

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

East Hanover Township, New Jersey

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

of the

East Hanover Township Board of Education

East Hanover Township, New Jersey

For The Fiscal Year Ended June 30, 2016

Prepared by

Business Office

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INTRODUCTORY SECTION

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

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

Deborah Muscara
Business Administrator/Board Secretary

Dr. Scott Rubin
Superintendent of Schools

November 4, 2016

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

Dear President Sullivan and Board of Education Members:

The comprehensive annual financial report of the East Hanover Township School District for the fiscal year ended June 30, 2016, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the East Hanover Township Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

1) REPORTING ENTITY AND ITS SERVICES:

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

The Honorable President and Members of the Board of Education
 East Hanover Township School District
 Page 2
 November 4, 2016

The District provides a full range of educational services appropriate to grade Kindergarten through eighth grade for the students residing in East Hanover Township. These include regular as well as special services for children with special needs. The District's average enrollment for the 2015-16 fiscal year was 969 students, which is a decrease of 28 students from the previous year's average enrollment.

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

<u>Fiscal Year</u>	<u>Average Daily Enrollment Student Enrollment</u>	<u>Percent Change</u>
2015-16	969	-2.81%
2014-15	997	-2.35%
2013-14	1,021	-3.35%
2012-13	1,082	-2.70%
2011-12	1,112	-0.54%
2010-11	1,118	-2.70%
2009-10	1,149	0.05%
2008-09	1,150	2.59%
2007-08	1,121	-3.94%
2006-07	1,167	0.34%

2. ECONOMIC CONDITION AND OUTLOOK:

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

3. MAJOR INITIATIVES:

The East Hanover Township School District has much to be proud of as it has achieved all of its stated Goals and Objectives for the 2015-2016 school year.

Thanks to the dedication and efforts of our whole community, the East Hanover Township School District developed a new Strategic Plan. The plan, which spans the 2016-2019 school years, sets the District on a course which provides students with outstanding opportunities that will equip them with the necessary skills to meet and overcome the challenges of the 21st century.

The District is proud to announce that the inaugural year of its full day Kindergarten program will commence at the start of the 2016-2017 school year! Curriculum, Staffing, Scheduling, Transportation, and Construction were all coordinated during the 2015-2016 school year and the District will be ready to greet students on the first day of school!

The Honorable President and Members of the Board of Education

3. MAJOR INITIATIVES: (Continued)

The District created and staffed a supervisor of curriculum and instruction position for the 2015-2016 school year. This position provides enhanced leadership in the development, implementation, and coordination of the District's K-8 instructional and academic curriculum.

The East Hanover Township School District continues to systematically review and update curricula and resources. During the 2015-2016 school year, curricula revisions in K-5 included Science, Physical Education, Music: General and Instrumental, ESL, and Health. At the Middle School level, revisions included Science, Physical Education, Music: General, Music: Instrumental, ESL, Gifted and Talented program, and Health. Additionally, the District revised its K-5 Language Arts curricula and implemented a new textbook series and supporting resources.

Additionally, the District continues to make a strong investment in teacher professional development. Among the various opportunities provided throughout the year, K-5 ELA teachers engaged in Writer's Workshop in support of ELA instruction and mathematics teachers attended Conquer Math professional development workshops.

The implementation and application of technology continues to be a district priority. In the 2015-2016 school year, the District implemented a 1:1 Chromebook initiative at the Middle School. The integration of this new technology provides students with even more meaningful, productive, and engaging opportunities to accomplish tasks, solve problems, do creative work, communicate and collaborate in teams. Faculty was provided with ongoing professional development in order to promote student achievement through the integration of technology.

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

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

During the 2015-2016 school year, the District continued to ensure that the budget provided for the achievement of all students while promoting a safe and healthy environment and maintaining fiscal responsibility. This was accomplished, in part, by focusing on District Goals and Objectives, conducting monthly budget reviews, participating in grants, and utilizing shared services.

4. INTERNAL ACCOUNTING CONTROLS:

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

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

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

5. BUDGETARY CONTROLS:

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as fund balance at June 30, 2016.

6. ACCOUNTING SYSTEM AND REPORTS:

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

The Honorable President and Members of the Board of Education
East Hanover Township School District
Page 5
November 4, 2016

7. DEBT ADMINISTRATION:

As of June 30, 2016, the District's outstanding bonded debt totals \$3,885,000.

8. CASH MANAGEMENT:

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

9. RISK MANAGEMENT:

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

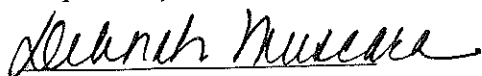
10. OTHER INFORMATION:

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

11. ACKNOWLEDGEMENTS:

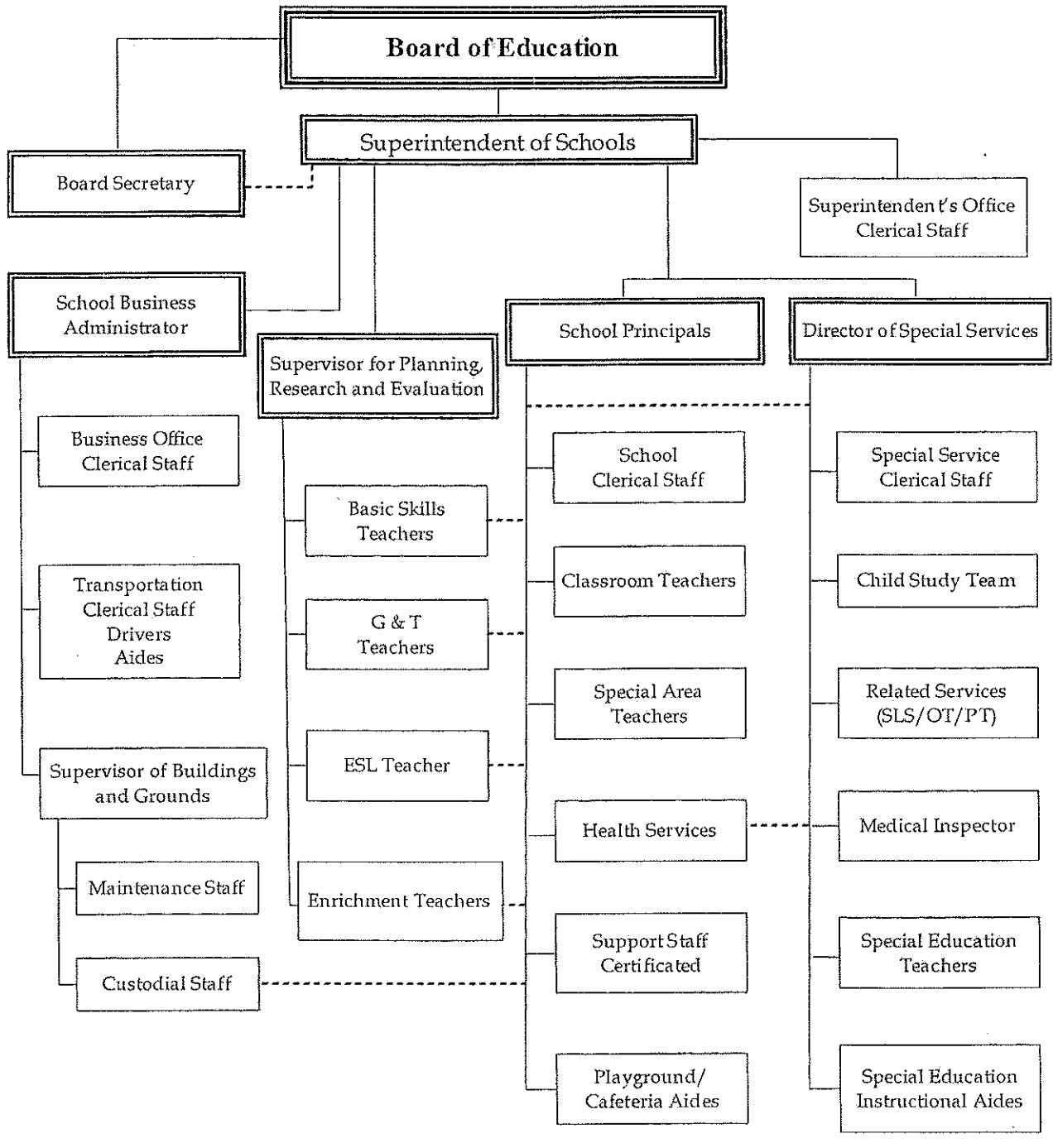
We would like to express our appreciation to the members of the East Hanover Township School District for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial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

Respectfully submitted

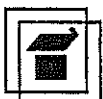


Deborah Muscara
School Business Administrator/Board Secretary

1110 ORGANIZATIONAL CHART



Adopted: 29 April 2004
Revised: 13 September 2010



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

ROSTER OF OFFICIALS

JUNE 30, 2016

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Sean Sullivan, President	2019
Catherine Pfund-Olsen, Vice President	2017
Anthony Barisciano	2017
Kenneth Hadley, Jr.	2019
Stephanie A. Mitchell	2018
Joseph Troise	2017
Vincent Ucci, Jr.	2018

Other Officials

Dr. Scott Rubin, Superintendent

Deborah Muscara, Business Administrator/ Board Secretary

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

CONSULTANTS AND ADVISORS

Architect

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

Attorney

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

Audit Firm

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

Bond Counsel

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

Financial Advisor

Phoenix Advisors, LLC
4 West Park Street
Bordentown, NJ 08505

Official Depository

TD Bank
50 River Road
East Hanover, New Jersey 07936

FINANCIAL SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLOSI, CPA
ROBERT AMPONSAH, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Hanover Township Board of Education, as of and for the fiscal year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Hanover Township Board of Education as of June 30, 2016, 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, budgetary comparison information, and pension information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

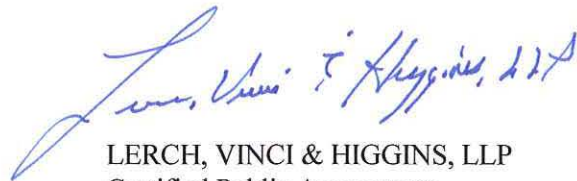
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Hanover Township Board of Education's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, financial schedules, statistical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

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

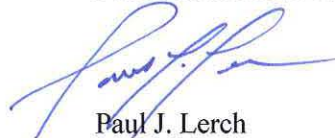
The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 4, 2016 on our consideration of the East Hanover Township Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the East Hanover Township Board of Education's internal control over financial reporting and compliance.



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



Paul J. Lerch
Public School Accountant
PSA Number CS01118

Fair Lawn, New Jersey
November 4, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Management's Discussion and Analysis Year Ended June 30, 2016

This section of East Hanover Township Board of Education's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2016 are as follows:

- District-Wide - Overall revenues were \$24,708,678. General revenues accounted for \$18,115,408 or 74 percent of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6,593,270 or 26 percent of total revenues of \$24,708,678.
- District-Wide - The School District had \$24,662,020 in expenses; only \$6,593,270 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$18,115,408 were adequate to provide for these programs.
- Fund Financials – As of the close of the current fiscal year, the East Hanover Township Board of Education's governmental funds reported combined ending fund balances of \$4,158,791 an increase of \$1,536,425 in comparison with the prior year.
- Fund Financials - At the end of June 30, 2016, unassigned fund balance (budgetary basis) for the General Fund was \$315,595 an increase of \$137,974.

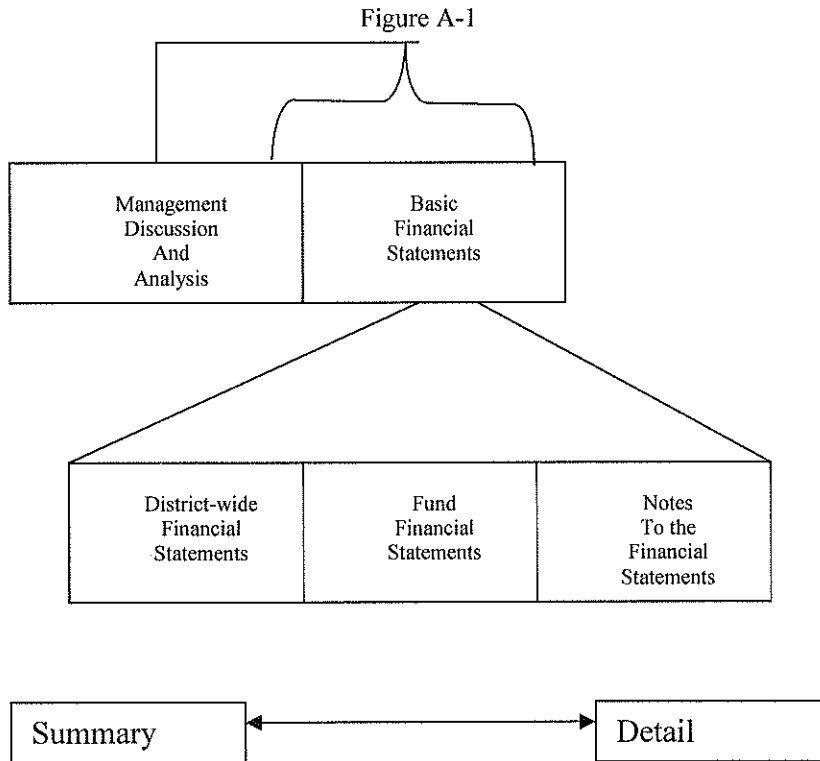
EAST HANOVER TOWNSHIP BOARD OF EDUCATION

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



EAST HANOVER TOWNSHIP BOARD OF EDUCATION

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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Fund Financial Statements (Continued)

The District has three kinds of funds:

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

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

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

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

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

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

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

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

Table A-1 provides a summary of the school district's net position for fiscal years 2016 and 2015 which for 2016 and 2015 were \$5,396,862 and \$5,310,204, respectively (see Table A-1).

