	0.00%	4.11%	3.83%	4.28%	3.87%	3.74%	4.89%	4.26%	4.42%	4.47%

Source: District's Financial Records

* Noncapital expenditures are total expenditures less capital outlay.

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

<u>Fiscal Year Ended June 30,</u>	<u>Interest on Investments</u>	<u>Sale of Assets</u>	<u>Tuition</u>	<u>Prior Year Refunds</u>	<u>Insurance Refund</u>	<u>Miscellaneous</u>	<u>Total</u>
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
2012		2,667	60,449	\$ 58,690	\$ 5,627	1,530	128,963

Source: District's Financial Records

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

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^a
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	1,365,658,900			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		2,443,953,800	2,450,212	2,446,386,012	3,451,954,019	0.610
2008	25,273,000	1,412,610,900			903,419,300	158,521,600		2,499,824,800	2,382,719	2,502,207,519	3,734,169,526	0.648
2009	23,661,400	1,413,759,500			832,574,597	200,519,200		2,470,514,697	2,650,113	2,473,164,810	3,678,662,516	0.693
2010	22,852,400	1,417,254,300			820,763,797	200,142,200	\$ 224,300	2,461,236,997	2,037,625	2,463,274,622	4,044,738,170	0.714
2011	22,432,600	1,418,273,800			820,963,397	200,566,400		2,462,236,197	2,037,625	2,464,273,822	3,836,789,266	0.717
2012												#####

Source: County Abstract of Ratables

N/A - Information is not available.

^a Tax rates are per \$100

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

Assessment Year	Hanover Park Regional District	East Hanover School District	East Hanover Township	Morris County	Total
2003	\$ 0.25	\$ 0.53	\$ 0.38	\$ 0.29	\$ 1.450
2004	0.27	0.52	0.42	0.30	1.510
2005	0.31	0.57	0.46	0.33	1.675
2006	0.35	0.60	0.49	0.34	1.781
2007	0.39	0.61	0.51	0.34	1.850
2008	0.38	0.65	0.52	0.34	1.890
2009	0.39	0.69	0.59	0.29	1.960
2010	0.42	0.714	0.56	0.38	2.070
2011	0.372	0.717	0.463	0.576	2.129
2012	0.428	0.708	0.569	0.370	2.075

Source: County Abstract of Ratables

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

Taxpayer	2012		2003	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Novartis	\$ 321,726,800	13.05%	Not Available	
Kraft Foods N. America	71,962,600	2.92%		
EH Rave Ten	33,218,700	1.34%		
New Hanover L.L.C.	24,917,000	1.01%		
Castle Ridge Plaza	22,000,000	0.89%		
Givaudan Flavors Corp	21,400,000	0.86%		
Paradigm Eash Hanover LLC	21,303,497	0.86%		
Eagle Rock Executive C/O Wells	20,000,000	0.81%		
Givaudan Flavors Corp	19,872,200	0.80%		
Eric Reichard D.R. Company LLC	15,500,000	0.62%		
	<u>\$ 571,900,797</u>	<u>23.16%</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	
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
2012	17,467,474	17,467,474	100.00%	N/A

Source: District Financial Records

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST EIGHT 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	11,219	605
2012	6,103,000		6,103,000	11,219 *	544

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 eight 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 EIGHT FISCAL YEARS
(Unaudited)**

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	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	0.27%	608
2012	6,103,000		6,103,000	N/A	544

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, 2011
(Unaudited)**

	<u>Total Debt</u>
Municipal Debt: (1)	
East Hanover Township Board of Education	\$ 6,563,000
Regional High School - Township's Share	8,516,975
Township of East Hanover	<u>19,237,585</u>
	34,317,560
Overlapping Debt Apportioned to the Municipality:	
Morris County:	
County of Morris (A)	<u>10,535,373</u>
Total Direct and Overlapping Debt	<u>\$ 44,852,933</u>

Source:

(1) Township's 2011 Annual Debt Statement

(A) The debt for this entity was apportioned to East Hanover by dividing the municipality's 2011 equalized value by the total 2011 equalized value for Morris County.

