

**SCHOOL DISTRICT
OF
HANOVER TOWNSHIP**

Hanover Township School District
Hanover, New Jersey

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2014

Comprehensive Annual Financial Report

of the

Hanover Township School District

Hanover, New Jersey

For the Fiscal Year Ended June 30, 2014

Prepared by

Hanover Township Board of Education

Finance Department

HANOVER TOWNSHIP SCHOOL DISTRICT
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INTRODUCTORY SECTION

Hanover Township Public Schools

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Whippany, New Jersey 07981-1399

Vanessa M. Wolsky
School Business Administrator/Board Secretary

973-515-2407
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August 15, 2014

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

Dear Board Members:

The Comprehensive Annual Financial Report of the Hanover Township School District (the "District") for the fiscal year ended June 30, 2014, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Independent Auditors' Report, management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, financial trends, and the fiscal capacity of the District, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the New Jersey's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

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

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

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

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

The District provides a full range of educational services appropriate to grade levels K through 8 for the students residing in Hanover Township. These include programs for regular, gifted and talented and special education students. The District completed the 2013-14 fiscal year with an average daily enrollment of 1,483 students, which is an increase of 7 students from the previous year's enrollment.

Elementary School (K-5)

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

Middle School (6-8)

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

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

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

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

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

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

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

3) MAJOR INITIATIVES: During the 2013-2014 school year the Board of Education and administration in consultation with parents and faculty established and ultimately accomplished four district wide goals.

DISTRICT GOALS FOR THE 2013-2014 SCHOOL YEAR

1. Improve student achievement through promotion of initiatives that enhance the educational program and support in grades 3-8 Mathematics and grades 6-8 English Language Arts as measured by District assessments.
2. Successfully implement new Educator Evaluation Systems that identify and support effective instructional practices and promote student achievement.
3. Continue technology initiatives that enhance the educational program and support student achievement.
4. Continue improvements to our facilities (buildings and grounds) to provide a safe, nurturing, and pleasant environment in which students can learn.

In support of our first goal the district introduced a new mathematics curriculum aligned with new national standards. Teachers participated in numerous professional development activities connected to the new program and parents were introduced to the online digital components of the program through the District website. The District realigned the middle school mathematics curriculum to better prepare students for high school. Revisions were also made to the middle school English Language Arts curriculum to better align the program with the national standards. The District field tested the new PARCC Assessments in preparation for new online assessments slated to be fully implemented during the 2014-2015 school year.

A significant amount of time was spent on professional development activities in support of our second goal of implementing the new Educator Evaluation System. Working with the newly formed District Evaluation Advisory Committee (DEAC), district administrators provided professional development programs on Charlotte Danielson's Frameworks for Teaching, student growth objectives (SGOs), student growth percentiles (SGPs), and navigating the digital software program associated with conducting educator observations and evaluations.

The Honorable President and Members of the Board of Education
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August 15, 2014

There were a number of technology initiatives accomplished in support of our third goal. Each school's Media Center was outfitted with state of the art multimedia iMAC computers to promote student research and presentation skills. The District initiated pilot program utilizing iPads on mobile carts to encourage classroom use of technology. Teachers participated in professional development related to the use of the online component of the new mathematics program and the District website was revised to include parent videos on how to utilize this unique feature in support of homework and student achievement.

Significant improvements to our facilities (buildings and grounds) were accomplished this year in support of our fourth goal. The District completed the multiyear energy savings improvement plan which resulted in the installation of high efficiency boilers, HVAC units, and lighting systems. Improvements to the building envelope and the installation of a computer control system has improved the efficiency of our school operations. This 2.9 million dollar project was fully funded through the projected energy savings which are scheduled to occur over the next ten to fifteen years. Through a number of fundraising initiatives and the use of capital reserve the District was able to renovate the 50 year old auditorium at Memorial Junior School. The grounds around the school buildings also saw improvements with the addition of some new landscaping and improvements to the walking paths and sidewalks surrounding the schools.

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

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

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

5) BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as restrictions, commitments or assignments of fund balance at June 30, 2014.

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

The Honorable President and Members of the Board of Education
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7) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

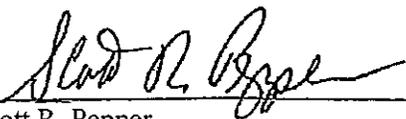
8) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. A schedule of insurance coverage is found on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

9) OTHER INFORMATION:

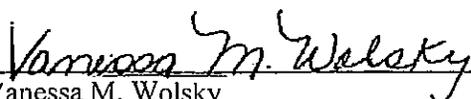
Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed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

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

Respectfully submitted,



 Scott R. Pepper
 Superintendent



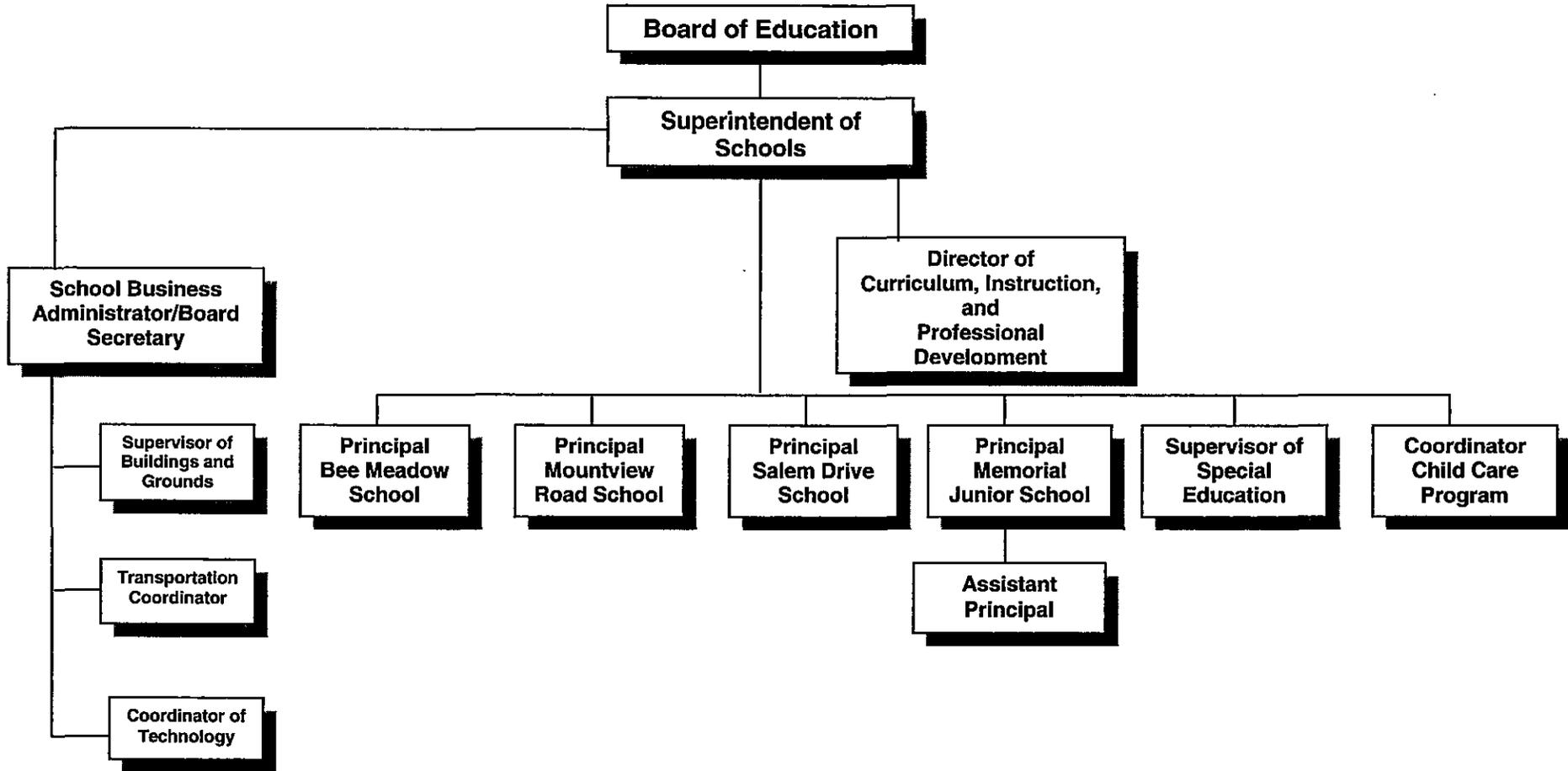
 Vanessa M. Wolsky
 School Business Administrator/Board Secretary

POLICY

HANOVER TOWNSHIP BOARD OF EDUCATION

ADMINISTRATION
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Organizational Chart

1110 ORGANIZATIONAL CHART



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

org chart 2013.doc

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

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

**HANOVER TOWNSHIP SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2014**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Salvatore A. Azzarello, President	2014
Catherine V. Slattery, Vice President	2016
Daniel J. Breen	2016
Brian Cahill	2014
Nicholas Duva	2015
Stephen E. Furda	2016
Brandie J. Linfante	2014
Carol Tognetti	2015
Glenn P. Yannotta	2014

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

HANOVER TOWNSHIP SCHOOL DISTRICT

Consultants and Advisors

Architect

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

Audit Firm

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

Attorneys

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

Insurance Advisors

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

Official Depository

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

FINANCIAL SECTION



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

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

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Hanover Township School District (the "District") in the County of Morris, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Hanover Township School District, in the County of Morris, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report, and the budgetary comparison information in Exhibits C-1 through C-3 and I-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Honorable President and Members
of the Board of Education
Hanover Township School District
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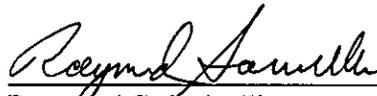
The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance

August 15, 2014
Mount Arlington, New Jersey

NISIVOC CIA LLP



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

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Management Discussion and Analysis (Unaudited)

This section of Hanover Township School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2014. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Financial Highlights

- ◆ Overall revenue of governmental and business-type activities was \$27,289,457 which consisted primarily of property taxes of \$22,312,382. Overall expenses were \$27,563,432.
- ◆ The General Fund had revenues of \$25,398,868 and expenditures of \$25,519,580. The General Fund's fund balance (budgetary basis) decreased \$199,175 from 2013.
- ◆ The District appropriated \$600,000 of fund balance at June 30, 2013 to aid in funding the FY 2014 budget and appropriated \$500,000 of fund balance at June 30, 2014 to aid in funding the FY 2015 budget.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more* detail than the District-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the District operates like a business, such as food services for the milk program and child care services.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

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

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

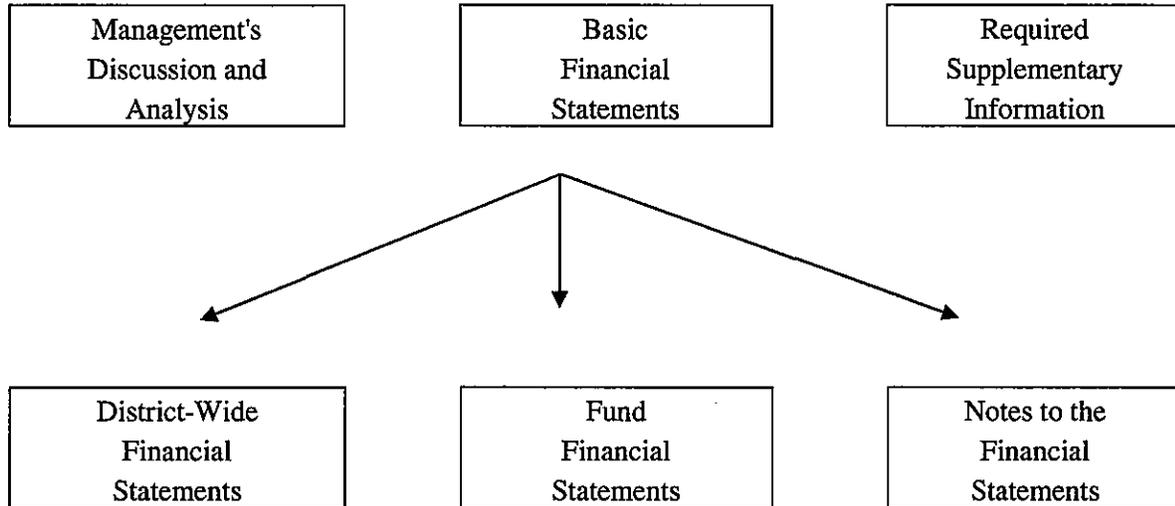


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The District has three kinds of funds:

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

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

Financial Analysis of the District as a Whole

Net Position. The Statement of Net Position provides one perspective of the District as a whole. Figure A-3 provides a summary of the District's net position as of June 30, 2013 and 2014. The District's *combined* net position was \$14,613,658 on June 30, 2014, \$273,975 or 1.84% less than it was the year before. It is important to note here that depreciation of the District's capital assets is computed in the total. The depreciation factored into the District's net position for 2013/14 is \$812,709. This same amount is also factored in as an expense in this year's financial statements.

Figure A-3

Condensed Statement of Net Position

	Government Activities		Business-Type Activities		Total School District		Percentage
	2012/13*	2013/14	2012/13	2013/14	2012/13*	2013/14	Change 2013/14
Current and Other Assets	\$ 5,167,044	\$ 2,619,219	\$ 493,447	\$ 590,340	\$ 5,660,491	\$ 3,209,559	-43.30%
Capital Assets	16,719,343	18,454,077			16,719,343	18,454,077	10.38%
Total Assets	<u>21,886,387</u>	<u>21,073,296</u>	<u>493,447</u>	<u>590,340</u>	<u>22,379,834</u>	<u>21,663,636</u>	-3.20%
Deferred Outflows of Resources	<u>145,015</u>	<u>128,902</u>			<u>145,015</u>	<u>128,902</u>	-11.11%
Long-Term Debt Outstanding	6,392,967	5,990,836			6,392,967	5,990,836	-6.29%
Other Liabilities	1,040,623	982,139	203,626	205,905	1,244,249	1,188,044	-4.52%
Total Liabilities	<u>7,433,590</u>	<u>6,972,975</u>	<u>203,626</u>	<u>205,905</u>	<u>7,637,216</u>	<u>7,178,880</u>	-6.00%
Net Position:							
Net Investment in Capital Assets	11,146,934	13,346,166			11,146,934	13,346,166	19.73%
Restricted	3,077,900	564,241			3,077,900	564,241	-81.67%
Unrestricted	<u>372,978</u>	<u>318,816</u>	<u>289,821</u>	<u>384,435</u>	<u>662,799</u>	<u>703,251</u>	6.10%
Total Net Position	<u>\$ 14,597,812</u>	<u>\$ 14,229,223</u>	<u>\$ 289,821</u>	<u>\$ 384,435</u>	<u>\$ 14,887,633</u>	<u>\$ 14,613,658</u>	-1.84%

* Restated

Changes in Net Position. The District's *combined* net position was \$14,613,658 on June 30, 2014, \$273,975 or 1.84% less than it was the year before. (See Figure A-3). The decrease in the District's financial position came from its governmental activities, as net position went from \$14,597,812 to \$14,229,223 offset by the increase in net position of the business-type activities of \$94,614 (See Figure A-4) for the fiscal year ended June 30, 2014.

Figure A-4

Changes in Net Position from Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	Change 2013/14
Revenue:							
Program Revenue:							
Charges for Services			\$ 969,161	\$ 1,022,570	\$ 969,161	\$ 1,022,570	5.51%
Operating Grants and Contributions	\$ 3,576,649	\$ 3,284,389	14,150	14,104	3,590,799	3,298,493	-8.14%
General Revenue:							
Property Taxes	21,741,588	22,312,382			21,741,588	22,312,382	2.63%
Unrestricted State Aid	222,668	332,392			222,668	332,392	49.28%
Other	284,056	323,390	196	230	284,252	323,620	13.85%
Total Revenue	25,824,961	26,252,553	983,507	1,036,904	26,808,468	27,289,457	1.79%
Expenses:							
Instruction	15,087,424	15,682,580			15,087,424	15,682,580	3.94%
Pupil and Instruction Services	4,150,525	4,297,023			4,150,525	4,297,023	3.53%
Administrative and Business	2,461,886	2,479,948			2,461,886	2,479,948	0.73%
Maintenance and Operations	2,463,388	2,582,194			2,463,388	2,582,194	4.82%
Transportation	1,166,369	1,364,055			1,166,369	1,364,055	16.95%
Other	154,087	215,342	890,818	942,290	1,044,905	1,157,632	10.79%
Total Expenses	25,483,679	26,621,142	890,818	942,290	26,374,497	27,563,432	4.51%
Transfers	20,000		(20,000)				
Increase/(Decrease) in							
Net Position	\$ 361,282	\$ (368,589)	\$ 72,689	\$ 94,614	\$ 433,971	\$ (273,975)	-163.13%

Revenue Sources. The District's total revenue for the 2013/14 school year was \$27,289,457. (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$22,312,382 of the total, or 81.76 percent. (See Figure A-5). Another 13.30 percent came from state and federal aid for specific programs and the remainder from miscellaneous sources. It is important to note that of the Categorical Grants amount of \$2,795,358, over \$1.2 million is included in funds that are not paid to the District, but are included in funding for Pension Contributions and Post Retirement Contributions that the State of New Jersey is paying on behalf of the District. Hanover Township School District basically conducts its operations from the revenues it receives from its local taxpayers.