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

**Table A-1
Statement of Net Position
as of June 30, 2016 and 2015**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Assets						
Current and Other Assets	\$ 4,559,148	\$ 2,777,307	\$ 642,642	\$ 584,155	\$ 5,201,790	\$ 3,361,462
Capital Assets	11,625,117	11,598,291	10,429	11,062	11,635,546	11,609,353
Total Assets	<u>16,184,265</u>	<u>14,375,598</u>	<u>653,071</u>	<u>595,217</u>	<u>16,837,336</u>	<u>14,970,815</u>
Deferred Outflows of Resources						
Deferred Amounts on Net Pension Liability	739,819	217,233			739,819	
Deferred Amounts on Refunding of Debt	27,605	40,322	-	-	27,605	40,322
Total Deferred Outflows of Resources	<u>767,424</u>	<u>257,555</u>	<u>-</u>	<u>-</u>	<u>767,424</u>	<u>40,322</u>
Total Assets and Deferred Outflows of Resources	<u>16,951,689</u>	<u>14,633,153</u>	<u>653,071</u>	<u>595,217</u>	<u>17,604,760</u>	<u>15,011,137</u>
Liabilities						
Current Liabilities	457,550	208,855	373,293	295,503	830,843	504,358
Noncurrent Liabilities	11,221,246	9,153,125	-	-	11,221,246	9,153,125
Total Liabilities	<u>11,678,796</u>	<u>9,361,980</u>	<u>373,293</u>	<u>295,503</u>	<u>12,052,089</u>	<u>9,657,483</u>
Deferred Inflows of Resources						
Deferred Amounts of Net Pension Liability	155,809	260,683	-	-	155,809	260,683
Total Liabilities and Deferred Inflows of Resources	<u>11,834,605</u>	<u>9,622,663</u>	<u>373,293</u>	<u>295,503</u>	<u>12,207,898</u>	<u>9,918,166</u>
Net Position						
Net Investment in Capital Assets	7,493,042	7,241,344	10,429	11,062	7,503,471	7,252,406
Restricted	3,582,166	1,891,884			3,582,166	1,891,884
Unrestricted	(5,958,124)	(4,122,738)	269,349	288,652	(5,688,775)	(3,834,086)
Total Net Position	<u>\$ 5,117,084</u>	<u>\$ 5,010,490</u>	<u>\$ 279,778</u>	<u>\$ 299,714</u>	<u>\$ 5,396,862</u>	<u>\$ 5,310,204</u>

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

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

Governmental activities. Governmental activities increased the District's net position by \$106,594. Key elements of this increase are as follows: (see Table A-2).

**Table A-2
Change in Net Position
For The Fiscal Years Ended June 30, 2016 and 2015**

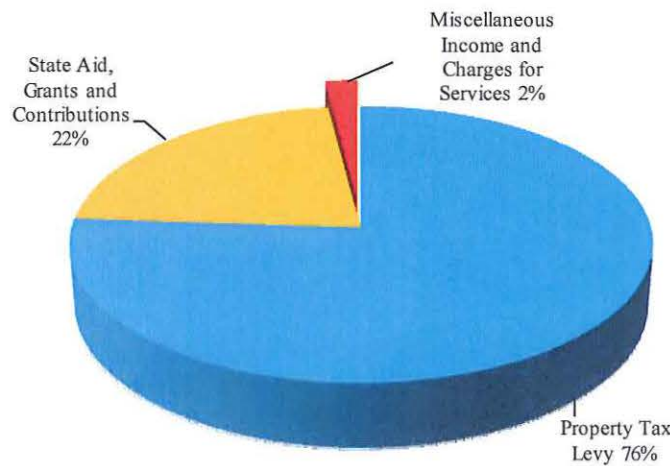
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues						
Program Revenues						
Charges for Services	\$ 57,350	\$ 85,255	\$ 747,582	\$ 717,009	\$ 804,932	\$ 802,264
Grants and Contributions	5,788,338	5,158,924			5,788,338	5,158,924
General Revenues						
Property Taxes	18,039,590	17,605,773			18,039,590	17,605,773
Other	75,818	255,544	-	-	75,818	255,544
Total Revenues	<u>23,961,096</u>	<u>23,105,496</u>	<u>747,582</u>	<u>717,009</u>	<u>24,708,678</u>	<u>23,822,505</u>
Expenses						
Instruction						
Regular	8,707,360	8,936,445			8,707,360	8,936,445
Special Education	3,895,131	4,235,965			3,895,131	4,235,965
Other Instruction	983,484	869,224			983,484	869,224
School Sponsored Activities and Athletics	332,910	334,569			332,910	334,569
Support Services						
Student and Instruction Related Services	3,241,405	2,576,734			3,241,405	2,576,734
Health Services	384,488	366,120			384,488	366,120
Educational Media / School Library	515,255	316,210			515,255	316,210
General Administrative Services	649,908	614,681			649,908	614,681
School Administrative Services	1,691,757	1,644,589			1,691,757	1,644,589
Plant Operations and Maintenance	1,726,163	1,696,158			1,726,163	1,696,158
Pupil Transportation	1,156,246	1,139,088			1,156,246	1,139,088
Central Services	402,680	422,750			402,680	422,750
Interest and Other Charges	167,715	171,960			167,715	171,960
Food Services			15,863	17,816	15,863	17,816
After School Child Care	-	-	751,655	609,313	751,655	609,313
Total Expenses	<u>23,854,502</u>	<u>23,324,493</u>	<u>767,518</u>	<u>627,129</u>	<u>24,622,020</u>	<u>23,951,622</u>
Change in Net Position Before Transfers	106,594	(218,997)	(19,936)	89,880	86,658	(129,117)
Transfers	-	54,454	-	(54,454)	-	-
Net Position, Beginning of Year	5,010,490	5,249,078	299,714	264,288	5,310,204	5,513,366
Prior Period Adjustment	-	(74,045)	-	-	-	(74,045)
Net Position, End of Year	<u>\$ 5,117,084</u>	<u>\$ 5,010,490</u>	<u>\$ 279,778</u>	<u>\$ 299,714</u>	<u>\$ 5,396,862</u>	<u>\$ 5,310,204</u>

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

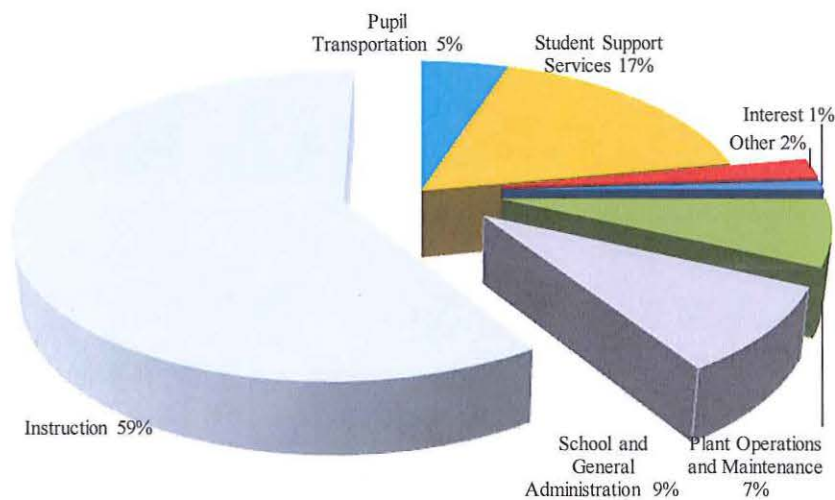
Governmental activities. The District’s total governmental revenues were \$23,961,096. The local share of the revenues that included property taxes, unrestricted state aid, miscellaneous revenue amounted to \$18,115,408 or 76% of total revenues. Funding from state and federal sources and contributions amounted to \$5,788,338 or 24% and charges for services were \$57,350. (see Table A-2)

The District’s total governmental expenses were \$23,854,502 which are predominantly related to instruction and support services. Instruction totaled \$13,918,885 (59%); support services totaled \$9,767,902 (40%). Interest and Other Charges totaled \$167,715 (1%).

Revenues by Sources – Governmental Activities
For Fiscal Year 2016



Expenses by Type – Governmental Activities
For Fiscal Year 2016



EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Governmental activities (Continued)

**Table A-3
Total and Net Cost of Governmental Activities
For the Fiscal Years Ended June 30, 2016 and 2015**

<u>Functions/Programs</u>	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Governmental Activities				
Instruction				
Regular	\$ 8,707,360	\$ 8,936,445	\$ 6,604,050	\$ 6,980,970
Special Education	3,895,131	4,235,965	2,008,848	2,388,113
Other Instruction	983,484	869,224	707,020	665,527
School Sponsored Activities and Athletics	332,910	334,569	277,687	286,925
Support Services				
Student and Instruction Related Services	3,241,405	2,576,734	2,516,523	2,074,893
Health Services	384,488	366,120	291,446	289,412
Educational Media / School Library	515,255	316,210	422,804	251,492
General Administrative Services	649,908	614,681	543,883	533,298
School Administrative Services	1,691,757	1,644,589	1,271,057	1,286,782
Plant Operations and Maintenance	1,726,163	1,696,158	1,710,801	1,680,226
Pupil Transportation	1,156,246	1,139,088	1,084,300	1,047,966
Central Services	402,680	422,750	402,680	422,750
Interest and Other Charges	167,715	171,960	167,715	171,960
Total	\$ 23,854,502	\$ 23,324,493	\$ 18,008,814	\$ 18,080,314

Business-Type Activities – The District’s total business-type activities revenues were \$747,582 for the fiscal year ended June 30, 2016. Charges for services accounted for 100% of total revenues.

Total cost of all business-type activities programs and services was \$767,518. The District’s expenses are related to the milk and the after school child care program.

Total business-type activities expenses were greater than their revenues resulting in a net loss of \$19,936.

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

As the District completed the year, its governmental funds reported a combined fund balance of \$4,158,791. At June 30, 2015, the fund balance was \$2,622,366. The significant increase in fund balance is the lease proceeds for the energy savings incentive program. The project began in 2015-16 year and the majority of the funding wasn't expended at June 30, 2016.

The District's Funds

All governmental funds (i.e., general fund, special revenue fund, capital projects fund and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$21,445,775 and expenditures were \$21,818,171.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound fiscal management. The following schedule presents a summary of the governmental fund revenues for the fiscal years ended June 30, 2016 and 2015.

Governmental Funds Revenues

	Fiscal Year Ended <u>6/30/2016</u>	Fiscal Year Ended <u>6/30/2015</u>	Amount of Increase (Decrease)	Percent Change
Local Sources:				
Property Taxes	\$ 18,039,590	\$ 17,605,773	\$ 433,817	2%
Other	138,760	468,114	(329,354)	-70%
Federal Sources	311,940	289,775	22,165	8%
State Sources	<u>2,955,485</u>	<u>2,728,931</u>	<u>226,554</u>	8%
Total Revenues	<u>\$ 21,445,775</u>	<u>\$ 21,092,593</u>	<u>\$ 353,182</u>	2%

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

The District's Funds (Continued)

The following schedule represents a summary of governmental Fund expenditures for the fiscal years ended June 30, 2016 and 2015.

Governmental Funds Expenditures

	Fiscal Year Ended 6/30/2016	Fiscal Year Ended 6/30/2015	Amount of Increase (Decrease)	Percent Change
Instruction	\$ 11,657,151	\$ 12,180,795	\$ (523,644)	-4%
Support Services	8,718,029	7,874,192	843,837	11%
Debt Service	741,474	661,216	80,258	12%
Capital Outlay	<u>701,517</u>	<u>713,248</u>	<u>(11,731)</u>	-2%
Total Expenditures	<u>\$ 21,818,171</u>	<u>\$ 21,429,451</u>	<u>\$ 388,720</u>	2%

General Fund Budgetary Highlights

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

- Implementing budgets for specially funded projects, which include both federal and state grants, reinstating prior year purchase orders being carried over, and budgeting for clearing, resale, and gifts.
- Increases in appropriations for significant unbudgeted costs.