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

Legal Debt Margin Calculation for Fiscal Year 2012

Equalized Valuation Basis										
2011	\$	3,678,273,375								
2010		3,811,144,312								
2009		4,036,129,222								
	\$	<u>11,525,546,909</u>								
Average Equalized Valuation Of Taxable Property	\$	<u>3,841,848,970</u>								
Debt Limit (3% of Average Equalization	\$	115,255,469								
Total Net Debt Applicable to Limit		<u>6,103,000</u>								
Legal Debt Margin	\$	<u>109,152,469</u>								

		Fiscal Year							
		2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	\$	79,586,780	\$ 88,423,662	\$ 96,972,895	\$ 103,145,699	\$ 104,722,629	\$ 113,820,788	\$ 115,655,910	\$ 115,255,469
Total Net Debt Applicable To Limit		<u>8,239,000</u>	<u>7,919,000</u>	<u>8,542,000</u>	<u>8,197,000</u>	<u>7,712,000</u>	<u>7,177,000</u>	<u>6,783,000</u>	<u>6,103,000</u>
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>	<u>\$ 109,152,469</u>

Total Net Debt Applicable to the Limit	10.35%	8.96%	8.81%	7.94%	7.36%	6.31%	5.86%	5.30%
as a Percentage of Debt Limit								

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 eight 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>
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	69,811	7.3%
2011	11,219	N/A	7.1%

Source: New Jersey State Department of Education

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

<u>Employer</u>	<u>2012</u>		<u>2003</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>	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Instruction										
Regular										66.0
Special Education										41.2
Other Special Education										
Vocational										
Other Instruction										4.8
Nonpublic School Programs										
Adult/Continuing Education Programs										
Support Services:										
Student and Instruction Related Services										17.6
General Administration										2.1
School Administrative Services										10.5
Other Administrative Services										3.0
Central Services										
Administrative Information Technology										17.7
Plant Operations And Maintenance										4.6
Pupil Transportation										
Other Support Services										
Special Schools										
Food Service										
Child Care										
Total										167.5

INFORMATION NOT AVAILABLE

Source: District Personnel Records

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

Fiscal Year	Enrollment ^a	Operating Expenditures ^b	Cost Per Pupil ^c	Percentage Change	Teaching Staff	Pupil/Teacher Ratio			Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	N/A				
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	2.38%	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	15,653	7.05%	N/A	N/A	N/A	1,167	1,110	0.34%	95.12%	
2008	1,121	18,785,610	16,758	7.20%	N/A	N/A	N/A	1,121	1,079	-3.94%	96.25%	
2009	1,150	18,767,756	16,320	-2.61%	N/A	N/A	N/A	1,150	1,107	2.59%	96.26%	
2010	1,149	19,020,445	16,554	1.43%	N/A	N/A	N/A	1,149	1,108	-0.09%	96.43%	
2011	1,118	18,553,154	16,595	0.25%	N/A	N/A	N/A	1,118	1,008	-2.70%	90.16%	
2012	1,114	18,607,951	16,704	0.66%	N/A	N/A	N/A	1,112	1,072	-0.54%	96.40%	

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 SEVEN FISCAL YEARS
(Unaudited)**

	2006	2007	2008	2009	2010	2011	2012
<u>District Building</u>							
<u>Elementary</u>							
Central School							
Square Feet	48,369	48,369	58,328	58,328	58,328	58,328	58,328
Capacity (students)							374
Enrollment	373	373	394	394	394	394	364
Frank J. Smith School							
Square Feet	29,830	29,830	39,197	39,197	39,197	39,197	39,197
Capacity (students)							425
Enrollment	355	355	344	344	344	344	351
<u>Middle School</u>							
Square Feet	59,688	59,688	60,502	60,502	60,502	60,502	60,502
Capacity (students)							383
Enrollment	402	402	384	384	384	384	399
<u>Other</u>							
Board of Education Offices							
Square Feet	7,083	7,083	7,083	7,083	7,083	7,083	7,083