Figure A-5**Sources of Revenue for Fiscal Year 2014**

	<u>Amount</u>	<u>Percentage</u>
Sources of Income:		
State Formula Aid	\$ 835,527	3.06%
Property Taxes	22,312,382	81.76%
Federal and State Categorical Grants	2,795,358	10.24%
Charges for Services	1,022,570	3.75%
Other	<u>323,620</u>	<u>1.19%</u>
	<u>\$ 27,289,457</u>	<u>100.00%</u>

The total cost of all programs and services was \$27,563,432. The District's expenses are predominantly related to instruction and instruction services which comprise 72.49% of total expenses.

Figure A-6**Expenses for Fiscal Year 2014**

	<u>Amount</u>	<u>Percentage</u>
Expense Category:		
Instruction	\$ 15,682,580	56.90%
Pupil and Instruction Services	4,297,023	15.59%
Administrative and Business	2,479,948	9.00%
Maintenance and Operations	2,582,194	9.37%
Transportation	1,364,055	4.95%
Other	<u>1,157,632</u>	<u>4.19%</u>
	<u>\$ 27,563,432</u>	<u>100.00%</u>

Governmental Activities

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

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

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

Figure A-7

Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2012/2013	2013/2014	2012/2013	2013/2014
Instruction	\$ 15,087,424	\$ 15,682,580	\$ 11,759,626	\$ 12,597,352
Pupil and Instruction Services	4,150,525	4,297,023	3,962,116	4,166,349
Administrative and Business	2,461,886	2,479,948	2,461,886	2,479,948
Maintenance and Operations	2,463,388	2,582,194	2,463,388	2,582,194
Transportation	1,166,369	1,364,055	1,105,927	1,295,568
Other	154,087	215,342	154,087	215,342
	<u>\$ 25,483,679</u>	<u>\$ 26,621,142</u>	<u>\$ 21,907,030</u>	<u>\$ 23,336,753</u>

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

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

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

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

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

Other expenses include cost of debt for the school district.

Business-Type Activities

Net assets from the District's business-type activities increased \$94,614. (Refer to Figure A-4). School Age Child Care fees and enrollment increased in 2013/14.

Financial Analysis of the District's Funds

The school district's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$26,252,553 and expenditures of \$26,621,142. The General Fund experienced a net change in fund balance of (\$199,175) on the budgetary basis of accounting. However, due to regulations regarding the reporting of state aid receivables, this balance must be adjusted to (\$198,314). This difference of \$861 is the difference between Hanover Township's final 12/13 and 13/14 General Fund state aid payments.

General Fund Budgetary Highlights

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

During the course of the fiscal year 2014, the school district amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management. Amendments to the budget were for the following:

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

While the District's final budget for the general fund anticipated that revenues and expenditures would roughly equal, the actual results for the year show a \$199,175 deficit.

- ◆ Actual revenues were \$173,611 more than expected mainly due to the excess in miscellaneous revenue of \$144,929.
- ◆ The actual expenditures were \$751,170 lower than expected due to a health benefits increase that was less than anticipated and other cost cutting measures.

Capital Asset and Debt Administration

Figure A-8

	Capital Assets (Net of Depreciation)						Percentage Change 2013/14
	Government Activities		Business-Type Activities		Total School District		
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	
Land	\$ 288,109	\$ 288,109			\$ 288,109	\$ 288,109	0.00%
Construction in Progress	1,350,471	5,000			1,350,471	5,000	-99.63%
Site Improvements	427,187	387,941			427,187	387,941	-9.19%
Buildings and Improvements	13,950,910	17,099,324			13,950,910	17,099,324	22.57%
Machinery and Equipment	702,666	673,703			702,666	673,703	-4.12%
Total Capital Assets (Net of Depreciation)	<u>\$ 16,719,343</u>	<u>\$ 18,454,077</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 16,719,343</u>	<u>\$ 18,454,077</u>	10.38%

Overall capital assets increased \$1,734,734 from fiscal year 2013 to fiscal year 2014. Increases in capital assets of \$2,547,443 were offset by depreciation expenses of \$812,709 for the year.

The capital asset expenditures during fiscal year 2014 were mainly physical plant improvements.

Long-term Debt

At June 30, 2014, the School District had \$5,990,836 of outstanding long-term liabilities – a decrease of \$402,131 from last year – as shown in Figure A-9. Of this amount \$822,925 is for compensated absences, \$2,702,911 for capital leases and \$2,405,000 for bonds for school construction.

Figure A-9

Outstanding Long-Term Debt

	Total School District		Percentage Change
	2012/13	2013/14	
General Obligation Bonds (Financed with Property Taxes)	\$ 2,675,000	\$ 2,405,000	-11.23%
Capital Leases	2,897,409	2,702,911	-7.20%
Other Long-Term Liabilities	820,558	882,925	7.06%
	<u>\$ 6,392,967</u>	<u>\$ 5,990,836</u>	-6.29%

- The District continued to pay down its debt, retiring \$270,000 of outstanding bonds.

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

The Hanover Township Public School District is in good financial condition at present. The Township of Hanover currently has several proposed and recently completed residential developments that may continue to have a substantial impact on the District's enrollment and future budgets. The District experienced some unanticipated growth and expenses for the 2013-14 school year with the opening of a 78 unit affordable housing complex and experienced a substantial increase in the area of special education costs in 2013-14 to meet the needs of special education students residing in the Community. The impact of the Affordable Care Act on the cost of health insurance is an area of concern for the future.

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

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Education Office, 61 Highland Avenue, Whippany, New Jersey 07981.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Exhibit A-1

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	\$ 1,641,525	\$ 586,027	\$ 2,227,552
Receivables:			
Other Governments	410,976	1,360	412,336
Other	2,475	2,953	5,428
Interfund	357		357
Restricted Assets:			
Capital Reserve Account - Cash	563,886		563,886
Capital Assets, Net:			
Sites (Land) and Construction in Progress	293,109		293,109
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	18,160,968		18,160,968
Total Assets	<u>21,073,296</u>	<u>590,340</u>	<u>21,663,636</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Amount on Refunding	<u>128,902</u>		<u>128,902</u>
LIABILITIES:			
Accrued Interest Payable	41,410		41,410
Accounts Payable - Vendors	136,022	1,604	137,626
Interfund Payable	626,679		626,679
Unamortized Bond Premium	151,313		151,313
Payable to State Government	26,673		26,673
Unearned Revenue	42	204,301	204,343
Noncurrent Liabilities:			
Due Within One Year	467,529		467,529
Due Beyond One Year	5,523,307		5,523,307
Total Liabilities	<u>6,972,975</u>	<u>205,905</u>	<u>7,178,880</u>
NET POSITION:			
Net Investment in Capital Assets	13,346,166		13,346,166
Restricted for:			
Debt Service	355		355
Capital Projects	563,886		563,886
Unrestricted	318,816	384,435	703,251
Total Net Position	<u>\$ 14,229,223</u>	<u>\$ 384,435</u>	<u>\$ 14,613,658</u>

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

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental Activities:						
Instruction:						
Regular	\$ 12,285,458		\$ 2,015,339	\$ (10,270,119)		\$ (10,270,119)
Special Education	2,861,786		1,069,889	(1,791,897)		(1,791,897)
Other Special Instruction	390,574			(390,574)		(390,574)
Other Instruction	144,762			(144,762)		(144,762)
Support Services:						
Tuition	614,542		63,010	(551,532)		(551,532)
Student & Instruction Related Services	3,682,481		67,664	(3,614,817)		(3,614,817)
General Administrative Services	573,787			(573,787)		(573,787)
School Administrative Services	1,227,091			(1,227,091)		(1,227,091)
Plant Operations and Maintenance	2,582,194			(2,582,194)		(2,582,194)
Pupil Transportation	1,364,055		68,487	(1,295,568)		(1,295,568)
Central services and Admin Info Tech	679,070			(679,070)		(679,070)
Transfer to Charter School	120,605			(120,605)		(120,605)
Interest on Long-Term Debt	94,737			(94,737)		(94,737)
Total Governmental Activities	26,621,142		3,284,389	(23,336,753)		(23,336,753)

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Business-Type Activities:						
Enterprise Funds	\$ 942,290	\$ 1,022,570	\$ 14,104		\$ 94,384	\$ 94,384
Total Business-Type Activities	942,290	1,022,570	14,104		94,384	94,384
Total Primary Government	\$ 27,563,432	\$ 1,022,570	\$ 3,298,493	\$ (23,336,753)	\$ 94,384	\$ (23,242,369)
 General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				\$ 21,943,932		\$ 21,943,932
Taxes, Levied for Debt Service				368,450		368,450
Federal and State Aid not Restricted				332,392		332,392
Investment Earnings				6,910	\$ 230	7,140
Miscellaneous Income				316,480		316,480
Total General Revenues				22,968,164	230	22,968,394
Change in Net Position				(368,589)	94,614	(273,975)
Net Position - Beginning - Restated				14,597,812	289,821	14,887,633
Net Position - Ending				\$ 14,229,223	\$ 384,435	\$ 14,613,658

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

FUND FINANCIAL STATEMENTS

Exhibit B-1

HANOVER TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<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	\$ 1,631,170		\$ 10,355		\$ 1,641,525
Receivables:					
Other Governments	354,220	\$ 56,756			410,976
Interfund Receivable	27,834			\$ 355	28,189
Other	2,475				2,475
Restricted Cash and Cash Equivalents	<u>563,886</u>				<u>563,886</u>
Total Assets	<u>\$ 2,579,585</u>	<u>\$ 56,756</u>	<u>\$ 10,355</u>	<u>\$ 355</u>	<u>\$ 2,647,051</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable - Vendors	\$ 123,813	\$ 2,209	\$ 10,000		\$ 136,022
Interfund Payable	626,324	27,832	355		654,511
Payable to State Government		26,673			26,673
Unearned Revenue		<u>42</u>			<u>42</u>
Total Liabilities	<u>750,137</u>	<u>56,756</u>	<u>10,355</u>		<u>817,248</u>
Fund Balances:					
Restricted for:					
Capital Reserve Account	563,886				563,886
Debt Service				\$ 355	355
Assigned:					
For Subsequent					
Year's Expenditures	500,000				500,000
Year End Encumbrances	346,666				346,666
Unassigned	<u>418,896</u>				<u>418,896</u>
Total Fund Balances	<u>1,829,448</u>			<u>355</u>	<u>1,829,803</u>
Total Liabilities and Fund Balances	<u>\$ 2,579,585</u>	<u>\$ 56,756</u>	<u>\$ 10,355</u>	<u>\$ 355</u>	

Amounts Reported for *Governmental Activities* in the Statement of Net Position (A-1) are Different Because:

Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$31,206,048 and the accumulated depreciation is \$12,751,971.	18,454,077
Long-term liabilities, including bonds payable and other long-term liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(5,990,836)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(41,410)
Bond issuance premiums are reported as revenue in the governmental funds in the year the bonds are sold. The amount is \$226,969 and the accumulated amortization is \$75,656.	(151,313)
Deferred interest costs are not reported as expenditures in the governmental funds in the year of the expenditure.	<u>128,902</u>
Net Position of Governmental Activities	<u>\$ 14,229,223</u>

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

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local Sources:					
Local Tax Levy	\$ 21,943,932			\$ 368,450	\$ 22,312,382
Interest Earned on Investments	6,449		\$ 99		6,548
Interest Earned on Capital Reserve Funds	362				362
Miscellaneous	304,480	\$ 12,458	12,000		328,938
Total - Local Sources	<u>22,255,223</u>	<u>12,458</u>	<u>12,099</u>	<u>368,450</u>	<u>22,648,230</u>
State Sources	3,143,645	93,844			3,237,489
Federal Sources		366,834			366,834
Total Revenues	<u>25,398,868</u>	<u>473,136</u>	<u>12,099</u>	<u>368,450</u>	<u>26,252,553</u>
EXPENDITURES:					
Current:					
Regular Instruction	7,542,306	27,620			7,569,926
Special Education Instruction	2,085,334	314,842			2,400,176
Other Special Instruction	307,438				307,438
Other Instruction	104,405				104,405
Support Services and Undistributed Costs:					
Tuition	551,532	63,010			614,542
Student & Instruction Related Services	2,902,985	67,664			2,970,649
General Administration Services	500,365				500,365
School Administration Services	951,456				951,456
Central Services	397,930				397,930
Administrative Information Technology Services	147,741				147,741
Plant Operations and Maintenance	2,361,958				2,361,958
Pupil Transportation	1,294,064				1,294,064

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
EXPENDITURES (Cont'd):					
Current:					
Unallocated Benefits	\$ 6,110,250				\$ 6,110,250
Transfer to Charter School	120,605				120,605
Debt Service:					
Principal				\$ 270,000	270,000
Interest and Other Charges				98,450	98,450
Capital Outlay	141,211		\$ 2,403,355		2,544,566
Total Expenditures	<u>25,519,580</u>	<u>\$ 473,136</u>	<u>2,403,355</u>	<u>368,450</u>	<u>28,764,521</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(120,712)</u>		<u>(2,391,256)</u>		<u>(2,511,968)</u>
OTHER FINANCING SOURCES/(USES):					
Transfers In - General Fund					
Transfers In			77,602	99	77,701
Transfers Out	(77,602)		(99)		(77,701)
Total Other Financing Sources/(Uses)	<u>(77,602)</u>		<u>77,503</u>	<u>99</u>	
Net Change in Fund Balances	(198,314)		(2,313,753)	99	(2,511,968)
Fund Balances - July 1	<u>2,027,762</u>		<u>2,313,753</u>	<u>256</u>	<u>4,341,771</u>
Fund Balances - June 30	<u>\$ 1,829,448</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 355</u>	<u>\$ 1,829,803</u>

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

HANOVER TOWNSHIP SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2) \$ (2,511,968)

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

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

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

	Depreciation expense	\$ (812,709)	
	Capital outlays	<u>2,547,443</u>	
			1,734,734

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation. (+) (62,367)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities. (+) 270,000

Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities. 194,498

HANOVER TOWNSHIP SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation. (+)	\$ 3,713
The governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (+)	18,914
The governmental funds report the effect of deferred interest when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	<u>(16,113)</u>
Change in Net Position of Governmental Activities (Exhibit A-2)	<u>\$ (368,589)</u>

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

Exhibit B-4

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Non-Major Program</u>	<u>Major Program School Age Child Care</u>	<u>Total Funds</u>
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 6,747	\$ 579,280	\$ 586,027
Accounts Receivable:			
Federal	1,360		1,360
Other		2,953	2,953
Total Current Assets	<u>8,107</u>	<u>582,233</u>	<u>590,340</u>
Total Assets	<u>8,107</u>	<u>582,233</u>	<u>590,340</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable - Vendors	1,604		1,604
Unearned Revenue		204,301	204,301
Total Current Liabilities	<u>1,604</u>	<u>204,301</u>	<u>205,905</u>
NET POSITION:			
Unrestricted	<u>6,503</u>	<u>377,932</u>	<u>384,435</u>
Total Net Position	<u>\$ 6,503</u>	<u>\$ 377,932</u>	<u>\$ 384,435</u>

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

Exhibit B-5

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Non-Major Program</u>	<u>Major Program School Age Child Care</u>	<u>Total Funds</u>
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs:			
Special Milk Program	\$ 24,308		\$ 24,308
Child Care Fees		\$ 998,262	998,262
Total Operating Revenue	24,308	998,262	1,022,570
Operating Expenses:			
Cost of Sales	17,295		17,295
Salaries	16,598	518,630	535,228
Benefits and Taxes	5,842	139,192	145,034
Purchased Services		95,456	95,456
Supplies/Field Trips/Travel		95,696	95,696
Other	4,094	49,487	53,581
Total Operating Expenses	43,829	898,461	942,290
Operating Income (Loss)	(19,521)	99,801	80,280
Non-Operating Revenue:			
Local Sources:			
Interest Revenue	2	228	230
Federal Sources:			
Special Milk Program	14,104		14,104
Total Non-Operating Revenue	14,106	228	14,334
Change in Net Position	(5,415)	100,029	94,614
Net Position - Beginning of Year	11,918	277,903	289,821
Net Position - End of Year	\$ 6,503	\$ 377,932	\$ 384,435