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

Capital Assets. At the end of the fiscal years 2016 and 2015, the school district had invested in land, land improvements, construction in progress, buildings, furniture, machinery and equipment as stated in Table A-4 as follows:

Table A-4

	<u>Governmental</u> <u>Activities</u>	
	<u>2016</u>	<u>2015</u>
Land	\$ 139,675	\$ 139,675
Construction in Progress	642,557	337,446
Land Improvements	226,796	226,796
Building and Building Improvements	19,164,457	18,800,875
Machinery and Equipment	<u>1,375,187</u>	<u>1,340,822</u>
 Total	 21,548,672	 20,845,614
 Less: Accumulated Depreciation	 <u>(9,923,555)</u>	 <u>(9,247,323)</u>
 Total	 <u>\$ 11,625,117</u>	 <u>\$ 11,598,291</u>

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

Debt Administration. As of June 30, 2016 and 2015, the School District had outstanding long-term liabilities as stated in Table A-5 as follows:

Long-Term Liabilities

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

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
General Obligation Bonds, Net	\$ 3,889,976	\$ 4,397,269
Capital Lease/Lease Purchase Agreements	1,900,404	74,045
Net Pension Liability	5,141,255	4,374,279
Compensated Absences Payable	<u>289,611</u>	<u>307,532</u>
 Total	 <u>\$ 11,221,246</u>	 <u>\$ 9,153,125</u>

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

Many factors were considered by the District's administration during the process of developing the fiscal year 2016-2017 budget. The primary factors were the District's projected student population, anticipated state and federal aid, as well, as increasing salaries and related benefit costs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 3,344,700	\$ 552,574	\$ 3,897,274
Receivables, net			
Receivables from Other Governments	110,340		110,340
Other Receivables	2,211	786	2,997
Prepaid Items		89,282	89,282
Restricted Assets- Cash Held with Fiscal Agent	1,101,897		1,101,897
Capital Assets, net			
Not Being Depreciated	782,232		782,232
Being Depreciated, Net	10,842,885	10,429	10,853,314
Total Assets	<u>16,184,265</u>	<u>653,071</u>	<u>16,837,336</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	739,819		739,819
Deferred Amounts on Refunding of Debt	27,605	-	27,605
Total Deferred Outflows of Resources	<u>767,424</u>	<u>-</u>	<u>767,424</u>
Total Assets and Deferred Outflows of Resources	<u>16,951,689</u>	<u>653,071</u>	<u>17,604,760</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	258,340	-	258,340
Payable to Other Governments	19,061		19,061
Accrued Interest Payable	57,193		57,193
Unearned Revenue	122,956	373,293	496,249
Noncurrent Liabilities			
Due within one year	764,014		764,014
Due beyond one year	10,457,232	-	10,457,232
Total Liabilities	<u>11,678,796</u>	<u>373,293</u>	<u>12,052,089</u>
Deferred Inflows of Resources			
Deferred Amounts on Net Pension Liability	155,809	-	155,809
Total Liabilities and Deferred Inflows of Resources	<u>11,834,605</u>	<u>373,293</u>	<u>12,207,898</u>
NET POSITION			
Net Investment in Capital Assets	7,493,042	10,429	7,503,471
Restricted for			
Capital Projects	3,322,015		3,322,015
Debt Service	1		1
Other Purposes	260,150		260,150
Unrestricted	(5,958,124)	269,349	(5,688,775)
Total Net Position	<u>\$ 5,117,084</u>	<u>\$ 279,778</u>	<u>\$ 5,396,862</u>

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction							
Regular	\$ 8,707,360	\$ 57,350	\$ 2,041,765	\$ 4,195	\$ (6,604,050)		\$ (6,604,050)
Special Education	3,895,131		1,886,283		(2,008,848)		(2,008,848)
Other Instruction	983,484		276,464		(707,020)		(707,020)
School Sponsored Activities and Athletics	332,910		55,223		(277,687)		(277,687)
Support Services							
Student and Instruction Related Services	3,241,405		724,882		(2,516,523)		(2,516,523)
Health Services	384,488		93,042		(291,446)		(291,446)
Educational Media / School Library	515,255		92,451		(422,804)		(422,804)
General Administrative Services	649,908		106,025		(543,883)		(543,883)
School Administrative Services	1,691,757		420,700		(1,271,057)		(1,271,057)
Plant Operations and Maintenance	1,726,163		15,362		(1,710,801)		(1,710,801)
Pupil Transportation	1,156,246	-	71,946		(1,084,300)		(1,084,300)
Central Services	402,680		-		(402,680)		(402,680)
Interest and Other Charges	167,715	-	-	-	(167,715)		(167,715)
Total Governmental Activities	23,854,502	57,350	5,784,143	4,195	(18,008,814)	-	(18,008,814)
Business-Type Activities							
Food Service - Non-Major	15,863	10,427				\$ (5,436)	(5,436)
After School Child Care	751,655	737,155	-	-	-	(14,500)	(14,500)
Total Business-Type Activities	767,518	747,582	-	-	-	(19,936)	(19,936)
Total Primary Government	\$ 24,622,020	\$ 804,932	\$ 5,784,143	\$ 4,195	(18,008,814)	(19,936)	(18,028,750)
General Revenues /Transfers							
General Revenues							
Taxes:							
Property Taxes, levied for general purposes, net					17,422,828		17,422,828
Property Taxes, levied for debt service					616,762		616,762
Unrestricted State Aid					19,108		19,108
Miscellaneous Income					56,710		56,710
Total General Revenues/Transfers					18,115,408	-	18,115,408
Change in Net Position					106,594	(19,936)	86,658
Net Position, Beginning of Year (Restated)					5,010,490	299,714	5,310,204
Net Position, End of Year					\$ 5,117,084	\$ 279,778	\$ 5,396,862

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

FUND FINANCIAL STATEMENTS

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 2,953,023	\$ 44,026	\$ 347,650	\$ 1	\$ 3,344,700
Cash Held with Fiscal Agent			1,101,897		1,101,897
Due from Other Funds	1,818	-			1,818
Receivables, Net					
Receivables From Other Governments	11,281	99,059			110,340
Other Receivables	2,211	-	-	-	2,211
	<u>2,968,333</u>	<u>143,085</u>	<u>1,449,547</u>	<u>1</u>	<u>4,560,966</u>
Total Assets	<u>\$ 2,968,333</u>	<u>\$ 143,085</u>	<u>\$ 1,449,547</u>	<u>\$ 1</u>	<u>\$ 4,560,966</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 256,690	\$ 1,650			\$ 258,340
Due to Other Funds	-	1,818			1,818
Payable to State Governments		19,061			19,061
Unearned Revenue	2,400	120,556	-	-	122,956
	<u>259,090</u>	<u>143,085</u>	<u>-</u>	<u>-</u>	<u>402,175</u>
Total Liabilities	<u>259,090</u>	<u>143,085</u>	<u>-</u>	<u>-</u>	<u>402,175</u>
Fund Balance					
Restricted:					
Excess Surplus	145,010				145,010
Excess Surplus - Designated for Subsequent Year's Expenditure	161,923				161,923
Maintenance Reserve	120,542				120,542
Maintenance Reserve- Designated for Subsequent Year's Expenditures	139,608				139,608
Capital Reserve	852,968				852,968
Capital Reserve- Designated for Subsequent Year's Expenditures	919,500				919,500
Capital Projects			\$ 1,449,547		1,449,547
Debt Service				\$ 1	1
Assigned:					
Year-end Encumbrances	54,097				54,097
Unassigned	315,595	-	-	-	315,595
	<u>2,709,243</u>	<u>-</u>	<u>1,449,547</u>	<u>1</u>	<u>4,158,791</u>
Total Fund Balances	<u>2,709,243</u>	<u>-</u>	<u>1,449,547</u>	<u>1</u>	<u>4,158,791</u>
Total Liabilities and Fund Balances	<u>\$ 2,968,333</u>	<u>\$ 143,085</u>	<u>\$ 1,449,547</u>	<u>\$ 1</u>	

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2016

Total Governmental Fund Balances (B-1) \$ 4,158,791

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 \$21,548,672 and the accumulated depreciation is \$9,923,555. 11,625,117

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

Deferred Outflows of Resources	\$ 739,819	
Deferred Inflows of Resources	<u>(155,809)</u>	
		584,010

The District has financed capital assets through the issuance of serial bonds. The interest accrual at year end is: (57,193)

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

Bonds Payable, net of Premium	\$ (3,889,976)	
Deferred Outflows of Resources- Deferred Amounts on Refunding of Debt	27,605	
Capital Lease/ Lease Purchase Agreements	(1,900,404)	
Net Pension Liability	(5,141,255)	
Compensated Absences	<u>(289,611)</u>	
		(11,193,641)

Net position of governmental activities (A-1) \$ 5,117,084

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local Sources					
Property Tax Levy	\$ 17,422,828			\$ 616,762	\$ 18,039,590
Tuition	57,350				57,350
Miscellaneous	56,687	\$ 24,700	\$ 23	-	81,410
Total - Local Sources	17,536,865	24,700	23	616,762	18,178,350
Intergovernmental					
State Sources	2,913,794	41,691			2,955,485
Federal Sources	-	311,940	-	-	311,940
Total Revenues	20,450,659	378,331	23	616,762	21,445,775
EXPENDITURES					
Current					
Instruction					
Regular Instruction	7,246,158	24,700			7,270,858
Special Education Instruction	3,050,199	235,129			3,285,328
Other Instruction	778,189	29,195			807,384
School-Sponsored Activities and Athletics	293,581				293,581
Support Services					
Student and Instruction Related Services	2,699,458	89,307			2,788,765
Health Services	318,228				318,228
Educational Media/School Library	449,413				449,413
General Administrative Services	574,400				574,400
School Administrative Services	1,392,146				1,392,146
Plant Operations and Maintenance	1,667,048				1,667,048
Pupil Transportation	1,143,650				1,143,650
Central Services	384,379				384,379
Debt Service					
Principal	82,462			505,000	587,462
Interest and Other Charges	42,250			111,762	154,012
Capital Outlay	58,960	-	642,557	-	701,517
Total Expenditures	20,180,521	378,331	642,557	616,762	21,818,171
Excess (Deficiency) of Revenues Over (Under) Expenditures	270,138	-	(642,534)	-	(372,396)
OTHER FINANCING SOURCES (USES)					
Capital Lease/Agreement Proceeds	212,220		1,696,601		1,908,821
Transfers In	-		395,480	-	395,480
Transfers Out	(395,480)	-	-	-	(395,480)
Total Other Financing Sources and Uses	(183,260)	-	2,092,081	-	1,908,821
Net Change in Fund Balances	86,878	-	1,449,547	-	1,536,425
Fund Balance, Beginning of Year	2,622,365	-	-	1	2,622,366
Fund Balance, End of Year	\$ 2,709,243	\$ -	\$ 1,449,547	\$ 1	\$ 4,158,791

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE DISTRICT-WIDE STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Total net change in fund balances - governmental funds (Exhibit B-2) \$ 1,536,425

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

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

Capital Outlay	\$ 701,517	
Depreciation Expense	<u>(678,886)</u>	
		22,631

The net effect of various miscellaneous transactions involving capital asset (i.e. sales, disposal, donations) is to increase net position. These transactions are not reported in the governmental fund financial statements.

Gain on Capital Assets		4,195
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In the statement of activities, certain operating expenses - compensated absences and net pension liability are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (accrued):

Decrease in Compensated Absences	17,921	
Increase in Net Pension Expense	<u>(139,516)</u>	
		(121,595)

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

Capital Lease/Lease Purchase Agreement Issues	\$ (1,908,821)	
Reduction of Long Term Debt	505,000	
Reduction of Capital Lease/Lease Purchase Agreement	82,462	
Amortization of Bond Premium	2,293	
Amortization of Deferred Amounts on Refunding	<u>(12,717)</u>	
		(1,331,783)

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

Increase in Accrued Interest		<u>(3,279)</u>
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Change in net position of governmental activities (Exhibit A-2) \$ 106,594

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 AS OF JUNE 30, 2016**

	Business-Type Activities		<u>Total</u>
	<u>Non-Major Enterprise Funds</u>	<u>After School Child Care Program Enterprise Fund</u>	
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 5,527	\$ 547,047	\$ 552,574
Other Accounts Receivable		786	786
Prepaid Items	-	89,282	89,282
Total Current Assets	<u>5,527</u>	<u>637,115</u>	<u>642,642</u>
Noncurrent Assets			
Equipment	72,580		72,580
Less: Accumulated Depreciation	<u>(62,151)</u>	-	<u>(62,151)</u>
Total Noncurrent Assets	<u>10,429</u>	-	<u>10,429</u>
Total Assets	<u>15,956</u>	<u>637,115</u>	<u>653,071</u>
LIABILITIES			
Current Liabilities			
Unearned Revenue	-	373,293	373,293
Total Current Liabilities	<u>-</u>	<u>373,293</u>	<u>373,293</u>
NET POSITION			
Investment in Capital Assets	10,429		10,429
Unrestricted	<u>5,527</u>	<u>263,822</u>	<u>269,349</u>
Total Net Position	<u>\$ 15,956</u>	<u>\$ 263,822</u>	<u>\$ 279,778</u>

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Business-Type Activities		<u>Total</u>
	<u>Non-Major Enterprise Funds</u>	<u>After School Child Care Program Enterprise Fund</u>	
OPERATING REVENUES			
Charges for Services			
Daily Sales	\$ 10,427	-	\$ 10,427
Program Fees	-	\$ 737,155	737,155
	<u>10,427</u>	<u>737,155</u>	<u>747,582</u>
Total Operating Revenues			
OPERATING EXPENSES			
Salaries and Benefits		503,805	503,805
Cost of Sales	11,061		11,061
Field Trips		165,065	165,065
Depreciation	633		633
Supplies	4,169	82,785	86,954
	<u>15,863</u>	<u>751,655</u>	<u>767,518</u>
Total Operating Expenses			
Operating Income/(Loss)	<u>(5,436)</u>	<u>(14,500)</u>	<u>(19,936)</u>
Total Net Position, Beginning of Year	<u>21,392</u>	<u>278,322</u>	<u>299,714</u>
Total Net Position, End of Year	<u>\$ 15,956</u>	<u>\$ 263,822</u>	<u>\$ 279,778</u>