Number of Schools at June 30, 2012

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 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
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>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>	<u>2012</u>
School Facilities											
Frank J. Smith School	N/A	\$ 73,717	\$ 81,318	\$ 72,838	\$ 62,735	\$ 74,505	\$ 48,966	\$ 65,512	\$ 59,770	\$ 55,823	\$ 74,073
Central School	N/A	94,283	107,191	127,466	109,785	130,384	85,690	114,645	104,599	97,692	110,167
Middle School	N/A	142,098	158,939	145,676	125,470	149,010	97,932	131,023	119,241	111,368	114,248
Administration Building	N/A	18,406	22,178	18,210	15,684	18,626	12,242	16,378	14,949	13,964	15,379
Total School Facilities		<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>	<u>\$ 313,867</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, 2012
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - NJSBAIG		
Property:		
Blanket Building and Content	\$ 500,000,000	\$ 5,000
Boiler and Machinery	100,000,000	1,000
Flood and Earthquake	50,000,000	10,000
Computer Equipment	90,000	1,000
Comprehensive General Liability	16,000,000	1,000
Comprehensive Automotive Liability	16,000,000	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	5,000
 Public Employees' Faithful Performance Blanket		
Position Bond:		
NJSBAIG		
Board Secretary/School Business Administrator	250,000	1,000
Treasurer	225,000	1,000
General Employees	25,000	500
 Catastrophic Umbrella Liability	50,000,000	5000

Source: District records

SINGLE AUDIT SECTION

LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

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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, 2012, which collectively comprise the East Hanover Township Board of Education's basic financial statements and have issued our report thereon dated November 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

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.

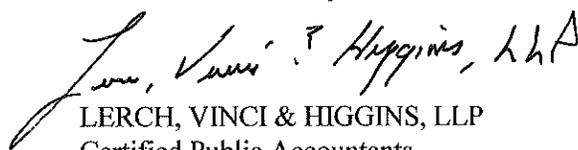
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses.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

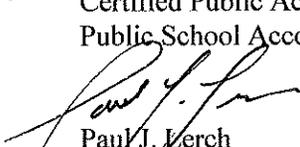
Compliance and Other Matters

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 Office of School Finance, 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, "Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance" dated November 5, 2012.

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
 November 5, 2012

LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-2

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PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ANDREW PARENTE, CPA, RMA, PSA
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

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, 2012. 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 Office of School Finance, 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, 2012.

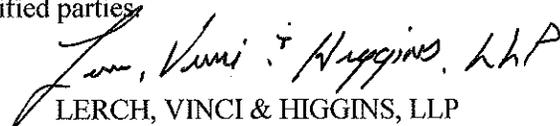
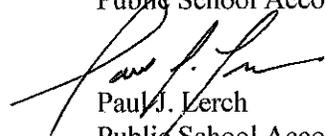
Internal Control Over Compliance