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

Exhibit B-6

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Non-Major Program</u>	<u>Major Program School Age Child Care</u>	<u>Total Funds</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 24,308	\$ 1,000,987	\$ 1,025,295
Payments to Employees	(16,598)	(518,630)	(535,228)
Payments for Employee Benefits	(5,842)	(139,192)	(145,034)
Payments to Suppliers	(21,189)	(241,837)	(263,026)
Net Cash Provided by/(Used for) Operating Activities	(19,321)	101,328	82,007
Cash Flows from Noncapital Financing Activities:			
Cash Disbursed to General Fund	(1,200)		(1,200)
Cash Received from Federal Reimbursements	15,802		15,802
Net Cash Provided by Noncapital Financing Activities	14,602		14,602
Cash Flows from Investing Activities:			
Interest on Investments	2	228	230
Net Cash Provided by Investing Activities	2	228	230
Net Increase (Decrease) in Cash and Cash Equivalents	(4,717)	101,556	96,839
Cash and Cash Equivalents, July 1	11,464	477,724	489,188
Cash and Cash Equivalents, June 30	\$ 6,747	\$ 579,280	\$ 586,027
Reconciliation of Operating Income (Loss) to Net Cash Provided by/(Used for) Operating Activities:			
Operating Income (Loss)	\$ (19,521)	\$ 99,801	\$ 80,280
Adjustment to Reconcile Operating Income (Loss) to Cash Provided by/(Used for) Operating Activities:			
Changes in Assets and Liabilities:			
(Decrease) in Other Accounts Receivable		(552)	(552)
Increase/(Decrease) in Accounts Payable	200	(1,198)	(998)
Increase in Unearned Revenue		3,277	3,277
Net Cash Provided by/(Used for) Operating Activities	\$ (19,321)	\$ 101,328	\$ 82,007

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

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Flexible Spending Trust</u>
ASSETS:				
Cash and Cash Equivalents	\$ 94,079	\$ 95,984	\$ 10,537	\$ 3,847
Interfund Receivable	<u>626,324</u>			
Total Assets	<u><u>\$ 720,403</u></u>	<u><u>\$ 95,984</u></u>	<u><u>\$ 10,537</u></u>	<u><u>\$ 3,847</u></u>
LIABILITIES:				
Due to Student Groups	\$ 66,871			
Accrued Salaries and Wages	626,324			
Payroll Deductions and Withholdings	27,206			
Interfund Payable	<u>2</u>			
Total Liabilities	<u><u>720,403</u></u>			
NET POSITION:				
Held in Trust for:				
Unemployment Claims		\$ 95,984		
Restricted for Scholarships			\$ 10,537	
Flexible Spending Claims				<u>\$ 3,847</u>
Total Net Position	<u><u>\$ -0-</u></u>	<u><u>\$ 95,984</u></u>	<u><u>\$ 10,537</u></u>	<u><u>\$ 3,847</u></u>

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

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Flexible Spending Trust</u>
ADDITIONS:			
Contributions:			
Plan Members	\$ 36,624		\$ 6,500
Board Contribution		\$ 3,953	
Total Contributions	<u>36,624</u>	<u>3,953</u>	<u>6,500</u>
Investment Earnings:			
Interest	101	1	
Net Investment Earnings	<u>101</u>	<u>1</u>	
Total Additions	<u>36,725</u>	<u>3,954</u>	<u>6,500</u>
DEDUCTIONS:			
Quarterly Contribution Reports	15,264		
Student Activities Supplies		1,195	
Scholarships Awarded		200	
Flexible Spending Claims			3,622
Total Deductions	<u>15,264</u>	<u>1,395</u>	<u>3,622</u>
Change in Net Position	21,461	2,559	2,878
Net Position - Beginning of the Year	<u>74,523</u>	<u>7,978</u>	<u>969</u>
Net Position - End of the Year	<u>\$ 95,984</u>	<u>\$ 10,537</u>	<u>\$ 3,847</u>

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

(Continued)

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

B. Basis of Presentation: (Cont'd)

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

The District reports the following governmental funds:

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

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

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

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2014 was submitted to the County office and approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
from the Budgetary Comparison Schedule	\$ 25,398,007	\$ 472,365
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		771
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	77,854	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(76,993)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 25,398,868</u>	<u>\$ 473,136</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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

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

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 25,519,580	\$ 472,365
Differences - Budget to GAAP		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the Year the Supplies are Received for Financial Reporting Purposes.		771
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 25,519,580	\$ 473,136

E. Cash and Cash Equivalents:

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

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

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

F. Interfund Transactions

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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

G. Allowance for Uncollectible Accounts

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2014.

K. Capital Assets:

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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

K. Capital Assets (Cont'd):

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

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

L. Long-Term Liabilities

In the district-wide and enterprise fund statements of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond premium and discounts are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

M. Accrued Salaries and Wages:

Certain District employees, who provide services to the District over the ten-month academic year, have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2014, the amount earned by these employees but not disbursed was \$626,324.

N. Compensated Absences:

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

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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

O. Unearned Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$1,829,448 General Fund fund balance at June 30, 2014, \$846,666 is assigned fund balance of which \$346,666 is for year- end encumbrances and \$500,000 has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2015; \$563,886 is restricted in the capital reserve account; and there is \$418,896 in unassigned fund balance which is \$76,993 less than the calculated maximum unassigned fund balance, on a GAAP basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2015.

Debt Service Fund: Of the \$355 Debt Service Fund fund balance at June 30, 2014, \$256 is restricted and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2015; and \$99 will be included as anticipated revenue for the fiscal year ending June 30, 2016.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (S1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school Districts are required to restrict General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District had no excess surplus.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$76,993 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, Districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school Districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the school District cannot recognize the June state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the June state aid payments and not the fund balance reported on the fund statement which excludes the June state aid payments.

Q. Net Position

The District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, during the prior fiscal year. This statement defines net position as the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. This Statement provides guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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

Q. Net Position (Cont'd)

The District implemented GASB No. 65, *Items Previously Reported as Assets and Liabilities*, during the current fiscal year. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had a deferred outflow of resources for the Deferred Amount on Refunding at June 30, 2014.

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

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

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

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

R. Fund Balance Restrictions, Commitments and Assignments

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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

R. Fund Balance Restrictions, Commitments and Assignments (Cont'd)

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2014.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances and for amounts designated for subsequent year's expenditures in the General Fund at June 30, 2014.

S. Revenue - Exchange and Nonexchange Transactions

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

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

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

T. Operating Revenue and Expenses

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

U. Management Estimates

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

Deposits:

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

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

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

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
 (Continued)

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

Investments:

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

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

As of June 30, 2014, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents <u>Capital Reserve</u>	<u>Total</u>
Checking and Savings Accounts	<u>\$ 2,431,999</u>	<u>\$ 563,886</u>	<u>\$ 2,995,885</u>

During the period ended June 30, 2014, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2014, was \$2,995,885 and the bank balance was \$3,248,750.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
 (Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT

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

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amount or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to *N.J.S.A. 19:60-2*. Pursuant to *N.J.A.C. 6:23A-5.1(d)7*, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2013 to June 30, 2014 fiscal year is as follows:

Beginning balance, July 1, 2013		\$	697,231
Interest Earnings	\$		362
Deposits:			
Transfer by Board Resolution (June 2014)			171,986
			172,348
			869,579
Withdrawals:			
Board resolutions			(305,693)
Ending balance, June 30, 2014		\$	563,886

The June 30, 2014 LRFP balance of local support costs exceeds the balance in the capital reserve account at June 30, 2014. Withdrawals from the capital reserve were for use in DOE approved facilities projects, consistent with the District's LRFP.

NOTE 5. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2014, the District transferred \$8,200 to equipment and therefore did not require approval from the County Superintendent. The District transferred \$267,670 to facility acquisition and construction services which required approval from the County Superintendent.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2014 were as follows:

	Beginning Balance	Increases	Adjustments/ (Decreases)	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 288,109			\$ 288,109
Construction in Progress	1,350,471	\$ 2,403,355	\$ (3,748,826)	5,000
Total Capital Assets Not Being Depreciated	<u>1,638,580</u>	<u>2,403,355</u>	<u>(3,748,826)</u>	<u>293,109</u>
Capital Assets Being Depreciated:				
Site Improvements	1,539,055	35,890		1,574,945
Buildings and Building Improvements	23,271,809		3,748,826	27,020,635
Machinery and Equipment	2,255,966	108,198	(46,805)	2,317,359
Total Capital Assets Being Depreciated	<u>27,066,830</u>	<u>144,088</u>	<u>3,702,021</u>	<u>30,912,939</u>
Governmental Activities Capital Assets	<u>28,705,410</u>	<u>2,547,443</u>	<u>(46,805)</u>	<u>31,206,048</u>
Less Accumulated Depreciation for:				
Site Improvements	1,111,868	75,136		1,187,004
Buildings and Building Improvements	9,320,899	600,412		9,921,311
Machinery and Equipment	1,553,300	137,161	(46,805)	1,643,656
	<u>11,986,067</u>	<u>812,709</u>	<u>(46,805)</u>	<u>12,751,971</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 16,719,343</u>	<u>\$ 1,734,734</u>	<u>\$ -0-</u>	<u>\$ 18,454,077</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 522,901
Special Education Instruction	34,498
Other Special Instruction	6,391
Other Instruction	19,001
Student and Instruction Related Services	63,839
General Administrative Services	3,474
School Administrative Services	20,273
Operations and Maintenance of Plant	61,057
Pupil Transportation	73,394
Central Services	7,881
	<u>\$ 812,709</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

NOTE 7. OPERATING LEASES

The District has commitments to lease copiers which expire March 2019. Total operating lease payments made during the year ended June 30, 2014 were \$56,127. Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2015	\$ 53,635
2016	49,998
2017	12,382
2018	5,935
2019	2,631
	<u>\$ 124,581</u>

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2014, the following changes occurred in liabilities reported in the District-wide financial statements:

	<u>Balance</u> <u>6/30/2013</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance</u> <u>6/30/2014</u>
Serial Bonds Payable	\$ 2,675,000		\$ 270,000	\$ 2,405,000
Compensated Absences Payable	820,558	\$ 72,190	9,823	882,925
Capital Leases Payable	2,897,409		194,498	2,702,911
	<u>\$ 6,392,967</u>	<u>\$ 72,190</u>	<u>\$ 474,321</u>	<u>\$ 5,990,836</u>

A. Bonds Payable:

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

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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

A. Bonds Payable: (Cont'd)

<u>Purpose</u>	<u>Serial Bonds</u>			<u>Amount</u>
	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	
School Refunding Bonds	11/2/2010	3.00%-4.00%	1/15/2022	<u>\$ 2,405,000</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 285,000	\$ 90,350	\$ 375,350
2016	300,000	81,800	381,800
2017	305,000	72,800	377,800
2018	305,000	60,600	365,600
2019	305,000	48,400	353,400
2020-2022	905,000	72,200	977,200
	<u>\$ 2,405,000</u>	<u>\$ 426,150</u>	<u>\$ 2,831,150</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2014, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

The District is leasing a bus, a tractor and an energy savings improvement program totaling \$2,986,155 under capital leases. The capital leases are for terms ranging from three to fifteen years. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2014.

<u>Year</u>	<u>Amount</u>
2015	\$ 239,118
2016	239,117
2017	239,117
2018	239,118
2019	239,118
2020-2024	1,195,590
2025-2027	717,354
Total Minimum Lease Payables	<u>3,108,532</u>
Less: Amount representing interest	<u>405,621</u>
Present value of net minimum lease payments	<u>\$ 2,702,911</u>

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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

D. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The current portion of the compensated absences balance of the governmental funds is \$-0- and the long-term liability balance of compensated absences is \$882,925. The General Fund will be used to liquidate the compensated absences payable.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2014, no liability existed for compensated absences in the Enterprise Funds.

NOTE 9. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) and the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP). The TPAF and the PERS are sponsored and administered by the State of New Jersey. The TPAF is considered a cost-sharing, multiple employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other non-contribution employers. The PERS is also considered a cost-sharing, multiple-employer plan. Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. As a general rule, all full-time employees are eligible to join the TPAF or the PERS. However, if an employee is ineligible to enroll in the TPAF or the PERS, the employee may be eligible to enroll in the DCRP.

Employees who are members of PERS or TPAF and retire at a specified age according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of creditable service. Vesting occurs after 8 to 10 years of service. The DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. For PERS and TPAF, the contribution rate was 6.64% effective July 1, 2012 and increased to 6.78% effective July 1, 2013. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018. Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

The actuarially determined employer contribution for PERS and TPAF includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums. Under current statute, the District is a noncontributing employer of the TPAF.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

District Contributions to PERS amounted to \$384,206, \$374,781 and \$396,884 for the fiscal years ended June 30, 2014, 2013 and 2012, respectively.

During the fiscal years ended June 30, 2014, 2013 and 2012 the State of New Jersey contributed \$458,104, \$718,839 and \$342,718, respectively, to the TPAF for pension benefits on-behalf of the District.

The employer and employee contributions to DCRP for the fiscal years ended June 30, 2014, 2013 and 2012 were \$55,158, \$35,784 and \$21,155, respectively.

NOTE 10. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. Chapter 103 of Public Law amended the law to eliminate the funding of post-retirement medical benefits through TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2013, there were 100,134 retirees receiving post-retirement medical benefits, and the State contributed \$1.07 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides employer paid benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$173.8 million toward Chapter 126 benefits for 17,356 eligible retired members in Fiscal Year 2013.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$751,117, \$812,827 and \$688,952 for 2014, 2013 and 2012, respectively.

NOTE 11. RISK MANAGEMENT

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

Property, Liability and Health Benefits

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

Property, Liability and Health Benefits (Cont'd)

supplemental assessments in the event of deficiencies. If the assets of the Pool or the Fund were to be exhausted, members would become responsible for their respective shares of the Pool's or Fund's liabilities.

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

The audit for the year ended June 30, 2014 was not available as of the date of this report.

Selected financial information for the Fund and the Pool as of June 30, 2013 is as follows:

	<u>School Alliance Insurance Fund</u>	<u>Morris Essex Insurance Group</u>
Total Assets	\$ 35,464,413	\$ 8,251,089
Net Position	\$ 8,276,323	\$ 4,348,089
Total Revenue	\$ 31,140,760	\$ 3,015,200
Total Expenses and Adjustments	\$ 35,088,657	\$ 1,875,807
Change in Net Position	\$ (3,947,897)	\$ 1,139,393
Members Dividends	\$ -0-	\$ 658,594

Financial statements are available at the Administrators' Office.

School Alliance Insurance Fund

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

Morris Essex Insurance Group

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

New Jersey Unemployment Compensation Insurance

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance (Cont'd)

<u>Fiscal Year</u>	<u>Employee/ District Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2013-2014	\$ 36,624	\$ 101	\$ 15,264	\$ 95,984
2012-2013	110,252	87	83,712	74,523
2011-2012	35,370	65	97,002	47,896

NOTE 12. ECONOMIC DEPENDENCY

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

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2014:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 27,834	\$ 626,324
Special Revenue Fund		27,832
Capital Projects Fund		355
Debt Service Fund	355	
Fiduciary Fund	626,324	2
	<u>\$ 654,513</u>	<u>\$ 654,513</u>

The interfund between the General Fund and the Special Revenue Fund is the result of a cash deficit in the Special Revenue Fund due to the funding method for federally funded grants. The interfund between the General Fund and the Food Service Fund represents reimbursement for fees paid by the General Fund on behalf of the Food Service Fund. The interfund between General Fund and Fiduciary Fund is the amount of salary ten-month employees earned which will be disbursed during the summer months and retirement payouts.

During the fiscal year ended June 30, 2014, the General Fund transferred \$77,602 to the Capital Projects Fund for various improvements.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

NOTE 14. DEFERRED COMPENSATION

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

Equitable Individual Annuity Center Raritan Plaza III 101 Fieldcrest Avenue Edison, NJ 08837	MetLife Resources 125 17th Street Denver, CO
Faller Company Lincoln Investment 133 Ganttown Road Tunnersville, NJ 08012	Variable Annuity Life Insurance Company (VALIC) 90 Woodbridge Ctr. Dr., Suite 300 Woodbridge, NJ 07095
The Legend Group 100 Canal Pointe Blvd. Princeton, NJ 08540	

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

NOTE 15. TAX CALENDAR

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

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

NOTE 16. COMMITMENTS AND CONTINGENCIES

Grant Programs

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

Litigation

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

NOTE 16. COMMITMENTS AND CONTINGENCIES (Cont'd)

Encumbrances

At June 30, 2014, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds:

General Fund	Special Revenue Fund	Total Governmental Funds
\$ 346,666	\$ 1,643	\$ 348,309

On the District's Governmental Funds Balance Sheet as of June 30, 2014, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$1,643 less than the actual year-end encumbrances on a budgetary basis. On the GAAP basis, encumbrances are not recognized until paid and this non-recognition of encumbrances on a GAAP basis is also reflected as a reduction in grants receivables in the Special Revenue Fund.