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Business-Type Activities		Total
	Non-Major Enterprise Funds	After School Child Care Program Enterprise Fund	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 10,427	\$ 815,495	\$ 825,922
Cash Payments for Employees' Salaries and Benefits		(503,805)	(503,805)
Cash Payments to Suppliers for Goods and Services	(15,230)	(296,278)	(311,508)
Net Cash Provided by/(used for) Operating Activities	(4,803)	15,412	10,609
Net Increase/ (decrease) in Cash and Cash Equivalents	(4,803)	15,412	10,609
Cash and Cash Equivalents, Beginning of Year	10,330	531,635	541,965
Cash and Cash Equivalents, End of Year	<u>\$ 5,527</u>	<u>\$ 547,047</u>	<u>\$ 552,574</u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY/(USED FOR) OPERATING ACTIVITIES			
Operating Income/(Loss)	\$ (5,436)	\$ (14,500)	\$ (19,936)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by/(used for) Operating Activities			
Depreciation	633		633
Change in Assets and Liabilities			-
(Increase)/Decrease in Accounts Receivable		551	551
(Increase)/Decrease in Prepaid Expense		(48,428)	(48,428)
Increase/ (Decrease) in Unearned Revenue	-	77,789	77,789
Total Adjustments	633	29,912	30,545
Net Cash Provided by/(used for) Operating Activities	<u>\$ (4,803)</u>	<u>\$ 15,412</u>	<u>\$ 10,609</u>

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2016**

	Unemployment Compensation <u>Trust Fund</u>	<u>Agency Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ <u>273,607</u>	\$ <u>56,469</u>
Total Assets	\$ <u>273,607</u>	\$ <u>56,469</u>
LIABILITIES		
Due to State	\$ 5,649	
Payroll Deductions and Withholdings		\$ 14,809
Accrued Salary and Wages		2,908
Flexible Spending		2,282
Due to Student Groups	<u>-</u>	<u>36,470</u>
Total Liabilities	\$ <u>5,649</u>	\$ <u>56,469</u>
NET POSITION		
Held In Trust For Unemployment Claims	<u>\$ 267,958</u>	

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Unemployment Compensation <u>Trust Fund</u>
ADDITIONS	
Contributions	
District	\$ 50,000
Employees	<u>19,755</u>
Total Additions	<u>69,755</u>
DEDUCTIONS	
Unemployment Claims	<u>16,031</u>
Total Deductions	<u>16,031</u>
Change in Net Position	53,724
Net Position, Beginning of Year	<u>214,234</u>
Net Position, End of Year	<u>\$ 267,958</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

B. New Accounting Standards

During fiscal year 2016, the District adopted the following GASB statements:

- GASB No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement applies to donated capital assets, donated works of art, donated historical treasures, and also to similar assets and capital assets received in a service concession arrangement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.
- GASB No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

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

- GASB No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.
- GASB No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.
- GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective beginning with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.
- GASB No. 77, *Tax Abatement Disclosures*, will be effective beginning with the fiscal year ending June 30, 2017. The requirements of this Statement will improve financial reporting by providing disclosure of information about the nature and magnitude of tax abatements that will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.
- GASB No. 82, *Pension Issues – An Amendment of GASB Statements No.67, No.68, and No.73*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pension*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

C. Basis of Presentation - Financial Statements

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

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

District-Wide Financial Statements

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

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

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

Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

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

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

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

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

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

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

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

Additionally, the government reports the following fund types:

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

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

Reclassifications

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

D. Measurement Focus and Basis of Accounting

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

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

1. *Cash, Cash Equivalents and Investments*

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

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

2. *Receivables*

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

3. *Inventories*

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

4. *Prepaid Items*

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. Capital Assets

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

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

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

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

6. Deferred Outflows/Inflows of Resources

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

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. Compensated Absences

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

8. Pensions

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

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

9. Long-Term Obligations

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

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

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. *Net Position/Fund Balance*

District-Wide Statements

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

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

Governmental Fund Statements

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

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

Excess Surplus – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2016 audited excess surplus that is required to be appropriated in the 2017/2018 original budget certified for taxes.

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

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

Maintenance Reserve - Designated for Subsequent Year's Expenditures – This designation was created to dedicate the portion of maintenance reserve fund balance appropriated in the adopted 2016/2017 District budget certified for taxes

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

Capital Reserve - Designated for Subsequent Year's Expenditures – This designation was created to dedicate the portion of capital reserve fund balance appropriated in the adopted 2016/2017 District budget certified for taxes.

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Net Position/Fund Balance (Continued)

Governmental Fund Statements (Continued)

Restricted Fund Balance (Continued)

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

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

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

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

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

F. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Revenues and Expenditures/Expenses (Continued)

3. *Tuition Revenues and Expenditures*

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

Tuition Expenditures - Tuition charges for the fiscal years 2014-2015 and 2015-2016 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

4. *Proprietary Funds, Operating and Nonoperating Revenues and Expenses*

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption. Prior to the 2012/2013 budget year, the annual budget was required to be voted upon at the annual school election held on the third Tuesday in April. On January 17, 2012, Chapter 202 of the Laws of P.L. 2011 was approved which established procedures for moving the date of a school district's annual school election from April to the general election in November. Under the new law, districts that have their school board members elected in November no longer have to submit their budgets that meet levy cap requirements for voter approval beginning with the 2012/2013 budget year. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot. On February 12, 2012, the Board adopted a resolution to move its annual election to the date of the general elections in accordance with the law; therefore voter approval of the annual budget is not required.

Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2015/2016. Also, during 2015/2016 the Board increased the original budget by \$907,207. The increase was funded by additional grant awards, the reappropriation of prior year general fund encumbrances and appropriation of capital reserve funds transferred to the capital projects fund.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

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

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

B. Capital Reserve

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

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

The activity of the capital reserve for the fiscal year ended June 30, 2016 is as follows:

Balance, July 1, 2015		\$ 1,518,883
Increased By:		
Deposits Approved by Board Resolution	\$ 680,000	
Unexpended Project Balances	<u>201,065</u>	
Total Increases		<u>881,065</u>
Withdrawals:		
Approved in District Budget	232,000	
Approved by Board Resolution	<u>395,480</u>	
Total Withdrawals		<u>627,480</u>
Balance, June 30, 2016		<u><u>\$ 1,772,468</u></u>
<u>Analysis</u>		
Capital Reserves	\$ 852,968	
Capital Reserves-Designated for Subsequent Year's Expenditures	<u>919,500</u>	
		<u><u>\$ 1,772,468</u></u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Maintenance Reserve

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

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

The activity of the maintenance reserve for the fiscal year ended June 30, 2016 is as follows:

Balance, July 1, 2015	\$ 373,000
Increased by	
Deposits Approved by Board Resolution	100,000
Withdrawals:	
Approved in District Budget	<u>212,850</u>
Balance, June 30, 2016	<u>\$ 260,150</u>
 <u>Analysis</u>	
Maintenance Reserve	\$ 120,542
Maintenance Reserve - Designated for Subsequent Years Expenditures	<u>139,608</u>
	<u>\$ 260,150</u>

The June 30, 2016 comprehensive maintenance plan indicated a maximum maintenance reserve amount of \$903,914. The withdrawals from the maintenance reserve were for use in required maintenance activities for school facilities.

D. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for 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 in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2016 is \$306,933. Of this amount, \$161,923 was designated and appropriated in the 2016/2017 original budget certified for taxes and the remaining amount of \$145,010 will be appropriated in the 2017/2018 original budget certified for taxes.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2016, the book value of the Board's deposits were \$5,329,247 and bank and brokerage firm balances of the Board's deposits amounted to \$5,993,654. The Board's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

Depository Account

Insured	<u>\$ 5,933,654</u>
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Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2016 no amount was exposed to custodial credit risk as follows:

Investments

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

As of June 30, 2016, the Board had no outstanding investments.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Receivables as of June 30, 2016 for the district's individual major funds in the aggregate are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>After School Child Care</u>	<u>Total</u>
Receivables:				
Intergovernmental	\$ 11,281	\$ 99,059		\$ 110,340
Accounts	<u>2,211</u>	<u>-</u>	<u>\$ 786</u>	<u>2,997</u>
 Net Total Receivables	 <u>\$ 13,492</u>	 <u>\$ 99,059</u>	 <u>\$ 786</u>	 <u>\$ 113,337</u>

C. Unearned Revenue

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

General Fund	
Preschool Tuition	\$ 2,400
Special Revenue Fund	
Unencumbered Grant Draw Downs	<u>120,556</u>
 Total Unearned Revenue for Governmental Funds	 <u>\$ 122,956</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	Balance, <u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	Balance <u>June 30, 2016</u>
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 139,675				\$ 139,675
Construction in Progress	<u>337,446</u>	\$ 642,557	<u>-</u>	\$ (337,446)	<u>642,557</u>
Total Capital Assets, Not Being Depreciated	<u>477,121</u>	<u>642,557</u>	<u>-</u>	<u>(337,446)</u>	<u>782,232</u>
Capital Assets, Being Depreciated:					
Land Improvements	226,796	-			226,796
Building and Building Improvements	18,800,875	43,736		319,846	19,164,457
Machinery and Equipment	<u>1,340,822</u>	<u>19,419</u>	\$ (2,654)	<u>17,600</u>	<u>1,375,187</u>
Total Capital Assets Being Depreciated	<u>20,368,493</u>	<u>63,155</u>	<u>(2,654)</u>	<u>337,446</u>	<u>20,766,440</u>
Less Accumulated Depreciation for:					
Land Improvements	(59,330)	(9,043)			(68,373)
Building and Building Improvements	(8,265,859)	(585,426)		262	(8,851,023)
Machinery and Equipment	<u>(922,134)</u>	<u>(84,417)</u>	<u>2,654</u>	<u>(262)</u>	<u>(1,004,159)</u>
Total Accumulated Depreciation	<u>(9,247,323)</u>	<u>(678,886)</u>	<u>2,654</u>	<u>-</u>	<u>(9,923,555)</u>
Total Capital Assets, Being Depreciated, Net	<u>11,121,170</u>	<u>(615,731)</u>	<u>-</u>	<u>337,446</u>	<u>10,842,885</u>
Government Activities Capital Assets, Net	<u>\$ 11,598,291</u>	<u>\$ 26,826</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,625,117</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

	Balance, July 1, 2015	Increases	Decreases/ Adjustments	Balance June 30, 2016
Business-Type Activities:				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 72,580	-	-	\$ 72,580
Total Capital Assets Being Depreciated	<u>72,580</u>	<u>-</u>	<u>-</u>	<u>72,580</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	(61,518)	\$ (633)	-	(62,151)
Total Accumulated Depreciation	<u>(61,518)</u>	<u>(633)</u>	<u>-</u>	<u>(62,151)</u>
Total Capital Assets, Being Depreciated, Net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-Type Activities Capital Assets, Net	<u>\$ 11,062</u>	<u>\$ (633)</u>	<u>\$ -</u>	<u>\$ 10,429</u>

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

Governmental Activities:

Instruction		
Regular		\$ 268,674
Special		114,054
Other Instruction		32,937
School-Sponsored		<u>7,356</u>
Total Instruction		<u>423,021</u>
Support Services		
Student and Instruction Related Services		84,659
Health Services		12,392
Educational Media / School Library		12,315
General Administration		14,123
School Administration		56,037
Operations and Maintenance of Plant		50,135
Student Transportation		10,683
Central Services		<u>15,521</u>
Total Support Services		<u>255,865</u>
Total Depreciation Expense - Governmental Activities		<u>\$ 678,886</u>
Business Type Activities:		
Food Service Fund		<u>\$ 633</u>
Total Depreciation Expense - Business Type Activities		<u>\$ 633</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

Construction and Other Significant Commitments

The District has the following active construction projects as of June 30, 2016:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Energy Savings Program	\$ 594,727	\$ 1,426,897
Elementary School Interior Renovation	<u>47,830</u>	<u>902,150</u>
	<u>\$ 642,557</u>	<u>\$ 2,329,047</u>

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2016, is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	<u>\$ 1,818</u>

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

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

Interfund transfers

	<u>Transfer In:</u>
	<u>Capital Projects Fund</u>
Transfer Out:	
General Fund	<u>\$ 395,480</u>

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. Leases

Lease Purchase Agreements

The District leases technology equipment under noncancelable lease purchase agreements in the amount of \$328,770. Lease payments for the fiscal year ended June 30, 2016 were \$82,462. The future minimum lease payments for these operating leases are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2017	\$ 85,259
2018	71,655
2019	<u>55,022</u>
Total Lease Payments	211,936
Less: Amount Representing Interest	<u>(8,133)</u>
Present Value of Remaining Lease Payments	<u>\$ 203,803</u>

Capital Leases

The District is leasing an energy saving incentive program totaling \$1,696,601 under capital leases. The lease term is for 20 years.