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
November 5, 2012

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Federal CFDA Number	Federal/Grantor/Pass-Through Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2011	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustment	Refund of Prior Years Balances	Balance, June 30, 2012 (Account Receivable)	Deferred Revenue	Due to Grantor	Memo Only GAAP Receivable																														
84-410A	U.S. Department of Education Education Jobs Fund	ARRA	8/1/10-9/30/12	\$ 35,961	-	-	\$ 25,173	\$ 35,961	-	-	\$ (10,788)	-	-	\$ (10,788)																														
Total General Fund																																												
Special Revenue Fund:																																												
U.S. Department of Education																																												
Passed-through State Department of Education																																												
NCLB																																												
84-168A	Title II - A	NCLB111112	9/1/11-8/31/12	20,183				16,800			(20,183)	3,383		(20,183)																														
84-168A	Title II - A-Carryover	NCLB111011	9/1/10-8/31/11	22,657	(12,982)		12,296	8,929			(10,360)	745		(10,360)																														
84-168A	Title II - A-Carryover	NCLB119010	9/1/09-8/31/10	22,338	(10,461)		12,191					1,061	669																															
84-186A	Title IV-Carryover	NCLB119010	9/1/09-8/31/10	1,883	1,625		3,532						5,157																															
84-298A	Title V-Carryover	NCLB119009	9/1/08-8/31/09	111	1,764								1,764																															
84-391	ARRA - I.D.E.A. Basic	N/A	9/1/09-8/31/10	267,477	(15,458)		15,458																																					
84-392	ARRA - I.D.E.A. Preschool	N/A	9/1/09-8/31/10	9,683	(6,215)		6,215																																					
84-027	I.D.E.A. Part B, Basic Regular	FT-1111-12	9/1/11-8/31/12	264,049				248,630			(264,049)	15,419	4,430	(264,049)																														
84-027	I.D.E.A. Part B, Basic Regular C/O	FT-1110-11	9/1/10-8/31/11	262,207	12,830		9,744	11,261				6,883																																
84-027	I.D.E.A. Part B, Basic Regular C/O	FT-1190-10	9/1/09-8/31/10	261,951	(1,287)		2,913				(4,582)	4,582	1,626	(4,582)																														
84-173	I.D.E.A. Preschool	PS-1111-12	9/1/11-8/31/12	14,511				9,760			(14,511)	4,751		(14,511)																														
84-173	I.D.E.A. Preschool C/O	PS-1110-11	9/1/10-8/31/11	14,567	(14,567)		14,939						372																															
Total Special Revenue Fund																																												
Total Federal Awards																																												
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 5%;"></td> <td style="width: 15%;"></td> <td style="width: 10%;"></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;">\$ (44,751)</td> <td style="text-align: right;">\$ -</td> <td style="text-align: right;">\$ -</td> <td style="text-align: right;">\$ 102,461</td> <td style="text-align: right;">\$ 331,341</td> <td style="text-align: right;">\$ -</td> <td style="text-align: right;">\$ -</td> <td style="text-align: right;">\$ (324,473)</td> <td style="text-align: right;">\$ 36,824</td> <td style="text-align: right;">\$ 14,018</td> <td style="text-align: right;">\$ (324,473)</td> </tr> </table>																																		\$ (44,751)	\$ -	\$ -	\$ 102,461	\$ 331,341	\$ -	\$ -	\$ (324,473)	\$ 36,824	\$ 14,018	\$ (324,473)
				\$ (44,751)	\$ -	\$ -	\$ 102,461	\$ 331,341	\$ -	\$ -	\$ (324,473)	\$ 36,824	\$ 14,018	\$ (324,473)																														