NOTE 17. PRIOR YEAR ADJUSTMENTS

The District made a prior year adjustment in the District Wide Financial Statements to eliminate unamortized bond issuance costs reported in its Governmental activities as of June 30, 2013 as a result of implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes standards of accounting and financial reporting for debt issuance costs. In accordance to GASB Statement No. 65, debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. The District also made a prior year adjustment in the District Wide Financial Statements to reclassify the deferred amount on refunding of debt related to the District's 2010 refunding bonds as a deferred outflow of resources reported in its Governmental Activities as of June 30, 2013. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

	Balance 6/30/13 as Previously Reported	Retroactive Adjustments	Balance 6/30/13 as Restated
<u>Statement of Net Position</u>			
<u>Governmental Assets:</u>			
<u>Assets:</u>			
Bond Issuance Costs	\$ 58,961	\$ (58,961)	\$ -0-
Total Assets	21,945,348	(58,961)	21,886,387
<u>Deferred Outflows of Resources:</u>			
Deferred Amount on Refunding	-0-	145,015	145,015
<u>Liabilities:</u>			
Noncurrent Liabilities	6,247,952	145,015	6,392,967
Total Liabilities	31,324,439	145,015	31,469,454
<u>Net Position:</u>			
Unrestricted	431,939	(58,961)	372,978
Total Net Position	14,656,773	(58,961)	14,597,812

BUDGETARY COMPARISON SCHEDULES

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 21,943,932		\$ 21,943,932	\$ 21,943,932	
Interest Earned on Capital Reserve Funds	100		100	362	\$ 262
Miscellaneous	166,000		166,000	310,929	144,929
Total - Local Sources	22,110,032		22,110,032	22,255,223	145,191
State Sources:					
Categorical Special Education Aid	753,986		753,986	753,986	
Security Aid	22,423		22,423	22,423	
Transportation Aid	58,257		58,257	58,257	
District Reimbursement for Extraordinary Costs	160,911	\$ 131,068	291,979	305,347	13,368
Nonpublic School Transportation Costs				10,435	10,435
Anti Bullying				4,617	4,617
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				458,104	458,104
TPAF Post Retirement (On-Behalf - Non-Budgeted)				751,117	751,117
TPAF Social Security (Reimbursed - Non-Budgeted)				778,498	778,498
Total State Sources	995,577	131,068	1,126,645	3,142,784	2,016,139
TOTAL REVENUES	23,105,609	131,068	23,236,677	25,398,007	2,161,330

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 313,037	\$ 39,101	\$ 352,138	\$ 351,714	\$ 424
Grades 1-5 - Salaries of Teachers	4,049,508	(5,349)	4,044,159	4,044,159	
Grades 6-8 - Salaries of Teachers	2,781,432	(106,903)	2,674,529	2,659,314	15,215
Regular Programs - Home Instruction:					
Salaries of Teachers	8,500	7,900	16,400	16,280	120
Regular Programs - Undistributed Instruction:					
Purchased Professional-Educational Services	3,450		3,450	3,200	250
Other Purchased Services (400-500 series)	66,902	(14,362)	52,540	50,370	2,170
General Supplies	451,700	(33,112)	418,588	357,491	61,097
Textbooks	87,287	(45,952)	41,335	39,377	1,958
Other Objects	21,420	1,135	22,555	20,401	2,154
Total Regular Programs - Instruction	7,783,237	(157,543)	7,625,694	7,542,306	83,388
Special Education - Instruction:					
Multiple Disabilities:					
Salaries of Teachers	86,098	64,038	150,136	150,052	84
Other Salaries for Instruction	58,640	70,130	128,770	128,639	131
General Supplies	3,335	7,450	10,785	3,008	7,777
Other Objects	3,235	(400)	2,835	2,302	533
Total Multiple Disabilities	151,308	141,218	292,526	284,001	8,525

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Resource Room/Resource Center:					
Salaries of Teachers	\$ 1,181,720	\$ (10,924)	\$ 1,170,796	\$ 1,165,417	\$ 5,379
Other Salaries for Instruction	2,500	1,140	3,640	3,640	
General Supplies	7,105	(800)	6,305	5,745	560
	<u>1,191,325</u>	<u>(10,584)</u>	<u>1,180,741</u>	<u>1,174,802</u>	<u>5,939</u>
Total Resource Room/Resource Center					
Autism:					
Salaries of Teachers	60,488	(60,488)			
Purchased Professional-Educational Services	424,000	(9,432)	414,568	411,283	3,285
General Supplies	2,000	(1,300)	700	323	377
Other Objects	2,525		2,525	1,711	814
	<u>489,013</u>	<u>(71,220)</u>	<u>417,793</u>	<u>413,317</u>	<u>4,476</u>
Total Autism					
Preschool Disabilities - Part-Time:					
Salaries of Teachers	149,866	(2,575)	147,291	147,291	
Other Salaries for Instruction	118,587	(56,262)	62,325	62,214	111
General Supplies	4,707	(278)	4,429	3,709	720
Other Objects	700		700		700
	<u>273,860</u>	<u>(59,115)</u>	<u>214,745</u>	<u>213,214</u>	<u>1,531</u>
Total Preschool Disabilities - Part-Time					
Total Special Education - Instruction	<u>2,105,506</u>	<u>299</u>	<u>2,105,805</u>	<u>2,085,334</u>	<u>20,471</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	\$ 203,844	\$ 1,702	\$ 205,546	\$ 204,951	\$ 595
General Supplies	2,265		2,265	1,675	590
Total Basic Skills/Remedial - Instruction	<u>206,109</u>	<u>1,702</u>	<u>207,811</u>	<u>206,626</u>	<u>1,185</u>
Bilingual Education - Instruction:					
Salaries of Teachers	73,278	24,627	97,905	97,400	505
General Supplies	4,655		4,655	3,412	1,243
Total Bilingual Education - Instruction	<u>77,933</u>	<u>24,627</u>	<u>102,560</u>	<u>100,812</u>	<u>1,748</u>
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	67,500	(1,250)	66,250	42,360	23,890
Supplies and Materials	5,600	1,250	6,850	5,039	1,811
Total School-Sponsored Cocurricular Activities - Instruction	<u>73,100</u>	<u></u>	<u>73,100</u>	<u>47,399</u>	<u>25,701</u>
School-Sponsored Athletics - Instruction:					
Salaries	44,500		44,500	41,626	2,874
Purchased Services (300-500 series)	7,500		7,500	6,345	1,155
Supplies and Materials	7,350		7,350	6,570	780
Other Objects	3,300		3,300	2,465	835
Total School-Sponsored Athletics - Instruction	<u>62,650</u>	<u></u>	<u>62,650</u>	<u>57,006</u>	<u>5,644</u>
Total Instruction	<u>10,308,535</u>	<u>(130,915)</u>	<u>10,177,620</u>	<u>10,039,483</u>	<u>138,137</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAS Within the State - Regular		\$ 49,430	\$ 49,430	\$ 48,880	\$ 550
Tuition to Private Schools for the Handicapped - Within State	\$ 344,490	159,806	504,296	502,652	1,644
Total Instruction	344,490	209,236	553,726	551,532	2,194
Attendance & Social Work:					
Salaries	8,950	3,050	12,000	12,000	
Total Attendance & Social Work	8,950	3,050	12,000	12,000	
Health Services:					
Salaries	340,728	3,843	344,571	344,571	
Other Purchased Professional and Technical Services	18,000	(139)	17,861	17,852	9
Other Purchased Services (400-500 series)	8,500	4,118	12,618	12,354	264
Supplies and Materials	17,442	(2,823)	14,619	13,565	1,054
Other Objects	2,540		2,540	2,044	496
Total Health Services	387,210	4,999	392,209	390,386	1,823
Speech, OT, PT and Related Services:					
Salaries of Other Professional Staff	370,188	761	370,949	370,949	
Purchased Professional - Educational Services	262,935	18,432	281,367	252,851	28,516
Supplies and Materials	2,105		2,105	2,069	36
Total Speech, OT, PT and Related Services	635,228	19,193	654,421	625,869	28,552
Other Support Services - Students - Extra Services:					
Salaries of Other Professional Staff	352,046	(19,321)	332,725	332,725	
Purchased Professional - Educational Services	5,500	(2,483)	3,017	1,997	1,020
Total Other Support Services - Students - Extra Services	357,546	(21,804)	335,742	334,722	1,020

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Guidance:					
Salaries of Other Professional Staff	\$ 257,269		\$ 257,269	\$ 256,768	\$ 501
Salaries of Secretarial and Clerical Assistants	55,500	\$ 90	55,590	55,590	
Other Purchased Professional. and Technical Services	56,200	(15,187)	41,013	36,038	4,975
Other Purchased Services (400-500 series)	500		500	89	411
Supplies and Materials	6,152		6,152	5,127	1,025
Total Guidance	<u>375,621</u>	<u>(15,097)</u>	<u>360,524</u>	<u>353,612</u>	<u>6,912</u>
Child Study Team:					
Salaries of Other Professional Staff	656,702	(1,760)	654,942	654,930	12
Salaries of Secretarial and Clerical Assistants	71,380	1,011	72,391	72,385	6
Other Purchased Professional. and Technical Services	15,484		15,484	15,484	
Misc Purchased Service (400-500 series/ O/than Resid Costs)	5,325	(20)	5,305	5,292	13
Supplies and Materials	10,348	(1,779)	8,569	8,459	110
Other Objects	1,605		1,605	986	619
Total Child Study Team	<u>760,844</u>	<u>(2,548)</u>	<u>758,296</u>	<u>757,536</u>	<u>760</u>
Improvement of Instructional Services:					
Salaries of Supervisor of Instruction	113,500		113,500	113,500	
Salaries of Other Professional Staff	20,000	1,248	21,248	21,248	
Salaries of Secretarial and Clerical Assistants	32,380		32,380	32,380	
Other Purchased Professional. and Technical Services	20,000	(19,224)	776		776
Other Purchased Services (400-500)	2,000	724	2,724	2,724	
Supplies and Materials	3,000	(2,027)	973	973	
Other Objects	2,200	724	2,924	2,924	
Total Improvement of Instructional Services	<u>193,080</u>	<u>(18,555)</u>	<u>174,525</u>	<u>173,749</u>	<u>776</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Educational Media Services/School Library:					
Salaries	\$ 221,567		\$ 221,567	\$ 211,341	\$ 10,226
Supplies and Materials	29,059	\$ 1,325	30,384	23,680	6,704
Other Objects	3,700	150	3,850	3,800	50
Total Educational Media Services/School Library	<u>254,326</u>	<u>1,475</u>	<u>255,801</u>	<u>238,821</u>	<u>16,980</u>
Instructional Staff Training Services:					
Purchased Professional - Educational Services	2,000		2,000		2,000
Other Purchased Services (400-500 series)	30,645	(445)	30,200	15,340	14,860
Supplies and Materials	2,177		2,177	950	1,227
Total Instructional Staff Training Services	<u>34,822</u>	<u>(445)</u>	<u>34,377</u>	<u>16,290</u>	<u>18,087</u>
Support Services - General Administration:					
Salaries	265,895	2,827	268,722	268,722	
Legal Services	30,000	21,500	51,500	22,087	29,413
Audit Fees	38,500	(1,980)	36,520	35,530	990
Other Purchased Professional Services	7,500	14,700	22,200	21,800	400
Architectural/ Engineer Services		2,874	2,874		2,874
Communications/Telephone	72,000	2,400	74,400	73,671	729
Other Purchased Services (400-500 series)	54,250	5,509	59,759	55,734	4,025
BOE Other Purchased Services	3,000		3,000	2,631	369
Supplies and Materials	1,500	750	2,250	1,824	426
BOE In-House Training/Meeting Supplies	1,000		1,000	196	804
BOE Membership Dues & Fees	12,000	(10)	11,990	11,077	913
Miscellaneous Expenditures	6,500	594	7,094	7,093	1
Total Support Services - General Administration	<u>492,145</u>	<u>49,164</u>	<u>541,309</u>	<u>500,365</u>	<u>40,944</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	\$ 589,198	\$ 1,485	\$ 590,683	\$ 590,487	\$ 196
Salaries of Secretarial and Clerical Assistants	343,159	3,700	346,859	346,380	479
Other Purchased Services (400-500 series)	8,500	7,200	15,700	5,001	10,699
Supplies and Materials	4,146	17,500	21,646	2,963	18,683
Other Objects	7,700	(200)	7,500	6,625	875
Total Support Services - School Administration	952,703	29,685	982,388	951,456	30,932
Support Services - Central Services:					
Salaries	342,915	(8,850)	334,065	330,051	4,014
Purchased Technical Services	32,000	60,255	92,255	55,395	36,860
Other Purchased Services (400-500 series)	8,000	(150)	7,850	6,802	1,048
Supplies and Materials	3,000	1,000	4,000	3,988	12
Other Objects	1,800	(49)	1,751	1,694	57
Total Support Services - Central Services	387,715	52,206	439,921	397,930	41,991
Support Services - Administrative Information Technology Services:					
Salaries	146,557	1,184	147,741	147,741	
Total Support Services - Administrative IT Services	146,557	1,184	147,741	147,741	
Required Maintenance of School Facilities:					
Salaries	211,372	12,016	223,388	223,388	
Cleaning, Repair and Maintenance Services	146,890	40,610	187,500	164,164	23,336
General Supplies	14,000	(4,000)	10,000	8,670	1,330
Total Required Maintenance of School Facilities	372,262	48,626	420,888	396,222	24,666

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Custodial Services:					
Salaries	\$ 899,879	\$ 6,117	\$ 905,996	\$ 904,585	\$ 1,411
Salaries of Non-Instructional Aides	140,668	(1,016)	139,652	139,652	
Cleaning, Repair and Maintenance Services	21,495	(1,000)	20,495	16,530	3,965
Rental of Land & Building Other Than Lease Purchase Agreements	2,000		2,000	1,260	740
Other Purchased Property Services	29,000		29,000	28,829	171
Insurance	64,000	9,465	73,465	73,465	
Miscellaneous Purchased Services	2,000		2,000	1,990	10
General Supplies	126,500	3,819	130,319	125,241	5,078
Energy (Natural Gas)	135,000	15,000	150,000	147,174	2,826
Energy (Electricity)	275,000	(33,194)	241,806	215,914	25,892
Energy (Gasoline)	9,000	660	9,660	9,611	49
Other Objects	14,553	(2,000)	12,553	7,923	4,630
Interest - Energy Savings Impr Program Bonds	76,477		76,477	76,477	
Principal - Energy Savings Impr Program Bonds	162,641		162,641	162,641	
Total Custodial Services	<u>1,958,213</u>	<u>(2,149)</u>	<u>1,956,064</u>	<u>1,911,292</u>	<u>44,772</u>
Care and Upkeep of Grounds:					
Salaries	92,014	(92,014)			
Cleaning, Repair and Maintenance Services	13,000	(13,000)			
General Supplies	10,000	44,444	54,444	54,444	
Total Care and Upkeep of Grounds	<u>115,014</u>	<u>(60,570)</u>	<u>54,444</u>	<u>54,444</u>	
Security:					
General Supplies		19,350	19,350		19,350
Total Security		<u>19,350</u>	<u>19,350</u>		<u>19,350</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Student Transportation Services:					
Salaries of Non-Instructional Aides	\$ 7,200	\$ 6,939	\$ 14,139	\$ 14,139	
Home and School) - Regular	401,827	(7,366)	394,461	394,461	
Home and School) - Special Education	106,615	(11,324)	95,291	95,291	
Home and School) - Regular	80,000	(2,762)	77,238	74,930	\$ 2,308
Salaries for Pupil Transportation - Non-Public Schools	34,303	18,514	52,817	52,817	
Management Fee - ESC Transportation	100	29,845	29,945	29,945	
Cleaning, Repair and Maintenance Services	9,434	41,038	50,472	49,526	946
Contracted Services (Special Education Students) - Joint Agreements	5,000	(291)	4,709	4,709	
Contracted Services (Regular Students) - ESC's	2,000	(2,000)			
Contracted Services (Special Education Students) - ESC's	23,688	63,476	87,164	87,164	
Aid in Lieu Payments - Non Public Schools Students	54,808	5,324	60,132	60,132	
Aid in Lieu Payments - Charter School Students	3,536	(1,768)	1,768	1,768	
Miscellaneous Purchased Services - Transportation	42,110	11,855	53,965	53,965	
General Supplies	133,281	(1,313)	131,968	131,894	74
Total Student Transportation Services	903,902	150,167	1,054,069	1,050,741	3,328
Allocated Benefits - Student Transportation Services:					
Social Security Contributions	48,000	(48,000)			
Workers Compensation	48,000	(1,340)	46,660	46,660	
Health Benefits	195,000	1,663	196,663	196,663	
Total Allocated Benefits - Student Transportation Services	291,000	(47,677)	243,323	243,323	