The unexpended proceeds from capital leases in the amount of \$1,101,897 at June 30, 2016 are held with the Fiscal Agent.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016 were as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2017	\$ 155,506
2018	201,386
2019	122,743
2020	95,505
2021	95,540
2022-2026	437,991
2027-2031	497,037
2032-2036	<u>564,257</u>
Total minimum lease payments	2,169,966
Less: amount representing interest	<u>(473,365)</u>
Present value of minimum lease payments	<u>\$ 1,696,601</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt

General Obligation Bonds

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

Bonds payable at June 30, 2016 are comprised of the following issues:

\$6,355,000, 2012 Refunding Bonds, due in annual installments of \$520,000 to \$575,000 through January 15, 2023, interest at 2.00% to 3.00%	\$ 3,885,000
	<u>\$ 3,885,000</u>

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

Governmental Activities:

Fiscal Year Ending <u>June 30,</u>	<u>Serial Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2017	\$ 520,000	\$ 101,663	\$ 621,663
2018	540,000	91,263	631,263
2019	560,000	79,113	639,113
2020	570,000	65,813	635,813
2021	575,000	50,850	625,850
2022-2023	<u>1,120,000</u>	<u>50,250</u>	<u>1,170,250</u>
	<u>\$ 3,885,000</u>	<u>\$ 438,952</u>	<u>\$ 4,323,952</u>

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2016 was as follows:

3% of Equalized Valuation Basis (Municipal)	\$ 103,990,799
Less: Net Debt	<u>3,885,000</u>
Remaining Borrowing Power	<u>\$ 100,105,799</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

H. Other Long-Term Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2016, was as follows:

	Balance, July 1, 2015 (Restated)	Additions	Reductions	Balance, June 30, 2016	Due Within One Year
Governmental Activities:					
Bonds Payable	\$ 4,390,000	-	\$ 505,000	\$ 3,885,000	\$ 520,000
Deferred Amounts Add; Original Issue Premium	7,269	-	2,293	4,976	-
Total Bonds Payable	4,397,269	-	507,293	3,889,976	520,000
Capital Lease/Lease Purchase Agreements	74,045	\$ 1,908,821	82,462	1,900,404	194,014
Net Pension Liability	4,374,279	963,880	196,904	5,141,255	-
Compensated Absences	307,532	33,802	51,723	289,611	50,000
Governmental Activity Long-Term Liabilities	<u>\$ 9,153,125</u>	<u>\$ 2,906,503</u>	<u>\$ 838,382</u>	<u>\$ 11,221,246</u>	<u>\$ 764,014</u>

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

NOTE 4 OTHER INFORMATION

A. Risk Management

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

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

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

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

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

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

Fiscal Year Ended <u>June 30,</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016	\$ 50,000	\$ 19,755	\$ 16,031	\$ 267,958
2015	50,000	18,726	17,974	214,234
2014	50,000	17,915	17,666	163,482

B. Contingent Liabilities

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

Federal and State Awards – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2016, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

C. Federal Arbitrage Regulations

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2016, the District had no estimated arbitrage earnings due to the IRS.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans

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

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

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

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

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

Other Pension Funds

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

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

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

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Basis of Accounting

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

Investment Valuation

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

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

Funding Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the aggregate funded ratio for the State administered TPAF and local PERS retirement systems, is 35 percent with an unfunded actuarial accrued liability of \$86 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded TPAF system is 28.71 percent and \$63.6 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS is 47.93 percent and \$22.4 billion, respectively.

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

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

Actuarial Methods and Assumptions

In the July 1, 2014 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (a) an investment rate of return for the retirement systems of 7.90 percent and (b) projected salary increases of 2.60-9.48 percent based on age for the PERS and varying percentages based on experience for TPAF.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 6.92% for PERS, 6.92% for TPAF and 5.50% for DCRP of the employee's annual compensation.

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 *Accounting for Pensions by State and Local Government Employees*, for the fiscal year ended June 30, 2016 for TPAF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the fiscal years ended June 30, 2016, 2015 and 2014 the Board was required to contribute for PERS and DCRP and the State of New Jersey was required to contribute for TPAF for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Fiscal Year Ended June 30,	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2016	\$ 196,904	\$ 648,848	\$ 23,857
2015	192,605	442,683	19,088
2014	173,968	361,209	22,581

For fiscal years 2015/2016 and 2014/2015, the state contributed \$648,848 and \$442,683, respectively for normal cost pension, accrued liability and the NCGI premium. For fiscal year 2013/2014 the State did not contribute to the TPAF for accrued liability but did contribute \$361,209 for normal cost pension and NCGI premium.

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

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$591,033 during the fiscal year ended June 30, 2016 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the district-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 24.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS)

At June 30, 2016, the District reported in the statement of net position (accrual basis) a liability of \$5,141,255 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2015, the District's proportionate share was .02291 percent, which was a decrease of .00046 percent from its proportionate share measured as of June 30, 2014 of .02336 percent.

For the fiscal year ended June 30, 2016, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$336,120 for PERS. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<u>2015</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 122,652	
Changes of Assumptions	552,130	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		\$ 82,661
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>65,037</u>	<u>73,148</u>
Total	<u>\$ 739,819</u>	<u>\$ 155,809</u>

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

Fiscal Year Ending <u>June 30,</u>	
2017	\$ 106,655
2018	106,655
2019	106,655
2020	171,826
2021	<u>92,219</u>
	<u>\$ 584,010</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	<u>PERS</u>
Inflation Rate	3.04%
Salary Increases:	
2012-2021	2.15-4.40%
	Based on Age
Thereafter	3.15-5.40%
	Based on Age
Investment Rate of Return	7.90%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	July 1, 2008 -
Study Upon Which Actuarial	June 30, 2011
Assumptions were Based	

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

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rate

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

<u>Plan</u>	<u>Discount Rate</u>
PERS	4.90%

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

The following table represents the crossover period, if applicable, for the PERS defined benefit plan:

Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2033
Municipal Bond Rate *	From July 1, 2033 and Thereafter

* The municipal bond return rate used is 3.80%. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the District's proportionate share of the PERS net pension liability calculated using the discount rate of 4.90%, as well as what the District's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.90 percent) or 1-percentage-point higher (5.90 percent) than the current rate:

	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
District's Proportionate Share of the PERS Net Pension Liability	<u>\$ 6,389,951</u>	<u>\$ 5,141,255</u>	<u>\$ 4,094,357</u>

The sensitivity analysis was based on the proportionate share of the District's net pension liability at June 30, 2015. A sensitivity analysis specific to the District's net pension liability was not provided by the pension system.

Pension Plan Fiduciary Net Position

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF)

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

For the fiscal year ended June 30, 2016, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$3,159,974 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 24.

At June 30, 2016 the State's proportionate share of the net pension liability attributable to the District is \$51,752,796. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the year ended June 30, 2015. At June 30, 2015, the state's share of the net pension liability attributable to the District was .08188 percent, which was a decrease of .00350 percent from its proportionate share measured as of June 30, 2014 of .08538 percent.

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

TPAF

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

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	0.53%
US Government Bonds	1.75%	1.39%
US Credit Bonds	13.50%	2.72%
US Mortgages	2.10%	2.54%
US Inflation-Indexed Bonds	1.50%	1.47%
US High Yield Bonds	2.00%	4.57%
US Equity Market	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Markets Equity	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - MultiStrategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Discount Rate

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

<u>Plan</u>	<u>Discount Rate</u>
TPAF	4.13%

The following table represents the crossover period, if applicable, for the TPAF defined benefit plan:

Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2027
Municipal Bond Rate *	From July 1, 2027 and Thereafter

* The municipal bond return rate used is 3.80%. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the State's proportionate share of the TPAF net pension liability attributable to the District calculated using the discount rate of 4.13%, as well as what the State's proportionate share of the TPAF net pension liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (3.13 percent) or 1-percentage-point higher (5.13 percent) than the current rate:

	<u>1% Decrease (3.13%)</u>	<u>Current Discount Rate (4.13%)</u>	<u>1% Increase (5.13%)</u>
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	<u>\$ 61,506,264</u>	<u>\$ 51,752,796</u>	<u>\$ 43,349,600</u>

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District at June 30, 2015. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2015 was not provided by the pension system.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Pension Plan Fiduciary Net Position

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

E. Post-Retirement Medical Benefits

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

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 590 state and local participating employers and contributing entities for Fiscal Year 2015.

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

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

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Basis of Accounting

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

Significant Legislation

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

Investment Valuation

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

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the State had a \$65.0 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$24.4 billion for state active and retired members and \$40.6 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

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

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

Actuarial Methods and Assumptions

In the July 1, 2014, OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2015, there were 107,314, retirees receiving post-retirement medical benefits and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at: <http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf>.

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2016, 2015 and 2014 were \$772,598, \$702,760 and \$592,247, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

NOTE 5 RESTATEMENT

On July 1, 2015, the East Hanover Township Board of Education had adjusted their long-term liabilities to include their lease purchase agreements for the governmental activities. The East Hanover Township Board of Education has determined that the effect to include these lease purchase agreements was to increase their long-term liabilities in the amount of \$74,045. The result of this restatement was to reduce total net position to the governmental activities at June 30, 2015 from \$5,084,535 as originally reported to \$5,010,490.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES					
Local Sources					
Property Tax Levy	\$ 17,422,828		\$ 17,422,828	\$ 17,422,828	
Tuition	77,500		77,500	57,350	\$ (20,150)
Miscellaneous	31,500	-	31,500	56,687	25,187
Total Local Sources	<u>17,531,828</u>	<u>-</u>	<u>17,531,828</u>	<u>17,536,865</u>	<u>5,037</u>
State Sources					
Special Education Aid	571,367		571,367	571,367	
Security Aid	15,362		15,362	15,362	
Additional Adjustment Aid	368		368	368	
PARCC Readiness Aid	9,370		9,370	9,370	
Per Pupil Growth Aid	9,370		9,370	9,370	
Transportation Aid	60,665		60,665	60,665	
Extraordinary Aid	-		-	175,802	175,802
Nonpublic School Transportation Aid	-		-	11,281	11,281
On-behalf TPAF Pension Payments (Non-Budget)				618,060	618,060
On-behalf TPAF Pension Payments - NCGI Premium (Non-Budget)				30,788	30,788
On-behalf TPAF Pension Payments - Post Retirement Medical (Non-Budget)				772,598	772,598
On-behalf TPAF Social Security Payments (Non-Budget)	-	-	-	591,033	591,033
Total State Sources	<u>666,502</u>	<u>-</u>	<u>666,502</u>	<u>2,866,064</u>	<u>2,199,562</u>
Total Revenues	<u>18,198,330</u>	<u>-</u>	<u>18,198,330</u>	<u>20,402,929</u>	<u>2,204,599</u>
Instruction - Regular Programs					
Salaries of Teachers					
Kindergarten	219,570	\$ 3,790	223,360	202,561	20,799
Grades 1-5	2,380,082	(29,969)	2,350,113	2,285,788	64,325
Grades 6-8	2,114,184	(93,160)	2,021,024	2,018,405	2,619
Regular Program - Home Instruction					
Salaries of Teachers	1,000	(50)	950	950	-
Purchased Professional-Educational Services		2,497	2,497	801	1,696
Regular Programs - Undistributed Instruction					
Purchased Professional-Educational Services		105	105	105	-
Purchased Technical Services	10,000	17,945	27,945	16,983	10,962
Other Purchased Services	245,789	29,853	275,642	257,335	18,307
General Supplies	212,793	241,417	454,210	446,235	7,975
Textbooks	-	14,364	14,364	14,250	114
Other Objects	6,700	(866)	5,834	1,743	4,091
Total Regular Programs	<u>5,190,118</u>	<u>185,926</u>	<u>5,376,044</u>	<u>5,245,156</u>	<u>130,888</u>
Special Education					
Learning and Language Disabilities					
General Supplies	350	(350)	-	-	-
Total Learning and Language Disabilities	<u>350</u>	<u>(350)</u>	<u>-</u>	<u>-</u>	<u>-</u>