Not Subject to Single Audit

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2011	Carryover Amount	Cash Received	Budgetary Expenditures	Refund of Prior Years' Balances	Adjustment	Balance, June 30, 2012		Due to Grantor	GAAP Receivable	Memo Cumulative Total Expenditures
										(Accounts Receivable)	Deferred Revenue			
State Department of Education														
General Fund:														
Special Education Aid	11-495-034-5120-089	7/1/10-6/30/11	\$ 165,140	\$ (1,123)		\$ 1,123	\$ 520,365			\$ (37,432)			\$	\$ 520,365
Special Education Aid	12-495-034-5120-089	7/1/11-6/30/12	520,365			482,933								
Special Education Aid	11-100-034-5120-473	7/1/10-6/30/11	383,898	(383,898)		383,898	338,897						\$	338,897
Extraordinary Aid	12-100-034-5120-473	7/1/11-6/30/12	12,127	(12,127)		12,127								
Extraordinary Aid	N/A	7/1/10-6/30/11	13,195				13,195						\$ (13,195)	13,195
Nonpublic School Transportation Aid	N/A	7/1/11-6/30/12	611,896			581,282	611,896						(30,614)	611,896
Nonpublic School Transportation Aid	12-495-034-5095-002	7/1/11-6/30/12	239,403			239,403								239,403
Reimbursed TPAF Social Security Contribution	12-495-034-5095-006	7/1/11-6/30/12	25,691			25,691								25,691
On-Behalf TPAF Pension Contribution	12-495-034-5095-007	7/1/11-6/30/12	532,910			532,910								532,910
On-Behalf TPAF Post Retirement Medical Contribution	11-495-034-5095-001	7/1/11-6/30/12	2,843,522	(397,148)		2,259,367	2,282,357			(420,138)			(43,809)	2,282,357
Total General Fund														
New Jersey Nonpublic Aid	12-100-034-5120-064	7/1/11-6/30/12	7,381			7,381	6,843					\$ 538		6,843
Textbook Aid	12-100-034-5120-070	7/1/11-6/30/12	10,543			10,543								10,543
Nursing Services														
Auxiliary Services														
Compensatory Education	11-100-034-5120-067	7/1/10-6/30/11	20,094			15,216	13,356	\$ 9,712				1,850		13,356
Compensatory Education	12-101-034-5120-067	7/1/11-6/30/12	1,724			1,724						1,724		1,724
English as a Second Language	12-101-034-5120-067	7/1/11-6/30/12	796				796			(796)			(796)	796
Home Instruction														
Handicapped Services														
Examination and Classification Initial	11-100-034-5120-066	7/1/10-6/30/11	12,271	4,462		9,011	5,789	4,462				3,222		5,789
Examination and Classification Initial	12-100-034-5120-066	7/1/11-6/30/12	9,011			9,011								
Examination and Classification Annual	11-100-034-5120-066	7/1/10-6/30/11	1,598	319		2,905	2,905	319						2,905
Examination and Classification Annual	12-100-034-5120-066	7/1/11-6/30/12	2,905			2,905								
Examination and Classification Annual	11-100-034-5120-066	7/1/10-6/30/11	10,171	1,566		11,058	8,846	1,566				2,212		8,846
Corrective Speech	12-100-034-5120-066	7/1/11-6/30/12	9,727	2,709		8,418	6,314	2,709				2,104		6,314
Corrective Speech	11-100-034-5120-066	7/1/10-6/30/11	8,418			8,418								
Supplementary Instruction	12-100-034-5120-066	7/1/11-6/30/12	2,465	2,231		2,231								
Supplementary Instruction	07-100-034-5120-072	7/1/06-6/30/07	2,346	4,811		4,811								
Homeless Children	06-495-034-5120-072	7/1/05-6/30/06	4,000	26										
Hurricane Relief Aid														
Character Education														
Total Special Revenue Fund														
Capital Projects Fund														
Educational Facilities Construction and Financing Act	1190-050-10-GOCCR	7/1/10-6/30/11	133,680	(133,680)						(133,680)			(133,680)	
Auditorium Seating & Locker Replacement														
Total Capital Projects Fund														
Total State Awards														
Less: Amounts not Utilized in Single Audit and Major Program Determination														
Total Subject to Single Audit														

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**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, 2012**

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. The information in these schedules is presented in accordance with requirements of U.S. OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations" and New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in these schedules may differ from the amounts presented in, or used in the preparation of, the 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 \$8,692 for the general fund and an increase \$28,554 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	\$ 35,961	\$ 2,291,049	\$ 2,327,010
Special Revenue Fund	308,051	55,392	363,443
	<hr/>	<hr/>	<hr/>
Total Financial Assistance	<u>\$ 344,012</u>	<u>\$ 2,346,441</u>	<u>\$ 2,690,453</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, 2012**

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 \$611,896 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2012. The amount reported as TPAF Pension System Contributions in the amount of \$265,094 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$532,910 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2012.

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, 2012

Part I – Summary of Auditor’s Results

Financial Statement Section

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

Federal Awards Section- Not Applicable

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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, 2012**

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, 2012**

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, 2012**

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

STATUS OF PRIOR YEAR FINDINGS

There were none.