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Unallocated Benefits:					
Social Security Contributions	\$ 325,000		\$ 325,000	\$ 307,660	\$ 17,340
Other Retirement Contributions - PERS	360,000	\$ (307)	359,693	348,533	11,160
Other Retirement Contributions - Regular	15,000	328	15,328	15,328	
Unemployment Compensation	75,000	(75,000)			
Workmen's Compensation	145,000		145,000	137,442	7,558
Health Benefits	3,391,156	(124,526)	3,266,630	3,257,944	8,686
Tuition Reimbursement	41,000	1,200	42,200	42,200	
Other Employee Benefits	20,000	(6,576)	13,424	13,424	
Total Unallocated Benefits	4,372,156	(204,881)	4,167,275	4,122,531	44,744
On-Behalf Contributions:					
On-behalf TPAF Pension Contributions (non-budgeted)				458,104	(458,104)
On-behalf TPAF Post Retirement Contributions (non-budgeted)				751,117	(751,117)
Reimbursed TPAF Social Security Contributions (non-budgeted)				778,498	(778,498)
Total On-Behalf Contributions				1,987,719	(1,987,719)
Total Personal Services - Employee Benefits	4,372,156	(204,881)	4,167,275	6,110,250	(1,942,975)
Total Undistributed Expenses	13,343,784	214,609	13,558,393	15,218,281	(1,659,888)
TOTAL CURRENT EXPENSE	23,652,319	83,694	23,736,013	25,257,764	(1,521,751)

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
CAPITAL OUTLAY					
Equipment:					
Undistributed Expenditures - Required Maintenance for School Facilities	\$ 13,542		\$ 13,542	\$ 13,542	
Undistributed Expenditures - Student Trans.-Non-Inst. Equip		\$ 8,200	8,200	8,200	
Undistributed Expenditures - School Buses - Regular	61,456		61,456	61,456	
Total Equipment	74,998	8,200	83,198	83,198	
Facilities Acquisition and Construction Services:					
Construction Services	37,622	283,469	321,091	35,889	\$ 285,202
Assessment for Debt Service on SDA Funding	37,923	(15,799)	22,124	22,124	
Total Facilities Acquisition and Construction Services	75,545	267,670	343,215	58,013	285,202
TOTAL CAPITAL OUTLAY	150,543	275,870	426,413	141,211	285,202
Transfer of Funds to Charter Schools	65,632	54,973	120,605	120,605	
TOTAL EXPENDITURES	23,868,494	414,537	24,283,031	25,519,580	(1,236,549)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(762,885)	(283,469)	(1,046,354)	(121,573)	924,781

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Financing Sources/(Uses):					
Operating Transfer Out:					
Transfer to Capital Projects Fund - Capital Reserve	\$ (590,000)	\$ 567,776	\$ (22,224)	\$ (22,224)	
Transfer to Capital Projects Fund - Capital Outlay	(55,378)		(55,378)	(55,378)	
Total Other Financing Sources/(Uses)	(645,378)	567,776	(77,602)	(77,602)	
Excess/(Deficiency) of Revenues and Other Financing Sources					
Over/(Under) Expenditures and Other Financing Uses	(1,408,263)	284,307	(1,123,956)	(199,175)	\$ 924,781
Fund Balance, July 1	2,105,616		2,105,616	2,105,616	
Fund Balance, June 30	\$ 697,353	\$ 284,307	\$ 981,660	\$ 1,906,441	\$ 924,781
<u>Recapitulation:</u>					
Restricted:					
Capital Reserve				\$ 563,886	
Assigned:					
Year-End Encumbrances				346,666	
Designated for Subsequent Year's Expenditures				500,000	
Unassigned				495,889	
				1,906,441	
Reconciliation to Governmental Funds Statements (GAAP):					
June State Aid Payments not recognized on GAAP Basis				(76,993)	
Fund Balance per Governmental Funds (GAAP)				\$ 1,829,448	

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
State Sources		\$ 120,517	\$ 120,517	\$ 93,844	\$ (26,673)
Federal Sources	\$ 341,187	60,000	401,187	366,063	(35,124)
Local Sources		12,500	12,500	12,458	(42)
Total Revenues	341,187	193,017	534,204	472,365	(61,839)
EXPENDITURES:					
Instruction					
Other Purchased Services	292,386	28,488	320,874	314,286	6,588
General Supplies		16,610	16,610	16,485	125
Textbooks		11,135	11,135	11,135	
Total Instruction	292,386	56,233	348,619	341,906	6,713
Support Services					
Purchased Professional - Technical Services	31,857	(13,277)	18,580	17,315	1,265
Tuition		89,650	89,650	63,010	26,640
Other Purchased Services	14,149	55,903	70,052	44,690	25,362
Supplies and Materials	2,795	4,508	7,303	5,444	1,859
Total Support Services	48,801	136,784	185,585	130,459	55,126
Total Expenditures	341,187	193,017	534,204	472,365	61,839
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

HANOVER TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 25,398,007	\$ 472,365
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not		771
Prior Year State Aid Payments Not Recognized for Budgetary Purposes, Recognized for GAAP Statements	77,854	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(76,993)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 25,398,868</u>	<u>\$ 473,136</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 25,519,580	\$ 472,365
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		<u>771</u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 25,519,580</u>	<u>\$ 473,136</u>

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2014 was submitted to the County office and was approved by a vote by the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m). Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

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

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

HANOVER TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>No Child Left Behind Title II A</u>	<u>IDEA Part B Basic Regular</u>	<u>IDEA Part B Basic Regular Carryover</u>	<u>IDEA Part B Preschool</u>	<u>Nonpublic Technology Initiative</u>	<u>Nonpublic Nursing</u>	<u>Nonpublic Textbook</u>
REVENUE:							
State Sources					\$ 4,027	\$ 15,672	\$ 11,135
Federal Sources	\$ 20,444	\$ 326,099	\$ 569	\$ 18,951			
Local Sources							
Total Revenue	<u>20,444</u>	<u>326,099</u>	<u>569</u>	<u>18,951</u>	<u>4,027</u>	<u>15,672</u>	<u>11,135</u>
EXPENDITURES:							
Instruction:							
Other Purchased Services		296,409	569	17,308			
General Supplies					4,027		
Textbooks							11,135
Total Instruction		<u>296,409</u>	<u>569</u>	<u>17,308</u>	<u>4,027</u>		<u>11,135</u>
Support Services:							
Purchased Professional - Technical Services				1,643		15,672	
Tuition							
Other Purchased Services	15,000	29,690					
Supplies and Materials	5,444						
Total Support Services	<u>20,444</u>	<u>29,690</u>		<u>1,643</u>		<u>15,672</u>	
Total Expenditures	<u>\$ 20,444</u>	<u>\$ 326,099</u>	<u>\$ 569</u>	<u>\$ 18,951</u>	<u>\$ 4,027</u>	<u>\$ 15,672</u>	<u>\$ 11,135</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

	<u>Nonpublic Auxiliary Services</u>		<u>Nonpublic Handicapped Services</u>			<u>Local Donation</u>	<u>Totals June 30, 2014</u>
	<u>Compensatory Education</u>	<u>English as a Second Language</u>	<u>Supplemental Instruction</u>	<u>Examination & Classification</u>	<u>Corrective Speech</u>		
REVENUE:							
State Sources	\$ 25,594	\$ 1,484	\$ 10,963	\$ 15,126	\$ 9,843		\$ 93,844
Federal Sources							366,063
Local Sources						\$ 12,458	12,458
Total Revenue	<u>25,594</u>	<u>1,484</u>	<u>10,963</u>	<u>15,126</u>	<u>9,843</u>	<u>12,458</u>	<u>472,365</u>
EXPENDITURES:							
Instruction:							
Other Purchased Services							314,286
General Supplies						12,458	16,485
Textbooks							11,135
Total Instruction						<u>12,458</u>	<u>341,906</u>
Support Services:							
Purchased Professional - Technical Services							17,315
Tuition	25,594	1,484	10,963	15,126	9,843		63,010
Other Purchased Services							44,690
Supplies and Materials							5,444
Total Support Services	<u>25,594</u>	<u>1,484</u>	<u>10,963</u>	<u>15,126</u>	<u>9,843</u>		<u>130,459</u>
Total Expenditures	<u>\$ 25,594</u>	<u>\$ 1,484</u>	<u>\$ 10,963</u>	<u>\$ 15,126</u>	<u>\$ 9,843</u>	<u>\$ 12,458</u>	<u>\$ 472,365</u>

CAPITAL PROJECTS FUND

Exhibit F-1

HANOVER TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Revenue and Other Financing Sources:	
Transfer from Capital Reserve	\$ 22,224
Transfer from Capital Outlay	55,378
Local Donation	12,000
Interest Income	99
	<hr/>
Total revenue and other financing sources	89,701
	<hr/>
Expenditures and Other Financing Uses:	
Equipment	138,328
Purchased professional and technical services	1,702,371
Construction services	562,656
Transfer to Debt Service Fund	99
	<hr/>
Total expenditures and other financing uses	2,403,454
	<hr/>
Deficit of revenue and other financing sources under expenditures and other financing uses	(2,313,753)
	<hr/>
Fund balance - beginning of year	2,313,753
	<hr/>
Fund balance - end of year	\$ -0-
	<hr/> <hr/>

HANOVER TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
ENERGY SAVINGS IMPROVEMENT PROGRAM
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenue and Other Financing Sources:				
Lease Purchase Proceeds	\$ 2,865,552		\$ 2,865,552	\$ 2,865,552
Total revenue and other financing sources	<u>2,865,552</u>		<u>2,865,552</u>	<u>2,865,552</u>
Expenditures:				
Purchased professional and technical services	1,231,805	\$ 1,633,747	2,865,552	2,865,552
Total expenditures	<u>1,231,805</u>	<u>1,633,747</u>	<u>2,865,552</u>	<u>2,865,552</u>
Excess/(deficit) of revenue and other financing sources over/(under) expenditures	<u>\$ 1,633,747</u>	<u>\$ (1,633,747)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Additional project information:				
Project Number	N/A			
Grant Date	N/A			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 2,865,552			
Revised Authorized Cost	2,865,552			
Percentage Increase over Original Authorized Cost	0%			
Percentage Completion	100%			
Original target completion date	10/2013			
Revised target completion date	04/2014			

HANOVER TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
MEMORIAL JUNIOR MIDDLE SCHOOL - AUDITORIUM IMPROVEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenue and Other Financing Sources:				
Transfer from Capital Reserve	\$ 528,672	\$ 45,602	\$ 574,274	\$ 574,274
Transfer from Enterprise Fund - School Age Child Care	20,000		20,000	20,000
Local Donation	55,000	12,000	67,000	67,000
	<u>603,672</u>	<u>57,602</u>	<u>661,274</u>	<u>661,274</u>
Total Revenue and Other Financing Sources				
Expenditures :				
Purchased Professional and Technical Services	7,672	68,624	76,296	76,296
Construction services	105,994	340,656	446,650	446,650
Equipment		138,328	138,328	138,328
	<u>113,666</u>	<u>547,608</u>	<u>661,274</u>	<u>661,274</u>
Total Expenditures				
Excess/(Deficit) of Revenue and Other Financing Sources Over/(Under) Expenditures	<u>\$ 490,006</u>	<u>\$ (490,006)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Additional project information:				
Project Number	N/A			
Grant Date	N/A			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 603,672			
Revised Authorized Cost	661,274			
Percentage Increase over Original Authorized Cost	0%			
Percentage Completion	100%			
Original target completion date	09/2013			
Revised target completion date	09/2013			

HANOVER TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
MOUNTVIEW ELEMENTARY SCHOOL - ROOF REPAIR
TO MAIN OFFICES AND CAFETERIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenue and Other Financing Sources:				
Transfer from Capital Reserve	\$ 190,000	\$ (23,378)	\$ 166,622	\$ 166,622
Transfer from Capital Outlay		55,378	55,378	55,378
Total revenue and other financing sources	190,000	32,000	222,000	222,000
Expenditures :				
Construction services		222,000	222,000	222,000
Total expenditures		222,000	222,000	222,000
Excess/(deficit) of revenue and other financing sources over/(under) expenditures	\$ 190,000	\$ (190,000)	\$ -0-	\$ -0-
Additional project information:				
Project Number		N/A		
Grant Date		N/A		
Bond Authorization Date		N/A		
Bonds Authorized		N/A		
Bonds Issued		N/A		
Original Authorized Cost	\$ 190,000			
Revised Authorized Cost		222,000		
Percentage Increase over Original Authorized Cost		16.84%		
Percentage Completion		100%		
Original target completion date		08/2013		
Revised target completion date		08/2013		

PROPRIETARY FUNDS

Exhibit G-1

HANOVER TOWNSHIP SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Non-Major Program Milk Service</u>	<u>Major Program School Age Child Care</u>	<u>Total</u>
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 6,747	\$ 579,280	\$ 586,027
Accounts Receivable:			
Federal	1,360		1,360
Other		2,953	2,953
Total Current Assets	<u>8,107</u>	<u>582,233</u>	<u>590,340</u>
Total Assets	<u>8,107</u>	<u>582,233</u>	<u>590,340</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable - Vendors	1,604		1,604
Unearned Revenue		204,301	204,301
Total Current Liabilities	<u>1,604</u>	<u>204,301</u>	<u>205,905</u>
NET POSITION:			
Unrestricted	<u>6,503</u>	<u>377,932</u>	<u>384,435</u>
Total Net Position	<u>\$ 6,503</u>	<u>\$ 377,932</u>	<u>\$ 384,435</u>

Exhibit G-2

HANOVER TOWNSHIP SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Non-Major Program Milk Service</u>	<u>Major Program School Age Child Care</u>	<u>Total</u>
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs:			
Special Milk Program	\$ 24,308		\$ 24,308
Child Care Fees		\$ 998,262	998,262
Total Operating Revenue	<u>24,308</u>	<u>998,262</u>	<u>1,022,570</u>
Operating Expenses:			
Cost of Sales	17,295		17,295
Salaries	16,598	518,630	535,228
Benefits and Taxes	5,842	139,192	145,034
Purchased Services		95,456	95,456
Supplies/Field Trips/Travel		95,696	95,696
Other	4,094	49,487	53,581
Total Operating Expenses	<u>43,829</u>	<u>898,461</u>	<u>942,290</u>
Operating Income (Loss)	<u>(19,521)</u>	<u>99,801</u>	<u>80,280</u>
Non-Operating Revenue:			
Local Sources:			
Interest Revenue	2	228	230
Federal Sources:			
Special Milk Program	14,104		14,104
Total Non-Operating Revenue	<u>14,106</u>	<u>228</u>	<u>14,334</u>
Change in Net Position	(5,415)	100,029	94,614
Net Position - Beginning of Year	<u>11,918</u>	<u>277,903</u>	<u>289,821</u>
Net Position - End of Year	<u>\$ 6,503</u>	<u>\$ 377,932</u>	<u>\$ 384,435</u>

Exhibit G-3

HANOVER TOWNSHIP SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Non-Major Program <u>Milk Service</u>	Major Program <u>School Age Child Care</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 24,308	\$ 1,000,987	\$ 1,025,295
Payments to Employees	(16,598)	(518,630)	(535,228)
Payments for Employee Benefits	(5,842)	(139,192)	(145,034)
Payments to Suppliers	(21,189)	(241,837)	(263,026)
Net Cash Provided by/(Used for) Operating Activities	<u>(19,321)</u>	<u>101,328</u>	<u>82,007</u>
Cash Flows from Noncapital Financing Activities:			
Cash Disbursed to General Fund	(1,200)		(1,200)
Cash Received from Federal Reimbursements	15,802		15,802
Net Cash Provided by Noncapital Financing Activities	<u>14,602</u>		<u>14,602</u>
Cash Flows from Investing Activities:			
Interest on Investments	2	228	230
Net Cash Provided by Investing Activities	<u>2</u>	<u>228</u>	<u>230</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(4,717)	101,556	96,839
Cash and Cash Equivalents, July 1	<u>11,464</u>	<u>477,724</u>	<u>489,188</u>
Cash and Cash Equivalents, June 30	<u>\$ 6,747</u>	<u>\$ 579,280</u>	<u>\$ 586,027</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by/(Used for)			
Operating Activities:			
Operating Income (Loss)	\$ (19,521)	\$ 99,801	\$ 80,280
Adjustment to Reconcile Operating Income (Loss) to Cash			
Provided by/(Used for) Operating Activities:			
Changes in Assets and Liabilities:			
Increase in Other Accounts Receivable		(552)	(552)
Increase/(Decrease) in Accounts Payable	200	(1,198)	(998)
Increase in Unearned Revenue		3,277	3,277
Net Cash Provided by/(Used for) Operating Activities	<u>\$ (19,321)</u>	<u>\$ 101,328</u>	<u>\$ 82,007</u>