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Original Budget	Adjustments	Final Budget	Actual	Variance with Final Budget
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Special Education (Continued)					
Auditory Impairments					
Salaries of Teachers	\$ 64,275	\$ (64,275)	-	-	-
Other Purchased Services	150	(150)	-	-	-
General Supplies	3,000	(3,000)	-	-	-
Total Auditory Impairments	67,425	(67,425)	-	-	-
Multiple Disabilities					
Salaries of Teachers	250,355	(189,549)	\$ 60,806	\$ 60,806	-
Other Salaries for Instruction	219,699	(172,239)	47,460	47,460	-
General Supplies	700	-	700	157	\$ 543
Total Multiple Disabilities	470,754	(361,788)	108,966	108,423	543
Resource Room					
Salaries of Teachers	1,278,490	167,158	1,445,648	1,445,648	-
Other Salaries for Instruction	-	13,655	13,655	13,240	415
General Supplies	8,000	752	8,752	8,752	-
Total Resource Room	1,286,490	181,565	1,468,055	1,467,640	415
Autism					
Salaries of Teachers	67,000	(67,000)	-	-	-
Other Salaries for Instruction	29,130	(29,130)	-	-	-
General Supplies	350	-	350	205	145
Total Autism	96,480	(96,130)	350	205	145
Preschool Disabilities - Part-Time					
Salaries of Teachers	116,210	70,824	187,034	187,034	-
Other Salaries for Instruction	137,800	21,558	159,358	159,358	-
General Supplies	2,000	(1,015)	985	985	-
Other Objects	200	-	200	200	-
Total Preschool Disabilities - Part-Time	256,210	91,367	347,577	347,577	-
Total Special Education	2,177,709	(252,761)	1,924,948	1,923,845	1,103
Basic Skills/Remedial					
Salaries of Teachers	388,158	13,825	401,983	401,983	-
General Supplies	13,375	7,263	20,638	20,175	463
Total Basic Skills/Remedial	401,533	21,088	422,621	422,158	463
Bilingual Education					
Salaries of Teachers	99,670	-	99,670	99,670	-
General Supplies	950	-	950	610	340
Total Bilingual Education	100,620	-	100,620	100,280	340
School Sponsored Cocurricular Activities					
Salaries	78,777	(17,896)	60,881	50,989	9,892
Supplies and Materials	2,000	-	2,000	-	2,000
Total School Sponsored Cocurricular Activities	80,777	(17,896)	62,881	50,989	11,892

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Original Budget	Adjustments	Final Budget	Actual	Variance with Final Budget
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
School Sponsored Athletics					
Salaries	\$ 45,720	-	\$ 45,720	\$ 45,255	\$ 465
Purchased Services	7,500	\$ 2,799	10,299	10,299	-
Supplies and Materials	3,500	(800)	2,700	2,700	-
Total School Sponsored Athletics	<u>56,720</u>	<u>1,999</u>	<u>58,719</u>	<u>58,254</u>	<u>465</u>
Before & After School Programs- Instruction					
Salaries of Teachers	51,880	-	51,880	27,166	24,714
Supplies and Materials	2,700	-	2,700	1,856	844
Total Before & After School Programs	<u>54,580</u>	<u>-</u>	<u>54,580</u>	<u>29,022</u>	<u>25,558</u>
Summer School - Instruction					
Salaries of Teachers	28,351	-	28,351	25,560	2,791
Other Salaries for Instruction	25,200	180	25,380	25,380	-
Purchased Prof. & Tech. Services	60,381	(12,732)	47,649	47,649	-
General Supplies	500	(108)	392	225	167
Total Summer School	<u>114,432</u>	<u>(12,660)</u>	<u>101,772</u>	<u>98,814</u>	<u>2,958</u>
Total Instruction	<u>8,176,489</u>	<u>(74,304)</u>	<u>8,102,185</u>	<u>7,928,518</u>	<u>173,667</u>
Undistributed Expenditures					
Instruction					
Tuition to Priv. Sch. for the Disabled- Within the State	219,876	102,112	321,988	240,725	81,263
Total Undistributed Expenditures - Instruction	<u>219,876</u>	<u>102,112</u>	<u>321,988</u>	<u>240,725</u>	<u>81,263</u>
Health Services					
Salaries	201,980	5,949	207,929	207,929	-
Purchased Professional and Technical Services	9,280	25	9,305	9,305	-
Supplies and Materials	3,600	2,196	5,796	5,796	-
Other Objects	25	(25)	-	-	-
Total Health Services	<u>214,885</u>	<u>8,145</u>	<u>223,030</u>	<u>223,030</u>	<u>-</u>
Speech, OT, PT and Related Services					
Salaries	216,177	57,863	274,040	274,040	-
Purchased Professional-Educational Services	573,551	(2,103)	571,448	484,008	87,440
Supplies and Materials	7,000	8,850	15,850	12,752	3,098
Other Objects	300	(125)	175	-	175
Total OT, PT and Related Services	<u>797,028</u>	<u>64,485</u>	<u>861,513</u>	<u>770,800</u>	<u>90,713</u>
Other Supp. Serv. Students - Extra Serv.					
Salaries	332,750	146,423	479,173	455,823	23,350
Total Other Supp. Serv. Students - Extra Serv.	<u>332,750</u>	<u>146,423</u>	<u>479,173</u>	<u>455,823</u>	<u>23,350</u>
Guidance					
Salaries of Other Professional Staff	176,605	2,439	179,044	179,044	-
Total Guidance	<u>176,605</u>	<u>2,439</u>	<u>179,044</u>	<u>179,044</u>	<u>-</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Original Budget	Adjustments	Final Budget	Actual	Variance with Final Budget
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Child Study Teams					
Salaries of Other Professional Staff	\$ 352,993	\$ (13,410)	\$ 339,583	\$ 331,357	\$ 8,226
Salaries of Secretarial and Clerical Assistants	55,425	-	55,425	55,304	121
Other Salaries	19,862	1,411	21,273	21,273	-
Purchased Professional-Educational Services	18,000	(2,446)	15,554	8,300	7,254
Other Purchased Services	2,300	(2,300)	-	-	-
Miscellaneous Purchased Services	-	2,450	2,450	2,073	377
Supplies and Materials	3,600	500	4,100	3,647	453
Other Objects	500	620	1,120	1,120	-
Total Child Study Teams	452,680	(13,175)	439,505	423,074	16,431
Improv. of Inst. Serv.					
Salaries of Other Professional Staff	-	103,556	103,556	103,532	24
Other Purchased Services	-	1,098	1,098	1,098	-
Supplies and Materials	-	99	99	99	-
Other Objects	-	820	820	820	-
Total Improv. of Inst. Serv.	-	105,573	105,573	105,549	24
Educational Media Services/School Library					
Salaries	141,330	4,796	146,126	146,126	-
Salaries of Technology Coordinators	60,188	294	60,482	60,482	-
Purchased Professional and Technical Services	131,700	440	132,140	132,140	-
Other Purchased Services	500	-	500	-	500
Supplies and Materials	13,625	1,201	14,826	14,338	488
Other Objects	1,800	(4)	1,796	1,734	62
Total Educational Media Serv./School Library	349,143	6,727	355,870	354,820	1,050
Instructional Staff Training Services					
Salaries of Other Professional Staff	85,000	(85,000)	-	-	-
Purchased Professional-Educational Services	20,000	1,641	21,641	21,641	-
Other Purchased Services	94,070	2,508	96,578	86,149	10,429
Total Instructional Staff Training Services	199,070	(80,851)	118,219	107,790	10,429
Support Services General Administration					
Salaries	241,111	-	241,111	236,942	4,169
Legal Services	35,000	-	35,000	28,462	6,538
Audit Fees	30,050	30,802	60,852	30,352	30,500
Architectural/Engineering Services	-	9,250	9,250	5,000	4,250
Other Purchased Professional Services	11,295	10,452	21,747	20,687	1,060
Communications/Telephone	54,500	28,219	82,719	70,507	12,212
Purchased Technical Services	9,725	-	9,725	9,078	647
BOE Other Purchased Services	1,250	-	1,250	471	779
Miscellaneous Purchased Services	46,252	2,691	48,943	43,010	5,933
General Supplies	10,100	90	10,190	7,290	2,900
Miscellaneous Expenditures	7,075	-	7,075	4,832	2,243
BOE Membership Dues and Fees	9,800	(90)	9,710	9,287	423
Total Support Services General Administration	456,158	81,414	537,572	465,918	71,654
Support Services School Administration					
Salaries of Principal/Asst. Principals	520,151	17,218	537,369	537,191	178
Salaries Other Prof. Staff	136,102	-	136,102	122,500	13,602
Salaries of Secretarial and Clerical Assistants	280,697	1,235	281,932	280,482	1,450
Unused Vacation Payment to Terminated/Retired Staff	-	4,834	4,834	4,834	-
Other Purchased Services	4,700	87	4,787	4,256	531
Supplies and Materials	4,200	444	4,644	2,465	2,179
Other Objects	7,650	(920)	6,730	5,286	1,444
Total Support Services School Administration	953,500	22,898	976,398	957,014	19,384

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Original Budget	Adjustments	Final Budget	Actual	Variance with Final Budget
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Central Services					
Salaries	\$ 259,905	\$ 501	\$ 260,406	\$ 260,406	-
Purchased Technical Services	21,336	1,439	22,775	22,775	-
Miscellaneous Purchased Services	5,500	(435)	5,065	4,032	\$ 1,033
Supplies and Materials	6,700	1,310	8,010	5,941	2,069
Other Objects	1,790	-	1,790	1,759	31
Total Central Services	295,231	2,815	298,046	294,913	3,133
Admin. Info. Tech.					
Purchased Technical Services	20,300	-	20,300	20,300	-
Supplies and Materials	3,500	(1,579)	1,921	1,781	140
Total Admin. Info. Tech.	23,800	(1,579)	22,221	22,081	140
Required Maintenance for School Facilities					
Salaries	253,120	(188)	252,932	222,424	30,508
Unused Vacation Payment to Terminated/Retired Staff		188	188	188	-
Cleaning, Repair and Maintenance	255,275	13,020	268,295	226,772	41,523
General Supplies	37,912	(7,626)	30,286	28,073	2,213
Other Objects	2,300	1,896	4,196	4,196	-
Total Required Maintenance for School Fac.	548,607	7,290	555,897	481,653	74,244
Custodial Services					
Salaries	525,291	922	526,213	516,318	9,895
Salaries for Non-Instructional Aides	103,724	101	103,825	102,404	1,421
Unused Vacation Payment to Terminated/Retired Staff		4,387	4,387	4,387	-
Purchased Prof. And Technical Serv.	3,975	-	3,975	2,929	1,046
Cleaning, Repair and Maint. Serv.	22,600	(4,373)	18,227	17,775	452
Insurance	79,303	(10,755)	68,548	68,548	-
General Supplies	40,000	(4,019)	35,981	34,146	1,835
Energy (Gasoline)	5,000	861	5,861	1,274	4,587
Other Objects	1,860	-	1,860	1,513	347
Energy (Electricity)	180,000	8	180,008	156,826	23,182
Energy (Natural Gas)	115,000	112	115,112	59,484	55,628
Total Custodial Services	1,076,753	(12,756)	1,063,997	965,604	98,393
Care and Upkeep of Grounds					
Clean, Repair and Maintenance Serv.	2,000	-	2,000	200	1,800
General Supplies	5,000	-	5,000	1,930	3,070
Total Care and Upkeep of Grounds	7,000	-	7,000	2,130	4,870
Security					
Purchased Professional and Technical Service	-	8,800	8,800	-	8,800
Total Security	-	8,800	8,800	-	8,800
Student Transportation Services					
Salaries - Pupil Transportation (Between Home & School) - Regular	198,967	-	198,967	179,227	19,740
Cleaning, Repair & Maint. Svc.	6,500	1,091	7,591	7,591	-
Contracted Services - Aid in Lieu of Payments - Non-Public Schools	61,404	(1,286)	60,118	54,935	5,183
Contracted Services- (Between Home and School - Joint Agreements)	606,600	-	606,600	606,568	32
Contracted Services (Other than Bet Home and School - Vendors)	27,000	1,286	28,286	28,286	-
Contracted Service (Spl. Ed.) - ESCs & CTSA's	239,025	(4,143)	234,882	216,684	18,198
Misc. Purchased Svc. - Transportation	1,600	-	1,600	1,260	340
Supplies and Materials	6,492	223	6,715	2,595	4,120
Other Objects	300	-	300	126	174
Total Student Transportation Services	1,147,888	(2,829)	1,145,059	1,097,272	47,787

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Original Budget	Adjustments	Final Budget	Actual	Variance with Final Budget
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Unallocated Benefits - Employee Benefits					
Social Security Contributions	\$ 233,000	\$ 2,987	\$ 235,987	\$ 235,987	-
Other Retirement Contributions - PERS/DCRP	241,162	(19,758)	221,404	220,761	\$ 643
Unemployment Compensation	-	50,000	50,000	50,000	-
Workmen's Compensation	100,100	-	100,100	96,652	3,448
Health Benefits	2,523,207	(160,048)	2,363,159	2,220,187	142,972
Tuition Reimbursement	40,000	6,498	46,498	46,498	-
Other Employee Benefits	83,700	-	83,700	75,738	7,962
Unused Sick Payment to Terminated/Retired Staff	27,000	21,047	48,047	48,047	-
Total Unallocated Benefits - Employee Benefits	3,248,169	(99,274)	3,148,895	2,993,870	155,025
On-behalf TPAF Pension Payments (Non-Budget)				618,060	(618,060)
On-behalf TPAF Pension Payments - NCGI Premium (Non-Budget)				30,788	(30,788)
On-behalf TPAF Pension Payments - Post Retirement Medical (Non-Budget)				772,598	(772,598)
On-behalf TPAF Social Security Payments (Non-Budget)	-	-	-	591,033	(591,033)
Total Undistributed Expenditures	10,499,143	348,657	10,847,800	12,153,589	(1,305,789)
Total Expenditures - Current Expenditures	18,675,632	274,353	18,949,985	20,082,107	(1,132,122)
CAPITAL OUTLAY					
Equipment					
Multiple Disabilities	6,000	(3,690)	2,310	2,310	-
Undistributed Expenditures:					
Support Serv. - Students - Reg.	-	2,978	2,978	2,978	-
Central Services	2,500	-	2,500	-	2,500
Child Study Teams	-	4,636	4,636	4,636	-
Required Maintenance for School Facilities	-	5,300	5,300	5,300	-
Total Equipment	8,500	9,224	17,724	15,224	2,500
Facilities Acquisition and Construction Services					
Construction Services	232,000	12,801	244,801	43,736	201,065
Assessment for Debt Service on SDA Funding	39,454	-	39,454	39,454	-
Total Facilities Acquisition and Construction Services	271,454	12,801	284,255	83,190	201,065
Total Capital Outlay	279,954	22,025	301,979	98,414	203,565

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Original Budget	Adjustments	Final Budget	Actual	Variance with Final Budget
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Total Expenditures	\$ 18,955,586	\$ 296,378	\$ 19,251,964	\$ 20,180,521	\$ (928,557)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(757,256)	(296,378)	(1,053,634)	222,408	1,276,042
Other Financing Sources/(Uses)					
Lease Purchase Agreements		212,220	212,220	212,220	
Transfer Out	-	(395,480)	(395,480)	(395,480)	-
Total Other Financing Sources/(Uses)	-	(183,260)	(183,260)	(183,260)	-
Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Sources	(757,256)	(479,638)	(1,236,894)	39,148	1,276,042
Fund Balance, Beginning of Year	2,908,609	-	2,908,609	2,908,609	-
Fund Balance, End of Year	\$ 2,151,353	\$ (479,638)	\$ 1,671,715	\$ 2,947,757	\$ 1,276,042
Recapitulation of Fund Balance					
Restricted Fund Balance:					
Excess Surplus				\$ 145,010	
Excess Surplus - Designated for Subsequent Year's Expenditures				161,923	
Maintenance Reserve				120,542	
Maintenance Reserve- Designated for Subsequent Year's Expenditures				139,608	
Capital Reserve				852,968	
Capital Reserve- Designated for Subsequent Year's Expenditures				919,500	
Assigned Fund Balance:					
Year-End Encumbrances				54,097	
Unassigned Fund Balance:					
				554,109	
Budgetary Fund Balance				2,947,757	
Reconciliation to Governmental Fund Statements (GAAP)					
2015/2016 State Aid Payment Not Recognized on a GAAP Basis				62,712	
2015/2016 Extraordinary Aid Not Recognized on GAAP Basis				175,802	
Fund Balance per Governmental Funds (GAAP Basis)				\$ 2,709,243	

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
BUDGET (NON-GAAP) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES					
Intergovernmental					
Local		\$ 41,845	\$ 41,845	\$ 24,700	\$ 17,145
State	\$ 53,033	6,023	59,056	41,691	17,365
Federal	237,508	167,481	404,989	311,940	93,049
Total Revenues	290,541	215,349	505,890	378,331	127,559
EXPENDITURES					
Instruction					
Salaries		47,910	47,910	17,325	30,585
Tuition	196,389	38,740	235,129	235,129	-
General Supplies	3,110	56,899	60,009	31,135	28,874
Textbooks	5,791	(252)	5,539	5,435	104
Total Instruction	205,290	143,297	348,587	289,024	59,563
Support Services					
Purchased Professional/Educational Services	11,680	2,277	13,957	13,957	-
Purchased Professional and Technical Services	38,659	5,575	44,234	26,281	17,953
Other Purchased Services	34,912	50,062	84,974	45,058	39,916
Benefits		3,231	3,231	1,325	1,906
Other Objects		50	50	50	-
Supplies and Materials	-	3,796	3,796	2,636	1,160
Total Support Services	85,251	64,991	150,242	89,307	60,935
Facilities Acquisition and Construction Services					
Construction Services		4,636	4,636	-	4,636
Instructional Equipment	-	2,425	2,425	-	2,425
Total Facilities Acquisition and Construction	-	7,061	7,061	-	7,061
Total Expenditures	290,541	215,349	505,890	378,331	127,559
Excess (Deficiency) of Revenues Over/(Under) Expenditures	-	-	-	-	-
Fund Balances, Beginning of Year	-	-	-	-	-
Fund Balances, End of Year	\$ -	\$ -	\$ -	\$ -	\$ -

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART II

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

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

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	(C-1) \$ 20,402,929	(C-2) \$ 378,331
Difference - Budget to GAAP:		
State Aid payment and Extraordinary Aid recognized for GAAP purposes, not recognized for Budgetary statements (2014/2015 State Aid)	286,244	
State Aid payment and Extraordinary Aid recognized for Budgetary purposes, not recognized for GAAP statements (2015/2016 State Aid)	<u>(238,514)</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	(B-2) <u>\$ 20,450,659</u>	(B-2) <u>\$ 378,331</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	(C-1) \$ 20,180,521	(C-2) \$ 378,331
Differences - Budget to GAAP		
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	(B-2) <u>\$ 20,180,521</u>	(B-2) <u>\$ 378,331</u>

SCHOOL LEVEL SCHEDULES

(General Fund)

NOT APPLICABLE

REQUIRED SUPPLEMENTARY INFORMATION - PART III

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

Public Employees Retirement System

Last Three Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.02291 %	0.02336 %	0.02287 %
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 5,141,255	\$ 4,374,279	\$ 4,370,892
District's Covered-Employee Payroll	\$ 1,620,572	\$ 1,600,512	\$ 1,640,479
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	317.25 %	273.30 %	266.44 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	52.08%	48.72%

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

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

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

Public Employees Retirement System

Last Three Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 196,604	\$ 192,605	\$ 173,968
Contributions in Relation to the Contractually Required Contribution	<u>196,604</u>	<u>192,605</u>	<u>173,968</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 1,620,572	\$ 1,600,512	\$ 1,640,479
Contributions as a Percentage of Covered-Employee Payroll	12.132 %	12.034 %	10.605 %

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

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

Teachers Pension and Annuity Fund

Last Three Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0 %	0 %	0 %
District's Proportionate Share of the Net Pension Liability (Asset)	0 %	0 %	0 %
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>\$ 51,752,796</u>	<u>\$ 45,634,900</u>	<u>\$ 41,792,527</u>
Total	<u>\$ 51,752,796</u>	<u>\$ 45,634,900</u>	<u>\$ 41,792,527</u>
District's Covered-Employee Payroll	\$ 8,210,419	\$ 7,961,442	\$ 8,013,750
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	0 %	0 %	0 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	28.71%	33.64%	33.76%

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

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

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND SCHEDULE OF DISTRICT CONTRIBUTIONS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Change of Benefit Terms: None.

Change of Assumptions: Assumptions used in calculating the net pension liability and statutorily required employer contribution are presented in Note 4.

SPECIAL REVENUE FUND

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Total Page 2</u>	<u>NCLB</u>		<u>I.D.E.I.A. Part B Basic</u>	<u>I.D.E.I.A. Part B Basic Carryover</u>	<u>I.D.E.I.A. Preschool</u>	<u>Local</u>	<u>Grand Total</u>
		<u>Title I</u>	<u>Title IIA</u>					
REVENUES								
Intergovernmental								
Local							\$ 24,700	\$ 24,700
State	\$ 41,691							41,691
Federal	-	\$ 30,550	\$ 16,426	\$ 246,047	\$ 4,960	\$ 13,957	-	311,940
Total Revenues	<u>\$ 41,691</u>	<u>\$ 30,550</u>	<u>\$ 16,426</u>	<u>\$ 246,047</u>	<u>\$ 4,960</u>	<u>\$ 13,957</u>	<u>\$ 24,700</u>	<u>\$ 378,331</u>
EXPENDITURES								
Instruction								
Salaries		\$ 17,325						\$ 17,325
Tuition				\$ 235,129				235,129
Supplies and Materials	\$ 2,522	3,913					\$ 24,700	31,135
Textbooks	5,435	-	-	-	-	-	-	5,435
Total Instruction	<u>7,957</u>	<u>21,238</u>	<u>-</u>	<u>235,129</u>	<u>-</u>	<u>-</u>	<u>24,700</u>	<u>289,024</u>
Support Services								
Purchased Professional Educational Services						\$ 13,957		13,957
Purchased Professional and Technical Services	8,730	\$ 1,673		10,918	\$ 4,960			26,281
Other Purchased Services	25,004	6,264	\$ 13,790				-	45,058
Benefits		1,325						1,325
Other Objects		50						50
Supplies and Materials	-	-	2,636	-	-	-	-	2,636
Total Support Services	<u>33,734</u>	<u>9,312</u>	<u>16,426</u>	<u>10,918</u>	<u>4,960</u>	<u>13,957</u>	<u>-</u>	<u>89,307</u>
Facilities Acquisition and Construction								
Construction Services							-	-
Instructional Equipment	-	-	-	-	-	-	-	-
Total Facilities Acquisition and Construction	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 41,691</u>	<u>\$ 30,550</u>	<u>\$ 16,426</u>	<u>\$ 246,047</u>	<u>\$ 4,960</u>	<u>\$ 13,957</u>	<u>\$ 24,700</u>	<u>\$ 378,331</u>

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Non-Public Chapter 192/193								Page Total	
	Nonpublic Textbooks	Nonpublic Nursing	Nonpublic Technology	Compensatory Education	Home Instruction	Corrective Speech	Examination & Classification	Supplemental Instruction		
REVENUES										
Intergovernmental										
Local										
State	\$ 5,435	\$ 8,730	\$ 2,522	\$ 3,215	\$ 1,696	\$ 5,852	\$ 9,712	\$ 4,529	\$	41,691
Federal	-	-	-	-	-	-	-	-	-	-
Total Revenues	<u>\$ 5,435</u>	<u>\$ 8,730</u>	<u>\$ 2,522</u>	<u>\$ 3,215</u>	<u>\$ 1,696</u>	<u>\$ 5,852</u>	<u>\$ 9,712</u>	<u>\$ 4,529</u>		<u>\$ 41,691</u>
EXPENDITURES										
Instruction										
Purchased Professional and Technical Services										
General Supplies			\$ 2,522							\$ 2,522
Textbooks	\$ 5,435	-	-	-	-	-	-	-	-	5,435
Total Instruction	<u>5,435</u>	<u>-</u>	<u>2,522</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>7,957</u>
Support Services										
Purchased Professional and Technical Services		\$ 8,730								8,730
Other Purchased Services				\$ 3,215	\$ 1,696	\$ 5,852	\$ 9,712	\$ 4,529		25,004
Supplies and Materials	-	-	-	-	-	-	-	-	-	-
Total Support Services	<u>-</u>	<u>8,730</u>	<u>-</u>	<u>3,215</u>	<u>1,696</u>	<u>5,852</u>	<u>9,712</u>	<u>4,529</u>		<u>33,734</u>
Facilities Acquisition and Construction										
Instructional Equipment	-	-	-	-	-	-	-	-	-	-
Total Facilities Acquisition and Construction	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>
Total Expenditures	<u>\$ 5,435</u>	<u>\$ 8,730</u>	<u>\$ 2,522</u>	<u>\$ 3,215</u>	<u>\$ 1,696</u>	<u>\$ 5,852</u>	<u>\$ 9,712</u>	<u>\$ 4,529</u>		<u>\$ 41,691</u>

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SPECIAL REVENUE FUND
SCHEDULE OF PRESCHOOL EDUCATION AID EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOT APPLICABLE

CAPITAL PROJECTS FUND

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>Project</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance, June 30, 2016</u>
		<u>Prior Periods</u>	<u>Current Year</u>	
Interior Improvements to the Frank J Smith Elementary School	\$ 949,980		\$ 47,830	\$ 902,150
Energy Savings Incentive Program	* <u>2,021,624</u>	<u>-</u>	<u>594,727</u>	<u>1,426,897</u>
	<u>\$ 2,971,604</u>	<u>\$ -</u>	<u>\$ 642,557</u>	<u>\$ 2,329,047</u>
Project Balance				\$ 2,329,047
Less: Unrealized Revenue for Capital Reserve Funds Budgeted in 2016-17				<u>(879,500)</u>
Fund Balance - GAAP, June 30, 2016				<u>\$ 1,449,547</u>
<u>Reconciliation to GAAP</u>				
Restricted for Capital Projects:				
Reserve for Encumbrances				\$ 1,369,390
Available for Capital Projects				<u>80,157</u>
Total Fund Balance - Restricted for Capital Projects				<u>\$ 1,449,547</u>

*- Modified for Interest Earnings

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Revenues and Other Financing**Sources**

Transfer In from Capital Reserve	\$ 395,480
Lease Proceeds	1,696,601
Interest Earnings	<u>23</u>
Total Revenues	<u>2,092,104</u>

Expenditures and Other**Financing Uses**

Other Purchased and Technical Services	105,112
Construction Services	533,465
Other Objects	<u>3,980</u>
Total Expenditures	<u>642,557</u>

Excess (Deficit) of Revenues over (under) Expenditures	1,449,547
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Fund Balance- Beginning	<u>-</u>
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Fund Balance- Ending	<u><u>\$ 1,449,547</u></u>
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**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
INTERIOR IMPROVEMENTS AT THE FRANK J SMITH ELEMENTARY SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Transfer from Capital Reserve	-	\$ 70,480	\$ 70,480	\$ 949,980
 Total Revenues and Other Financing Sources	-	70,480	70,480	949,980
 Expenditures and Other Financing Uses				
Construction Services				879,500
Purchased Professional Services		43,850	43,850	66,500
Other Objects	-	3,980	3,980	3,980
 Total Expenditures and Other Financing Uses	-	47,830	47,830	949,980
 Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ -	\$ 22,650	\$ 22,650	\$ -