FIDUCIARY FUNDS

HANOVER TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Agency</u>		<u>Totals</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Flexible Spending Trust</u>
	<u>Student Activity</u>	<u>Payroll</u>				
ASSETS:						
Cash and Cash Equivalents	\$ 66,871	\$ 27,208	\$ 94,079	\$ 95,984	\$ 10,537	\$ 3,847
Interfund Receivable		626,324	626,324			
Total Assets	\$ 66,871	\$ 653,532	\$ 720,403	\$ 95,984	\$ 10,537	\$ 3,847
LIABILITIES:						
Due to Student Groups	\$ 66,871		\$ 66,871			
Accrued Salaries and Wages		\$ 626,324	626,324			
Payroll Deductions and Withholdings		27,206	27,206			
Interfund Payable		2	2			
Total Liabilities	66,871	653,532	720,403			
NET POSITION:						
Held in Trust for:						
Unemployment Claims				\$ 95,984		
Restricted for Scholarships					\$ 10,537	
Flexible Spending Claims						\$ 3,847
Total Net Position	\$ -0-	\$ -0-	\$ -0-	\$ 95,984	\$ 10,537	\$ 3,847

Exhibit H-2

HANOVER TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Unemployment Compensation Trust	Private Purpose Scholarship Trust	Flexible Spending Trust	Totals
ADDITIONS:				
Contributions:				
Plan members	\$ 36,624		\$ 6,500	\$ 43,124
Donations		\$ 3,953		3,953
Total Contributions	36,624	3,953	6,500	47,077
Investment Earnings:				
Interest	101	1		102
Net Investment Earnings	101	1		102
Total Additions	36,725	3,954	6,500	47,179
DEDUCTIONS:				
Quarterly Contribution Reports	15,264			15,264
Scholarships Awarded		200		200
Student Activities Supplies		1,195		1,195
Flexible Spending Claims			3,622	3,622
Total Deductions	15,264	1,395	3,622	20,281
Change in Net Position	21,461	2,559	2,878	26,898
Net Position - Beginning of the Year	74,523	7,978	969	83,470
Net Position - End of the Year	\$ 95,984	\$ 10,537	\$ 3,847	\$ 110,368

HANOVER TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 98,224	\$ 121,462	\$ 152,815	\$ 66,871
Total Assets	<u>\$ 98,224</u>	<u>\$ 121,462</u>	<u>\$ 152,815</u>	<u>\$ 66,871</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 98,224	\$ 121,462	152,815	\$ 66,871
Total Liabilities	<u>\$ 98,224</u>	<u>\$ 121,462</u>	<u>\$ 152,815</u>	<u>\$ 66,871</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Balance</u> <u>July 1, 2013</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2014</u>
Elementary Schools:				
Bee Meadow	\$ 9,956	\$ 1,652	\$ 2,205	\$ 9,403
Mountview	16,800	16,229	12,532	20,497
Salem Drive	1,486	5,157	5,703	940
	<u>28,242</u>	<u>23,038</u>	<u>20,440</u>	<u>30,840</u>
Total Elementary Schools				
Middle School:				
Memorial	69,982	98,424	132,375	36,031
	<u>69,982</u>	<u>98,424</u>	<u>132,375</u>	<u>36,031</u>
Total Middle School				
Total All Schools	<u>\$ 98,224</u>	<u>\$ 121,462</u>	<u>\$ 152,815</u>	<u>\$ 66,871</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 25,415	\$ 17,501,849	\$ 17,500,056	\$ 27,208
Interfund Receivable	572,242	626,324	572,242	626,324
Total Assets	<u>\$ 597,657</u>	<u>\$ 18,128,173</u>	<u>\$ 18,072,298</u>	<u>\$ 653,532</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 25,414	\$ 17,501,835	\$ 17,500,043	\$ 27,206
Accrued Salaries and Wages	572,242	626,324	572,242	626,324
Interfund Payable	1	14	13	2
Total Liabilities	<u>\$ 597,657</u>	<u>\$ 18,128,173</u>	<u>\$ 18,072,298</u>	<u>\$ 653,532</u>

LONG-TERM DEBT

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds			Interest Rate	Balance June 30, 2013	Matured	Balance June 30, 2014
			Outstanding June 30, 2014						
			Date	Amount					
School Refunding Bonds	11/2/2010	\$ 2,970,000	01/15/15	\$ 285,000	3.00%	\$ 2,675,000	\$ 270,000	\$ 2,405,000	
			01/15/16	300,000	3.00%				
			01/15/17-20	305,000	4.00%				
			01/15/21-22	300,000	4.00%				
						\$ 2,675,000	\$ 270,000	\$ 2,405,000	

Exhibit I-2

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

<u>Item</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance June 30, 2013</u>	<u>Matured</u>	<u>Balance June 30, 2014</u>
Buses	2.75%	\$ 51,734	\$ 8,919	\$ 8,919	
Tractor	4.85%	68,869	22,938	22,938	
Energy Savings	2.12%	2,865,552	<u>2,865,552</u>	<u>162,641</u>	<u>\$ 2,702,911</u>
			<u>\$ 2,897,409</u>	<u>\$ 194,498</u>	<u>\$ 2,702,911</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
 (UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 368,450		\$ 368,450	\$ 368,450	
Total Revenue	<u>368,450</u>		<u>368,450</u>	<u>368,450</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	98,450		98,450	98,450	
Redemption of Principal	270,000		270,000	270,000	
Total Regular Debt Service	<u>368,450</u>		<u>368,450</u>	<u>368,450</u>	
Total Expenditures	<u>368,450</u>		<u>368,450</u>	<u>368,450</u>	
Excess (Deficiency) of Revenue Over (Under) Expenditures					
Other Financing Sources:					
Operating Transfer In:					
Transfer from Capital Projects Fund				99	\$ 99
Total Other Financing Sources				<u>99</u>	<u>99</u>
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures				99	99
Fund Balance, July 1	256		256	256	
Fund Balance, June 30	<u>\$ 256</u>	<u>\$ -0-</u>	<u>\$ 256</u>	<u>\$ 355</u>	<u>\$ 99</u>
<u>Recapitulation:</u>					
Restricted				<u>\$ 355</u>	

STATISTICAL SECTION

STATISTICAL SECTION
(UNAUDITED)

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

Contents

	<u>Exhibit</u>
<p>Financial Trends</p> <p>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</p>	J-1 thru J-5
<p>Revenue Capacity</p> <p>These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.</p>	J-6 thru J-9
<p>Debt Capacity</p> <p>These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.</p>	J-10 thru J-13
<p>Demographic and Economic Information</p> <p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.</p>	J-14 thru J-15
<p>Operating Information</p> <p>These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.</p>	J-16 thru J-20

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

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

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	(Restated) 2013	2014
Governmental Activities:										
Net Investment in Capital Assets	\$ 9,212,364	\$ 10,025,347	\$ 10,599,240	\$ 11,408,472	\$ 11,873,264	\$ 12,099,751	\$ 12,430,565	\$ 12,783,499	\$ 11,146,934	\$ 13,346,166
Restricted	2,864,602	2,990,114	2,644,521	1,623,991	1,650,464	1,362,584	908,005	1,174,834	3,077,900	564,241
Unrestricted/(Deficit)	116,882	(565,962)	(496,801)	(498,495)	(623,525)	(639,311)	69,543	337,158	372,978	318,816
Total Governmental Activities Net Position	<u>\$ 12,193,848</u>	<u>\$ 12,449,499</u>	<u>\$ 12,746,960</u>	<u>\$ 12,533,968</u>	<u>\$ 12,900,203</u>	<u>\$ 12,823,024</u>	<u>\$ 13,408,113</u>	<u>\$ 14,295,491</u>	<u>\$ 14,597,812</u>	<u>\$ 14,229,223</u>
Business-Type Activities:										
Unrestricted	\$ 175,153	\$ 148,126	\$ 116,081	\$ 105,209	\$ 114,065	\$ 154,419	\$ 142,992	\$ 217,132	\$ 289,821	\$ 384,435
Total Business-Type Activities Net Position	<u>\$ 175,153</u>	<u>\$ 148,126</u>	<u>\$ 116,081</u>	<u>\$ 105,209</u>	<u>\$ 114,065</u>	<u>\$ 154,419</u>	<u>\$ 142,992</u>	<u>\$ 217,132</u>	<u>\$ 289,821</u>	<u>\$ 384,435</u>
District-Wide:										
Net Investment in Capital Assets	\$ 9,212,364	\$ 10,025,347	\$ 10,599,240	\$ 11,408,472	\$ 11,873,264	\$ 12,099,751	\$ 12,430,565	\$ 12,783,499	\$ 11,146,934	\$ 13,346,166
Restricted	2,864,602	2,990,114	2,644,521	1,623,991	1,650,464	1,362,584	908,005	1,174,834	3,077,900	564,241
Unrestricted/(Deficit)	292,035	(417,836)	(380,720)	(393,286)	(509,460)	(484,892)	212,535	554,290	662,799	703,251
Total District Net Position	<u>\$ 12,369,001</u>	<u>\$ 12,597,625</u>	<u>\$ 12,863,041</u>	<u>\$ 12,639,177</u>	<u>\$ 13,014,268</u>	<u>\$ 12,977,443</u>	<u>\$ 13,551,105</u>	<u>\$ 14,512,623</u>	<u>\$ 14,887,633</u>	<u>\$ 14,613,658</u>

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

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses:										
Governmental Activities:										
Instruction:										
Regular	\$ 9,194,032	\$ 11,963,094	\$ 11,895,254	\$ 12,544,129	\$ 11,460,263	\$ 11,794,795	\$ 11,625,678	\$ 11,732,694	\$ 12,358,797	\$ 12,285,458
Special Education	1,861,955	1,624,262	2,110,342	2,111,191	2,262,515	2,417,583	2,356,644	2,383,792	2,242,404	2,861,786
Other Special Instruction	370,665	273,076	314,743	272,269	246,294	279,890	294,577	299,431	350,893	390,574
Other Instruction	149,436	134,105	165,203	162,455	163,436	179,648	126,103	127,635	135,330	144,762
Support Services:										
Tuition	28,089	69,761	161,197	138,459	203,930	187,937	152,135	94,216	280,756	614,542
Student and Instruction Related Services	2,868,358	2,350,414	2,917,212	3,211,500	3,305,155	3,551,065	3,703,937	3,719,667	3,869,769	3,682,481
School Administrative Services	1,118,958	908,429	1,068,784	1,027,619	1,068,874	1,132,765	1,163,207	1,202,777	1,236,068	1,227,091
General Administrative Services	501,943	447,810	536,330	546,952	585,913	554,182	535,400	558,532	537,407	573,787
Plant Operations and Maintenance	2,212,333	1,985,861	2,381,960	2,392,670	2,382,636	2,468,355	2,435,686	2,461,558	2,463,388	2,582,194
Pupil Transportation	815,656	876,406	917,622	994,595	1,007,382	1,062,908	1,122,002	1,143,092	1,166,369	1,364,055
Central Services and Admin Info Tech	623,035	495,290	650,833	576,563	603,941	644,568	621,950	638,917	688,411	679,070
Charter Schools	8,063	12,456	17,220	17,906	19,159	20,391	40,748	45,600	51,574	120,605
Interest on Long-Term Debt	335,994	312,032	286,840	260,878	234,429	207,404	116,669	122,113	102,513	94,737
Total Governmental Activities Expenses	<u>20,088,517</u>	<u>21,452,996</u>	<u>23,423,540</u>	<u>24,257,186</u>	<u>23,543,927</u>	<u>24,501,491</u>	<u>24,294,736</u>	<u>24,530,024</u>	<u>25,483,679</u>	<u>26,621,142</u>
Business-Type Activities:										
Enterprise Funds	565,070	682,865	781,386	872,013	775,233	802,377	832,740	863,854	890,818	942,290
Total Business-Type Activities Expense	<u>565,070</u>	<u>682,865</u>	<u>781,386</u>	<u>872,013</u>	<u>775,233</u>	<u>802,377</u>	<u>832,740</u>	<u>863,854</u>	<u>890,818</u>	<u>942,290</u>
Total District Expenses	\$ 20,653,587	\$ 22,135,861	\$ 24,204,926	\$ 25,129,199	\$ 24,319,160	\$ 25,303,868	\$ 25,127,476	\$ 25,393,878	\$ 26,374,497	\$ 27,563,432
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Instruction (tuition)			\$ 45,847							
Operating Grants and Contributions	\$ 2,908,543	\$ 3,144,600	3,896,539	\$ 3,922,487	\$ 3,006,953	\$ 3,054,568	\$ 2,389,744	\$ 2,883,780	\$ 3,576,649	\$ 3,284,389
Capital Grants and Contributions	241,359	309,023	180,847			100,333	165,652	119,797		
Total Governmental Activities Program Revenues	<u>3,149,902</u>	<u>3,453,623</u>	<u>4,123,233</u>	<u>3,922,487</u>	<u>3,006,953</u>	<u>3,154,901</u>	<u>2,555,396</u>	<u>3,003,577</u>	<u>3,576,649</u>	<u>3,284,389</u>
Business-Type Activities:										
Charges for Services:										
Enterprise Funds	590,758	634,974	731,088	843,980	766,912	829,067	830,545	922,001	969,161	1,022,570
Operating Grants and Contributions	16,146	15,459	13,448	12,600	15,664	13,255	15,116	15,841	14,150	14,104
Total Business Type Activities Program Revenues	<u>606,904</u>	<u>650,433</u>	<u>744,536</u>	<u>856,580</u>	<u>782,576</u>	<u>842,322</u>	<u>845,661</u>	<u>937,842</u>	<u>983,311</u>	<u>1,036,674</u>
Total District Program Revenues	\$ 3,756,806	\$ 4,104,056	\$ 4,867,769	\$ 4,779,067	\$ 3,789,529	\$ 3,997,223	\$ 3,401,057	\$ 3,941,419	\$ 4,559,960	\$ 4,321,063

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

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (Expense)/Revenue:										
Governmental Activities	\$ (16,938,615)	\$ (17,999,373)	\$ (19,300,307)	\$ (20,334,699)	\$ (20,536,974)	\$ (21,346,590)	\$ (21,739,340)	\$ (21,526,447)	\$ (21,907,030)	\$ (23,336,753)
Business-Type Activities	41,834	(32,432)	(36,850)	(15,433)	7,343	39,945	12,921	73,988	92,493	94,384
Total District-Wide Net Expense	\$ (16,896,781)	\$ (18,031,805)	\$ (19,337,157)	\$ (20,350,132)	\$ (20,529,631)	\$ (21,306,645)	\$ (21,726,419)	\$ (21,452,459)	\$ (21,814,537)	\$ (23,242,369)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 16,002,736	\$ 16,991,387	\$ 18,146,999	\$ 18,972,792	\$ 19,731,704	\$ 20,130,621	\$ 21,155,846	\$ 21,265,275	\$ 21,415,620	\$ 21,943,932
Taxes Levied for Debt Service	746,753	788,278	788,740	553,036	771,815	735,790	760,708	730,685	325,968	368,450
Federal and State Aid Not Restricted	208,616	208,197	306,853	340,730	169,555	183,564	133,427	206,995	222,668	332,392
Investment Earnings	123,806	152,658	171,876	103,047	44,647	11,760	6,912	6,647	7,419	6,910
Miscellaneous Income	217,498	114,504	183,300	152,102	185,488	207,676	243,025	204,223	276,637	316,480
Transfers							24,511		20,000	
Total Governmental Activities	17,299,409	18,255,024	19,597,768	20,121,707	20,903,209	21,269,411	22,324,429	22,413,825	22,268,312	22,968,164
Business-Type Activities:										
Investment Earnings	3,543	5,405	4,805	4,561	1,513	409	163	152	196	230
Transfers							(24,511)		(20,000)	
Total Business-Type Activities	3,543	5,405	4,805	4,561	1,513	409	(24,348)	152	(19,804)	230
Total District-Wide	\$ 17,302,952	\$ 18,260,429	\$ 19,602,573	\$ 20,126,268	\$ 20,904,722	\$ 21,269,820	\$ 22,300,081	\$ 22,413,977	\$ 22,248,508	\$ 22,968,394
Change in Net Position:										
Governmental Activities	\$ 360,794	\$ 255,651	\$ 297,461	\$ (212,992)	\$ 366,235	\$ (77,179)	\$ 585,089	\$ 887,378	\$ 361,282	\$ (368,589)
Business-Type Activities	45,377	(27,027)	(32,045)	(10,872)	8,856	40,354	(11,427)	74,140	72,689	94,614
Total District	\$ 406,171	\$ 228,624	\$ 265,416	\$ (223,864)	\$ 375,091	\$ (36,825)	\$ 573,662	\$ 961,518	\$ 433,971	\$ (273,975)

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund:										
Restricted/Reserved	\$ 2,246,859	\$ 1,478,112	\$ 1,320,653	\$ 748,965	\$ 934,407	\$ 1,064,857	\$ 703,967	\$ 1,144,852	\$ 763,891	\$ 563,886
Unreserved	1,283,641	1,452,514	1,394,970	1,210,135	1,029,097	645,055				
Assigned							495,943	660,608	751,703	846,666
Unassigned							459,189	500,527	512,168	418,896
Total General Fund	\$ 3,530,500	\$ 2,930,626	\$ 2,715,623	\$ 1,959,100	\$ 1,963,504	\$ 1,709,912	\$ 1,659,099	\$ 2,305,987	\$ 2,027,762	\$ 1,829,448
All Other Governmental Funds:										
Reserved/Restricted for:	\$ 351,717									
Capital Projects Fund	(73,098)	\$ 389,449	\$ 294,497	\$ 52,364		\$ 12,735				
Debt Service Fund	13,321	11,535	11,136	6,723	\$ 16,057	7,162	\$ 30,087	\$ 29,982	\$ 256	\$ 355
Committed for:										
Capital Projects Fund							289,920		2,313,753	
Unassigned for/(Deficit):										
Capital Projects Fund							(115,969)			
Total All Other Governmental Funds	\$ 291,940	\$ 400,984	\$ 305,633	\$ 59,087	\$ 16,057	\$ 19,897	\$ 204,038	\$ 29,982	\$ 2,314,009	\$ 355

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

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
Tax Levy	\$ 16,749,489	\$ 17,779,665	\$ 18,935,739	\$ 19,525,828	\$ 20,503,519	\$ 20,866,411	\$ 21,916,554	\$ 21,995,960	\$ 21,741,588	\$ 22,312,382
Tuition Charges	135,926	79,336	45,847							
Interest Earned on Investments	79,764	118,594	131,308	81,628	37,192	10,114	6,303	6,315	6,999	6,548
Interest Earned on Capital Reserve Funds	24,197	25,850	30,967	21,419	7,455	1,541	609	332	420	362
Miscellaneous	101,417	43,382	192,901	152,102	185,488	207,781	243,025	204,223	276,637	328,938
State Sources	3,054,956	3,357,212	4,069,578	3,946,569	2,816,400	2,719,399	2,249,970	2,835,511	3,415,498	3,237,489
Federal Sources	303,562	304,608	314,661	316,648	360,108	619,066	438,853	375,061	383,819	366,834
Total Revenue	20,449,311	21,708,647	23,721,001	24,044,194	23,910,162	24,424,312	24,855,314	25,417,402	25,824,961	26,252,553
Expenditures:										
Instruction:										
Regular Instruction	6,694,386	6,941,164	7,191,607	7,648,062	7,737,186	7,853,678	7,617,349	7,360,487	7,477,493	7,569,926
Special Education Instruction	1,428,005	1,599,741	1,751,698	1,755,635	1,908,052	2,018,533	1,928,497	1,959,809	1,819,485	2,400,176
Other Special Instruction	274,504	267,755	252,394	218,693	199,681	223,518	233,231	238,117	276,104	307,438
Other Instruction	113,989	126,740	128,710	126,258	126,848	138,017	92,864	95,343	101,032	104,405
Support Services:										
Tuition	28,089	69,761	161,197	138,459	203,930	187,937	152,135	94,216	280,756	614,542
Student and Instruction Related Services	2,151,707	2,274,173	2,441,154	2,645,888	2,765,207	2,915,777	3,017,996	3,059,956	3,240,573	2,970,649
General Administrative Services	509,695	440,277	484,837	489,398	512,112	473,054	473,656	490,708	466,590	500,365
School Administrative Services	822,202	871,779	872,120	859,263	860,861	904,012	912,185	951,970	963,973	951,456
Central Services	377,097	413,775	438,542	391,082	381,602	403,119	382,365	383,523	399,650	397,930
Administrative Information Technology Services	108,868	75,129	87,185	89,977	114,902	119,663	123,566	128,776	144,391	147,741
Plant Operations and Maintenance	1,977,953	1,948,199	2,107,813	2,118,543	2,140,680	2,159,140	2,091,263	2,073,443	2,109,201	2,361,958
Pupil Transportation	783,091	841,384	879,216	955,005	952,573	1,013,728	1,077,072	1,096,727	1,106,603	1,294,064
Business and Other Support Services	3,447									
Unallocated Benefits	4,196,187	4,658,742	5,730,800	5,906,322	4,652,040	5,102,162	5,407,400	5,773,954	6,334,308	6,110,250
Charter Schools	8,063	12,456	17,220	17,906	19,159	20,391	40,748	45,600	51,574	120,605
Debt Service:										
Principal	450,000	475,000	500,000	500,000	525,000	525,000	595,000	595,000	250,000	270,000
Interest and Other Charges	346,753	323,278	298,740	272,778	246,815	219,790	142,783	135,790	105,950	98,450
Capital Outlay	1,234,865	860,124	688,122	913,994	602,140	396,545	552,089	530,020	1,577,028	2,544,566
Total Expenditures	21,508,901	22,199,477	24,031,355	25,047,263	23,948,788	24,674,064	24,840,199	25,013,439	26,704,711	28,764,521

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

	Fiscal Year Ending June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (1,059,590)	\$ (490,830)	\$ (310,354)	\$ (1,003,069)	\$ (38,626)	\$ (249,752)	\$ 15,115	\$ 403,963	\$ (879,750)	\$ (2,511,968)
Other Financing Sources (Uses)										
Lease Purchase Proceeds									2,865,552	
Capital Leases (Non-budgeted)							93,702	68,869		
Transfers In	57,285	489,270	271,120	923,920	299,022	150,605	422,431	5,741	739,031	77,701
Transfers Out	(57,285)	(489,270)	(271,120)	(923,920)	(299,022)	(150,605)	(397,920)	(5,741)	(719,031)	(77,701)
Total Other Financing Sources (Uses)							118,213	68,869	2,885,552	
Net Change in Fund Balances	<u>\$ (1,059,590)</u>	<u>\$ (490,830)</u>	<u>\$ (310,354)</u>	<u>\$ (1,003,069)</u>	<u>\$ (38,626)</u>	<u>\$ (249,752)</u>	<u>\$ 133,328</u>	<u>\$ 472,832</u>	<u>\$ 2,005,802</u>	<u>\$ (2,511,968)</u>
Debt Service as a Percentage of Noncapital Expenditures	3.93%	3.74%	3.42%	3.20%	3.31%	3.07%	3.04%	2.98%	1.42%	1.41%

Exhibit J-5

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

<u>Fiscal Year Ending</u> <u>June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Rentals - Use of</u> <u>Facilities</u>	<u>Prior Year</u> <u>Refunds</u>	<u>Miscellaneous</u>	<u>Total</u>
2005	\$ 103,961	\$ 30	\$ 5,927	\$ 211,541	\$ 321,459
2006	144,444		13,317	101,187	258,948
2007	162,275		66,339	162,808	391,422
2008	103,047	100	17,388	134,614	255,149
2009	44,647		3,084	179,689	227,420
2010	11,655		2,507	205,274	219,436
2011	6,912	50	73,705	169,270	249,937
2012	6,647		52,083	152,140	210,870
2013	7,060		58,790	162,847	228,697
2014	6,811		146,921	157,559	311,291

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

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Tax-Exempt Property	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2004	\$ 58,565,900	\$ 1,103,935,122	\$ 9,100	\$ 3,800	\$ 585,563,111	\$ 246,987,800	\$ 28,868,800	\$ 2,023,933,633	\$ 263,781,500	\$ 18,615,177	\$ 2,042,548,810	\$ 0.79	\$ 2,949,990,716
2005	71,739,900	1,107,353,322	9,100	3,800	542,556,011	260,008,400	28,868,800	2,010,539,333	264,102,300	16,296,284	2,026,835,617	0.84	3,081,610,785
2006	79,203,300	1,121,055,622	9,100	3,800	547,450,911	237,416,200	28,868,800	2,014,007,733	264,560,900	13,066,727	2,027,074,460	0.90	3,616,015,325
2007	75,065,500	1,123,936,422	9,100	3,800	546,826,011	244,676,100	28,868,800	2,019,385,733	269,329,200	12,068,528	2,031,454,261	0.94	3,949,502,848
2008	74,908,200	1,139,038,922	9,100	3,800	573,242,511	212,569,800	28,868,800	2,028,641,133	269,514,700	11,274,582	2,039,915,715	0.97	4,196,257,833
2009	72,641,900	1,148,171,700	368,300	7,600	538,942,500	213,530,700	28,868,800	2,002,531,500	271,431,000	11,255,992	2,013,787,492	1.02	4,139,864,889
2010	65,676,800	1,153,279,300	368,300	7,600	524,527,300	214,138,200	28,868,800	1,986,866,300	271,947,500	11,175,509	1,998,041,809	1.06	4,166,464,286
2011	47,974,300	1,176,198,450	368,300	7,600	489,126,600	221,082,600	28,868,800	1,963,626,650	271,672,800	10,542,510	1,974,169,160	1.63	4,115,149,057
2012 ^c	78,048,900	2,054,726,800	433,000	5,900	871,536,400	412,981,600	56,721,600	3,474,454,200	376,741,000	21,415,187	3,495,869,387	0.63	3,957,980,829
2013	94,503,500	2,055,323,600	433,000	5,900	873,200,300	408,758,900	56,721,600	3,488,946,800	366,341,800		3,488,946,800	0.64	3,889,698,033

Source: Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

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

^c Represents a Revaluation Year

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

Year Ended December 31,	Hanover Township School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Hanover Township	Hanover Park Regional High School	Morris County	
2004	\$ 0.75	\$ 0.04	\$ 0.79	\$ 0.50	\$ 0.39	\$ 0.40	\$ 2.08
2005	0.80	0.04	0.84	0.54	0.39	0.41	2.18
2006	0.86	0.04	0.90	0.58	0.41	0.44	2.33
2007	0.91	0.03	0.94	0.61	0.44	0.47	2.46
2008	0.93	0.04	0.97	0.64	0.45	0.48	2.54
2009	0.98	0.04	1.02	0.67	0.48	0.47	2.64
2010	1.02	0.04	1.06	0.72	0.50	0.48	2.76
2011	1.58	0.05	1.63	0.75	0.52	0.49	3.39
2012 ^c	0.62	0.01	0.63	0.43	0.30	0.27	1.63
2013	0.63	0.01	0.64	0.44	0.30	0.28	1.66

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

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

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

^c Represents a Revaluation Year

Exhibit J-8

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

<u>Taxpayer</u>	2014	
	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
Bayer Healthcare LLC	\$ 155,670,300	4.46%
115 SJ Investors	56,000,000	1.61%
Sterling Apartments LLC	55,101,100	1.58%
Interstate Realty Compnay LLC	50,290,300	1.44%
Kraft Foods Global Inc	43,400,000	1.24%
LSAC Morris County LP	42,954,600	1.23%
DCT IND Realty Inc	39,194,500	1.12%
Ravine Development Company LLC	38,945,800	1.12%
Fan Pier Land Company	38,158,600	1.09%
ISBI Hanover Hotel LLC	35,950,500	1.03%
Total	<u>\$ 555,665,700</u>	<u>15.93%</u>
<u>Taxpayer</u>	2005	
	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
LTI NJ Finance LLC	\$ 124,966,300	6.12%
Bear Stearn & Company	62,229,800	3.05%
Hartz Mountain Industries	45,151,500	2.21%
Patriot Ameican Hospitality Partnership	43,300,000	2.12%
Marriot Corporation	35,207,700	1.72%
River Park Business Center LLC	29,843,900	1.46%
Bell Atlantic / Verizon	25,619,177	1.25%
Interstate Realty Company	24,600,300	1.20%
Cedar Glenn Housing Corporation	27,587,300	1.35%
Lynton Jet/ Signature Flight	22,574,200	1.11%
Total	<u>\$ 441,080,177</u>	<u>21.59%</u>

Source: Municipal Tax Assessor

HANOVER TOWNSHIP SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
UNAUDITED

<u>Fiscal Year Ended</u> <u>June 30,</u>	<u>Taxes Levied for</u> <u>the Fiscal Year</u>	<u>Collected within the Fiscal Year of</u> <u>the Levy^a</u>		<u>Collections in</u> <u>Subsequent Years</u>
		<u>Amount</u>	<u>Percentage of</u> <u>Levy</u>	
2005	\$ 16,749,489	\$ 16,749,489	100.00%	-0-
2006	17,779,665	17,779,665	100.00%	-0-
2007	18,935,739	18,935,739	100.00%	-0-
2008	19,525,828	19,525,828	100.00%	-0-
2009	20,503,519	20,503,519	100.00%	-0-
2010	20,866,411	20,866,411	100.00%	-0-
2011	21,916,554	21,916,554	100.00%	-0-
2012	21,995,960	21,995,960	100.00%	-0-
2013	21,741,588	21,741,588	100.00%	-0-
2014	22,312,382	22,312,382	100.00%	-0-

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

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

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

Fiscal Year Ended June 30,	<u>Governmental Activities</u>			Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases				
2005	\$ 6,595,000			\$ 6,595,000	0.79%	\$ 490
2006	6,120,000			6,120,000	0.68%	456
2007	5,620,000			5,620,000	0.60%	418
2008	5,120,000			5,120,000	0.53%	379
2009	4,595,000			4,595,000	0.50%	338
2010	4,070,000			4,070,000	0.30%	297
2011	3,520,000	\$ 72,896		3,592,896	0.36%	261
2012	2,925,000	86,750		3,011,750	0.29%	217
2013	2,675,000	2,897,409		5,572,409	0.53%	392
2014	2,405,000	2,702,911		5,107,911	0.48%	359

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

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

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

<u>General Bonded Debt Outstanding</u>					
Fiscal Year Ended June 30,	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
2005	\$ 6,595,000	\$ -0-	\$ 6,595,000	0.32%	\$ 490
2006	6,120,000	-0-	6,120,000	0.30%	456
2007	5,620,000	-0-	5,620,000	0.28%	418
2008	5,120,000	-0-	5,120,000	0.25%	379
2009	4,595,000	-0-	4,595,000	0.23%	338
2010	4,070,000	-0-	4,070,000	0.20%	297
2011	3,520,000	-0-	3,520,000	0.18%	255
2012	2,925,000	-0-	2,925,000	0.15%	211
2013	2,675,000	-0-	2,675,000	0.08%	188
2014	2,405,000	-0-	2,405,000	0.07%	169

Source: School District Financial Reports

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

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2013
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes			
Hanover Township	\$ -0-	100.00%	\$ -0-
County of Morris General Obligation Debt	246,098,950	4.28%	<u>10,544,703</u>
Subtotal, Overlapping Debt			10,544,703
Hanover Township School District Direct Debt			<u>5,107,911</u>
Total Direct and Overlapping Debt			<u><u>\$ 15,652,614</u></u>

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

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

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

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

Legal Debt Margin Calculation for Fiscal Year 2014	
Equalized Valuation Basis	
2013	\$ 3,480,593,376
2012	3,811,798,354
2011	3,862,365,559
	<u>\$ 11,154,757,289</u>
Average Equalized Valuation of Taxable Property	\$ 3,718,252,430
Debt Limit (3% of Average Equalization Value) *	111,547,573
Net Bonded School Debt as of June 30, 2014	2,405,000
Legal Debt Margin	<u>\$ 109,142,573</u>

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Limit	\$ 85,963,380	\$ 94,421,102	\$ 104,171,992	\$ 114,889,815	\$ 120,633,344	\$ 123,222,361	\$ 123,117,899	\$ 120,650,991	\$ 117,590,042	\$ 111,547,573
Total Net Debt Applicable to Limit	6,595,000	6,120,000	5,620,000	5,120,000	4,595,000	4,070,000	3,520,000	2,925,000	2,675,000	2,405,000
Legal Debt Margin	<u>\$ 79,368,380</u>	<u>\$ 88,301,102</u>	<u>\$ 98,551,992</u>	<u>\$ 109,769,815</u>	<u>\$ 116,038,344</u>	<u>\$ 119,152,361</u>	<u>\$ 119,597,899</u>	<u>\$ 117,725,991</u>	<u>\$ 114,915,042</u>	<u>\$ 109,142,573</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	7.67%	6.48%	5.39%	4.46%	3.81%	3.30%	2.86%	2.42%	2.27%	2.16%

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

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

Exhibit J-14

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

Year	Population ^a	Personal Income ^b	Morris County Per Capita Personal Income ^c	Unemployment Rate ^d
2005	13,466	\$ 838,393,160	\$ 62,260	1.80%
2006	13,413	896,350,551	66,827	1.80%
2007	13,456	940,574,400	69,900	1.70%
2008	13,522	973,448,780	71,990	1.70%
2009	13,609	919,206,296	67,544	3.90%
2010	13,724	1,354,901,900	98,725	3.90%
2011	13,789	991,884,137	71,933	3.80%
2012	13,894	1,028,947,958	74,057 *	3.90%
2013	14,224 **	1,053,386,768	74,057 *	5.20%
2014	14,224 **	1,053,386,768 ***	74,057 *	N/A

* - Latest Morris County per capita personal income available (2012) was used for calculation purposes.

** - Latest population data available (2013) was used for calculation purposes.

*** - Latest available population data (2013) and latest available Morris County per capita personal income (2012) was used for calculation purposes.

N/A - Information Unavailable

Sources:

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

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

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

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

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

<u>Employer</u>	<u>2013</u>		<u>Employer</u>	<u>2004</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>		<u>Employees</u>	<u>Percentage of Total Employment</u>
U.S. Army Armament Research and Development	5,841	N/A			
Novartis Corporation	5,035	N/A			
Atlantic Health System	4,463	N/A			
Automatic Data Processing, Inc.	2,060	N/A			Information is Not Available
Bayer Healthcare, LLC	1,900	N/A			
County of Morris	1,674	N/A			
Wyndham Worldwide Coporation	1,653	N/A			
St. Clare's	1,642	N/A			
BASF Corporation	1,500	N/A			
Accenture	1,480	N/A			
Total	27,248	N/A			

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

Note - Information is for Morris County

Source: Morris County Economic Development Corporation

HANOVER TOWNSHIP SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
UNAUDITED

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Instruction										
Regular	140.00	142.60	145.00	121.90	119.91	103.20	98.76	99.10	97.78	100.32
Special education	30.50	29.90	30.50	28.60	32.51	32.65	32.35	33.76	28.90	30.69
Support Services:										
Student & instruction related services	30.80	35.30	36.10	43.50	42.15	43.28	42.78	43.19	42.29	43.51
School administrative services	11.50	11.60	11.60	11.03	11.25	11.58	11.58	11.68	11.79	11.79
General and business administrative services	10.10	9.10	10.10	10.67	9.67	9.67	8.67	8.67	8.85	8.85
Plant operations and maintenance	25.70	23.70	23.70	21.75	21.75	29.83	29.00	29.01	29.01	30.51
Pupil transportation	14.20	14.20	14.20	14.30	14.80	14.80	15.37	15.37	16.27	17.27
Total	<u>262.80</u>	<u>266.40</u>	<u>271.20</u>	<u>251.75</u>	<u>252.04</u>	<u>245.01</u>	<u>238.51</u>	<u>240.78</u>	<u>234.89</u>	<u>242.94</u>

Source: District Personnel Records

HANOVER TOWNSHIP SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle				
2005	1,526	\$ 19,477,283	\$ 12,764	3.91%	159	1:17	1:20	1,526	1,472	3.88%	96.46%
2006	1,562	20,541,075	13,150	3.03%	160	1:19	1:20	1,562	1,504	2.36%	96.29%
2007	1,557	22,544,493	14,479	10.11%	162	1:19	1:20	1,557	1,496	-0.32%	96.08%
2008	1,575	23,360,491	14,832	2.44%	161	1:18	1:19	1,575	1,519	1.16%	96.44%
2009	1,574	22,574,833	14,342	-3.30%	163	1:19	1:20	1,574	1,511	-0.06%	96.00%
2010	1,543	23,532,729	15,251	6.34%	162	1:18	1:20	1,543	1,488	-1.97%	96.44%
2011	1,517	23,550,327	15,524	1.79%	162	1:18	1:19	1,517	1,460	-1.69%	96.24%
2012	1,500	23,752,629	15,835	2.00%	160	1:18	1:19	1,500	1,450	-1.12%	96.67%
2013	1,476	24,771,733	16,783	5.99%	160	1:18	1:19	1,476	1,415	-1.60%	95.87%
2014	1,483	25,851,505	17,432	3.87%	160	1:18	1:19	1,483	1,428	2.03%	96.29%

Source: Hanover Township School District records

Note: Enrollment based on annual October district count.

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

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

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

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

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>District Buildings</u>										
Bee Meadow School										
Square Feet	65,467	65,467	65,467	65,467	65,467	65,467	65,467	65,467	65,467	65,467
Capacity (students)	603	603	603	603	603	603	603	603	603	603
Enrollment	380	420	420	419	380	382	362	352	344	333
Salem Drive School										
Square Feet	45,707	45,707	45,707	45,707	45,707	45,707	45,707	45,707	45,707	45,707
Capacity (students)	499	499	499	499	499	499	499	499	499	499
Enrollment	312	336	323	327	323	312	299	280	273	277
Mountview Road School										
Square Feet	46,679	46,679	46,679	46,679	46,679	46,679	46,679	46,679	46,679	46,679
Capacity (students)	439	439	439	439	439	439	439	439	439	439
Enrollment	306	314	319	332	317	314	295	308	312	333
Memorial Junior School										
Square Feet	113,950	113,950	113,950	113,950	113,950	113,950	113,950	113,950	113,950	113,950
Capacity (students)	617	617	617	617	617	617	617	617	617	617
Enrollment	501	482	491	497	544	535	557	560	547	540

Number of Schools at June 30, 2014

 Elementary = 3

 Middle School = 1

Source: Hanover Township School District Facilities Office

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

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

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

<u>School Facilities</u>	<u>Project #</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Bee Meadow School	N/A	\$ 128,481	\$ 117,318	\$ 112,136	\$ 102,667	\$ 107,037	\$ 79,992	\$ 83,473	\$ 92,109	\$ 108,085	\$ 100,560
Salem Drive School	N/A	93,134	65,188	72,316	71,679	58,641	55,848	58,278	64,308	74,548	60,812
Mountview School	N/A	99,561	69,197	88,794	73,203	75,375	57,036	59,517	65,675	83,169	75,877
Memorial Junior School	N/A	210,613	175,190	184,453	178,700	166,003	139,232	145,290	160,322	212,040	158,973
		<u>\$ 531,789</u>	<u>\$ 426,893</u>	<u>\$ 457,699</u>	<u>\$ 426,250</u>	<u>\$ 407,056</u>	<u>\$ 332,108</u>	<u>\$ 346,558</u>	<u>\$ 382,414</u>	<u>\$ 477,842</u>	<u>\$ 396,222</u>

* School facilities as defined under EFCFA.
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: Hanover Township School District records.

HANOVER TOWNSHIP SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2014
UNAUDITED

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

Source: School District records.

SINGLE AUDIT SECTION



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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Hanover Township, in the County of Morris (the "District") as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basis financial statements, and have issued our report thereon dated August 15, 2014.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

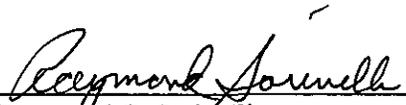
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Purpose of this Report

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

August 15, 2014
Mount Arlington, New Jersey

NISIVOC CIA LLP



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



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

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

We have audited the Board of Education of the Hanover Township's (the "District's") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2014. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133 and New Jersey's OMB Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2014.

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

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and NJOMB 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of District's internal control over compliance.

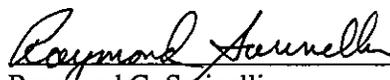
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results that the testing based on the requirements of OMB Circular A-133 or NJOMB 04-04. Accordingly, this report is not suitable for any other purpose.

August 15, 2014
Mount Arlington, New Jersey

NISIVOC CIA LLP



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

**HANOVER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance Unearned Revenue/ (Accounts Receivable) June 30, 2013	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Unearned Revenue June 30, 2014	(Accounts Receivable) June 30, 2014	Due to Grantor June 30, 2014
U.S. Department of Education												
Passed-through State Department of Education:												
Special Revenue Fund:												
NCLB Consolidated Grant:												
Title II - Part A	84.367A	NCLB-2000-13	9/1/12-8/31/13	\$ 20,295	\$ (1,973)		\$ 1,973					
Title II - Part A	84.367A	NCLB-2000-14	7/1/13-6/30/14	20,444			20,056	\$ (20,444)			\$ (388)	
					(1,973)		22,029	(20,444)			(388)	
Special Education Cluster:												
IDEA, Part B, Basic	84.027	FT-2000-13	9/1/12-8/31/13	371,424	(30,322)	\$ (48,756)	30,891	(569)				
IDEA, Part B, Basic	84.027	FT-2000-14	7/1/13-6/30/14	351,594		48,756	269,731	(326,099)			(56,368)	
IDEA, Part B, Preschool	84.173	PS-2000-14	7/1/13-6/30/14	20,216		2,311	14,997	(18,951)			(1,643)	
IDEA, Part B, Preschool	84.173	PS-2000-13	9/1/12-8/31/13	20,996		(2,311)	2,311					
Total Special Education Cluster					(30,322)		317,930	(345,619)			(58,011)	
Total Special Revenue Fund					(32,295)		339,959	(366,063)			(58,399)	
U.S. Department of Agriculture												
Passed-through the State Department of Agriculture:												
Child Nutrition Cluster:												
Special Milk Program	10.556	N/A	7/1/13-6/30/14	14,104			12,744	(14,104)			(1,360)	
Special Milk Program	10.556	N/A	7/1/12-6/30/13	14,150	(3,058)		3,058					
Total Child Nutrition Cluster					(3,058)		15,802	(14,104)			(1,360)	
Total U.S. Department of Agriculture					(3,058)		15,802	(14,104)			(1,360)	
Total Federal Awards					\$ (35,353)	\$ -0-	\$ 355,761	\$ (380,167)	\$ -0-	\$ -0-	\$ (59,759)	\$ -0-

N/A - Not Available/Applicable

HANOVER TOWNSHIP SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance Due to Grantor/ (Accounts Receivable) June 30, 2013	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2014			MEMO		
								GAAP (Accounts Receivable)	Unearned Revenue	Due to Grantor	Budgetary (Account Receivable)	Cumulative Total Expenditures	
State Department of Education:													
Transportation Aid	14-495-034-5120-014	7/1/13 - 6/30/14	\$ 58,257		\$ 52,883	\$ (58,257)						\$ (5,374)	\$ 58,257
Transportation Aid	13-495-034-5120-014	7/1/12 - 6/30/13	55,418	\$ (5,169)	5,169								55,418
Special Education Aid	14-495-034-5120-089	7/1/13 - 6/30/14	753,986		684,435	(753,986)						(69,551)	753,986
Special Education Aid	13-495-034-5120-089	7/1/12 - 6/30/13	757,029	(70,612)	70,612								757,029
Security Aid	14-495-034-5120-084	7/1/13 - 6/30/14	22,423		20,355	(22,423)						(2,068)	22,423
Security Aid	13-495-034-5120-084	7/1/12 - 6/30/13	22,219	(2,073)	2,073								22,219
Anti-Bullying	N/A	7/1/13 - 6/30/14	4,617		4,617	(4,617)							4,617
District Reimbursement for Extraordinary Costs	14-100-034-5120-473	7/1/13 - 6/30/14	305,347			(305,347)		\$ (305,347)				(305,347)	305,347
District Reimbursement for Extraordinary Costs	13-100-034-5120-473	7/1/12 - 6/30/13	202,522	(202,522)	202,522								202,522
Nonpublic School Transportation Costs	14-495-034-5120-014	7/1/13 - 6/30/14	10,435			(10,435)		(10,435)				(10,435)	10,435
Nonpublic School Transportation Costs	13-495-034-5120-014	7/1/12 - 6/30/13	10,193	(10,193)	10,193								10,193
Reimbursed TPAF Social Security Contributions	14-495-034-5095-002	7/1/13 - 6/30/14	778,498		740,060	(778,498)		(38,438)				(38,438)	778,498
Reimbursed TPAF Social Security Contributions	13-495-034-5095-002	7/1/12 - 6/30/13	748,776	(37,944)	37,944								748,776
Total General Fund State Aid				(328,513)	1,830,863	(1,933,563)		(354,220)				(431,213)	3,729,720
N.J. Nonpublic Aid:													
Textbook Aid	14-100-034-5120-064	9/1/13 - 6/30/14	11,135		11,135	(11,135)							11,135
Nursing Aid	14-100-034-5120-070	9/1/13 - 6/30/14	15,672		15,672	(15,672)							15,672
Technology Initiative Aid	14-100-034-5120-373	9/1/13 - 6/30/14	4,060		4,060	(4,027)			\$ 33				4,027
Technology Initiative Aid	13-100-034-5120-373	9/1/12 - 6/30/13	4,252	20			\$ (20)						4,232
Auxiliary Services:													
English as a Second Language	14-100-034-5120-067	9/1/13 - 6/30/14	1,920		1,920	(1,484)				436			1,484
English as a Second Language	13-100-034-5120-067	9/1/12 - 6/30/13	853	256			(256)						597
Compensatory Education	14-100-034-5120-067	9/1/13 - 6/30/14	35,095		35,095	(25,594)				9,501			25,594
Compensatory Education	13-100-034-5120-067	9/1/12 - 6/30/13	43,476	8,612			(8,612)						34,864
Handicapped Services:													
Supplemental Instruction	14-100-034-5120-066	9/1/13 - 6/30/14	13,183		13,183	(10,963)				2,220			10,963
Supplemental Instruction	13-100-034-5120-066	9/1/12 - 6/30/13	16,652	5,828			(5,828)						10,824
Examination and Classification	14-100-034-5120-066	9/1/13 - 6/30/14	20,703		20,703	(15,126)				5,577			15,126
Examination and Classification	13-100-034-5120-066	9/1/12 - 6/30/13	29,290	9,864			(9,864)						19,426
Corrective Speech	14-100-034-5120-066	9/1/13 - 6/30/14	18,749		18,749	(9,843)				8,906			9,843
Corrective Speech	13-100-034-5120-066	9/1/12 - 6/30/13	23,045	10,389			(10,389)						12,656
Total Special Revenue Fund				34,969	120,517	(93,844)		(34,969)		26,673			176,443
Total State Awards				\$ (293,544)	\$ 1,951,380	\$ (2,027,407)	\$ (34,969)	\$ (354,220)	\$ -0-	\$ 26,673	\$ (431,213)	\$ 3,906,163	

N/A - Not Available/Applicable

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO SCHEDULES OF FEDERAL EXPENDITURES OF AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Hanover Township School District under programs of the federal and state governments for the fiscal year ended June 30, 2014. The information in these schedules are presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States and Local Governments and Non-Profit Organizations* and New Jersey's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net assets or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the June state aid payments in the current budget year, which is mandated pursuant to P.L. 2003, C.97.(A3521). For GAAP purposes, these payments are not recognized until the subsequent budget year due to the state deferral and recording of the June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$861 for the general fund and \$771 for the special revenue. See Note 1 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Pension Contributions and Post Retirement Contributions revenue of \$458,104 and \$751,117 respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented on the following page:

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

(Continued)

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 3,143,645	\$ 3,143,645
Special Revenue Fund	\$ 366,834	93,844	460,678
Enterprise Fund	14,104		14,104
Total Awards	<u>\$ 380,938</u>	<u>\$ 3,237,489</u>	<u>\$ 3,618,427</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2014.

HANOVER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance Required by OMB Circular A-133 and New Jersey's OMB Circular 04-04*.
- The auditor's report on compliance for the major state programs for the District expresses an unmodified opinion on all major state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 04-04 or Section 510(a) of Federal OMB Circular A-133.
- The District was not subject to the single audit provisions of Federal OMB Circular A-133 for fiscal year end June 30, 2014 as federal grant expenditures were less than the single audit threshold of \$500,000 identified in the Circular.
- The District's programs tested as major state programs for the current fiscal year consisted of the following awards:

	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
State:				
Special Education				
Categorical Aid	14-495-034-5120-089	7/1/13-6/30/14	\$ 753,986	\$ 753,986
Security Aid	14-495-034-5120-084	7/1/13-6/30/14	22,423	22,423
Extraordinary Special				
Education Costs	14-100-034-5120-473	7/1/13-6/30/14	305,347	305,347

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

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

HANOVER TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Status of Prior Year Findings:

The District had no prior year audit findings.