Additional Project Information:

Project Number	Not Applicable
Grant Date	Not Applicable
Bond Authorization Date	Not Applicable
Bonds Authorized	Not Applicable
Bonds Issued	Not Applicable
Original Authorized Cost	\$ 949,980
Additional Authorized Cost	-
Revised Authorized Cost	\$ 949,980

Percentage Increase(Decrease) Over Original

Authorized Cost	0.00%
Percentage Completion	0%
Original Target Completion Date	Aug-16
Revised Target Completion Date	Aug-16

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
ENERGY SAVINGS INCENTIVE PROGRAM
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Lease Proceeds		\$ 1,696,601	\$ 1,696,601	\$ 1,696,601
Interest Earnings on Lease		23	23	23
Transfer from Capital Reserve	-	325,000	325,000	325,000
	-	2,021,624	2,021,624	2,021,624
Expenditures and Other Financing Uses				
Construction Services		533,465	533,465	1,858,350
Purchased Professional Services	-	61,262	61,262	163,274
Equipment	-	-	-	-
	-	594,727	594,727	2,021,624
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ -	\$ 1,426,897	\$ 1,426,897	\$ -

Additional Project Information:

Project Number	Not Applicable
Grant Date	Not Applicable
Bond Authorization Date	Not Applicable
Bonds Authorized	Not Applicable
Bonds Issued	Not Applicable
Original Authorized Cost	\$ 2,021,601
Additional Authorized Cost	\$ 23
Revised Authorized Cost	\$ 2,021,624
Percentage Increase(Decrease) Over Original	
Authorized Cost	0.00%
Percentage Completion	30%
Original Target Completion Date	12/31/16
Revised Target Completion Date	12/31/16

ENTERPRISE FUND

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
PROPRIETARY FUNDS
COMBINING STATEMENTS OF NET POSITION
AS OF JUNE 30, 2016**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

**COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

**COMBINING STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

FIDUCIARY FUNDS

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AS OF JUNE 30, 2016**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 36,470	\$ 19,999	\$ 56,469
Total Assets	<u>\$ 36,470</u>	<u>\$ 19,999</u>	<u>\$ 56,469</u>
LIABILITIES			
Due to Student Groups	\$ 36,470		\$ 36,470
Accrued Salaries and Wages		\$ 2,908	2,908
Flexible Spending		2,282	2,282
Payroll Deductions and Withholdings	-	14,809	14,809
Total Liabilities	<u>\$ 36,470</u>	<u>\$ 19,999</u>	<u>\$ 56,469</u>

**FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

**EAST HANOER TOWNSHIP BOARD OF EDUCATION
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Balance, July 1, 2015</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2016</u>
<u>Elementary Schools:</u>				
Frank J. Smith	\$ 9,466	\$ 7,440	\$ 7,714	\$ 9,192
Central School	7,643	21,777	20,653	8,767
Middle School/Athletics	<u>22,631</u>	<u>140,423</u>	<u>144,543</u>	<u>18,511</u>
 Total All Schools	 <u>\$ 39,740</u>	 <u>\$ 169,640</u>	 <u>\$ 172,910</u>	 <u>\$ 36,470</u>

**PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Balance, July 1, 2015</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2016</u>
Payroll Deductions and Withholdings	\$ 14,229	\$ 5,555,349	\$ 5,554,769	\$ 14,809
Accrued Salaries and Wages	2,908	7,323,836	7,323,836	2,908
Flexible Spending	<u>1,948</u>	<u>6,930</u>	<u>6,596</u>	<u>2,282</u>
 Total	 <u>\$ 19,085</u>	 <u>\$ 12,886,115</u>	 <u>\$ 12,885,201</u>	 <u>\$ 19,999</u>

LONG-TERM DEBT

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance, July 1, 2015</u>	<u>Matured</u>	<u>Balance, June 30, 2016</u>
			<u>Date</u>	<u>Amount</u>				
Refunding Bonds	1/15/2012	\$ 6,355,000	1/15/2017	\$ 520,000	2.00%			
			1/15/2018	540,000	2.25%			
			1/15/2019	560,000	2.38%			
			1/15/2020	570,000	2.63%			
			1/15/2021	575,000	3.00%			
			1/15/2022	565,000	3.00%			
			1/15/2023	555,000	3.00%	\$ 4,390,000	\$ 505,000	\$ 3,885,000
					<u>\$ 4,390,000</u>	<u>\$ 505,000</u>	<u>\$ 3,885,000</u>	

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
LONG-TERM DEBT
STATEMENT OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>Purpose</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Balance, June 30, 2015</u>	<u>Issued</u>	<u>Matured</u>	<u>Balance, June 30, 2016</u>
<u>Capital Leases</u>						
Energy Savings Incentive Program	\$ 1,696,601	2.653%	-	\$ 1,696,601	-	\$ 1,696,601
<u>Lease Purchase Agreements</u>						
Computers	\$ 52,662	2.00%	\$ 26,413		\$ 13,076	13,337
Computers	\$ 63,888	2.36%	47,632		15,508	32,124
Chrome Books	\$ 130,444	0.00%		130,444	33,091	97,353
Computers	\$ 81,776	2.28%	-	81,776	20,787	60,989
Total Lease Purchase Agreements			<u>74,045</u>	<u>212,220</u>	<u>82,462</u>	<u>203,803</u>
			<u>\$ 74,045</u>	<u>\$ 1,908,821</u>	<u>\$ 82,462</u>	<u>\$ 1,900,404</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES					
Local Sources					
Local Property Tax Levy	\$ 616,763	-	\$ 616,763	\$ 616,762	-
Total Revenues	<u>616,763</u>	<u>-</u>	<u>616,763</u>	<u>616,762</u>	<u>-</u>
EXPENDITURES					
Regular Debt Service					
Interest	111,763	-	111,763	111,762	\$ 1
Principal	<u>505,000</u>	<u>-</u>	<u>505,000</u>	<u>505,000</u>	<u>-</u>
Total Expenditures	<u>616,763</u>	<u>-</u>	<u>616,763</u>	<u>616,762</u>	<u>1</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
Fund Balance, Beginning of Year	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ -</u>
				<u>\$ 1</u>	
				Restricted Fund Balance Designated for Subsequent Year's Expenditures	

STATISTICAL SECTION

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

Contents

Exhibits

Financial Trends

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

J-1 to J-5

Revenue Capacity

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

J-6 to J-9

Debt Capacity

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

J-10 to J-13

Demographic and Economic Information

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

J-14 and J-15

Operating Information

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

J-16 to J-20

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

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

	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012 (1)	2013	2014 (2)	2015	2016
	(Restated)							(Restated)	(Restated)	
Governmental Activities										
Net Investment in Capital Assets	\$ 6,588,286	\$ 6,893,035	\$ 7,088,183	\$ 7,448,345	\$ 8,428,587	\$ 9,018,662	\$ 9,123,389	\$ 7,191,639	\$ 7,241,344	\$ 7,493,042
Restricted	261,133	263,053	263,799	414,508	314,012	1,021,031	1,478,155	1,385,630	1,891,884	3,582,166
Unrestricted	<u>(275,424)</u>	<u>(344,397)</u>	<u>(263,667)</u>	<u>67,848</u>	<u>734,700</u>	<u>698,939</u>	<u>812,138</u>	<u>(3,328,191)</u>	<u>(4,122,738)</u>	<u>(5,958,124)</u>
Total Governmental Activities Net Position	<u>\$ 6,573,995</u>	<u>\$ 6,811,691</u>	<u>\$ 7,088,315</u>	<u>\$ 7,930,701</u>	<u>\$ 9,477,299</u>	<u>\$ 10,738,632</u>	<u>\$ 11,413,682</u>	<u>\$ 5,249,078</u>	<u>\$ 5,010,490</u>	<u>\$ 5,117,084</u>
Business-Type Activities										
Net Investment in Capital Assets					\$ 8,093	\$ 8,607	\$ 16,556	\$ 11,717	\$ 11,062	\$ 10,429
Unrestricted	<u>\$ 6,372</u>	<u>\$ 13,599</u>	<u>\$ 18,910</u>	<u>\$ 27,637</u>	<u>235,877</u>	<u>446,252</u>	<u>642,973</u>	<u>252,571</u>	<u>288,652</u>	<u>269,349</u>
Total Business-Type Activities Net Position	<u>\$ 6,372</u>	<u>\$ 13,599</u>	<u>\$ 18,910</u>	<u>\$ 27,637</u>	<u>\$ 243,970</u>	<u>\$ 454,859</u>	<u>\$ 659,529</u>	<u>\$ 264,288</u>	<u>\$ 299,714</u>	<u>\$ 279,778</u>
District-Wide										
Net Investment in Capital Assets	\$ 6,588,286	6,893,035	7,088,183	7,448,345	8,436,680	9,027,269	9,139,945	7,203,356	7,252,406	7,503,471
Restricted	261,133	263,053	263,799	414,508	314,012	1,021,031	1,478,155	1,385,630	1,891,884	3,582,166
Unrestricted	<u>(269,052)</u>	<u>(330,798)</u>	<u>(244,757)</u>	<u>95,485</u>	<u>970,577</u>	<u>1,145,191</u>	<u>1,455,111</u>	<u>(3,075,620)</u>	<u>(3,834,086)</u>	<u>(5,688,775)</u>
Total District Net Position	<u>\$ 6,580,367</u>	<u>\$ 6,825,290</u>	<u>\$ 7,107,225</u>	<u>\$ 7,958,338</u>	<u>\$ 9,721,269</u>	<u>\$ 11,193,491</u>	<u>\$ 12,073,211</u>	<u>\$ 5,513,366</u>	<u>\$ 5,310,204</u>	<u>\$ 5,396,862</u>

Source: District's Financial Records

Note 1 - Net Position at June 30, 2011 is restated to reflect the implementation of GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" and GASB Statement "Items Previously Reported in Assets and Liabilities".

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

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

	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 7,316,648	\$ 7,375,642	\$ 7,242,000	\$ 7,335,791	\$ 7,273,332	\$ 7,300,500	\$ 7,627,472	\$ 7,433,337	\$ 8,936,445	\$ 8,707,360
Special Education	3,900,588	4,114,560	3,921,340	4,105,242	3,971,192	3,994,843	4,166,051	3,695,472	4,235,965	3,895,131
Other Instruction	482,462	501,997	515,643	535,460	689,777	659,204	521,872	727,235	869,224	983,484
School Sponsored Activities and Athletics	135,753	138,141	156,545	153,907	165,258	143,543	220,893	162,914	334,569	332,910
Support Services:										
Student & Instruction Related Services	1,992,862	2,123,891	2,183,912	2,164,484	1,988,873	2,065,190	2,281,958	2,617,070	3,259,064	4,141,148
General Administration	1,049,983	1,033,427	739,616	600,557	459,408	450,156	568,071	483,623	614,681	649,908
School Administrative Services	508,755	584,160	1,046,552	1,216,253	1,111,225	1,240,938	1,319,443	1,337,113	1,644,589	1,691,757
Plant Operations And Maintenance	1,456,878	1,488,315	1,601,921	1,648,716	1,529,296	1,600,416	1,465,983	1,744,199	1,696,158	1,726,163
Pupil Transportation	977,532	974,757	1,042,949	1,022,589	1,039,319	1,031,678	1,127,879	1,070,623	1,139,088	1,156,246
Central Services	507,052	588,070	584,705	454,181	438,247	394,801	354,931	348,388	422,750	402,680
Interest and Other Charges	325,677	367,679	300,734	302,318	198,129	224,477	195,977	181,256	171,960	167,715
Total Governmental Activities Expenses	18,654,190	19,290,639	19,335,917	19,539,498	18,864,056	19,105,746	19,850,530	19,801,230	23,324,493	23,854,502
Business-Type Activities:										
Food Service	14,606	15,205	15,979	10,794	11,556	21,371	14,436	17,690	17,816	15,863
Summer Program	-	2,363	1,200	-	260,035	338,674	429,154	489,527	609,313	751,655
Total Business-Type Activities Expense	14,606	17,568	17,179	10,794	271,591	360,045	443,590	507,217	627,129	767,518
Total District Expenses	\$ 18,668,796	\$ 19,308,207	\$ 19,353,096	\$ 19,550,292	\$ 19,135,647	\$ 19,465,791	\$ 20,294,120	\$ 20,308,447	\$ 23,951,622	\$ 24,622,020
Program Revenues										
Governmental Activities:										
Charges For Services					\$ 41,573	\$ 60,449	\$ 55,710	\$ 104,344	\$ 85,255	\$ 57,350
Operating Grants And Contributions	\$ 3,283,268	\$ 3,341,698	\$ 2,522,100	\$ 3,022,004	2,306,293	2,743,373	3,101,787	2,869,549	5,076,324	5,784,143
Capital Grants And Contributions	-	-	-	-	153,710	27,269	13,020	4,284	82,600	4,195
Total Governmental Activities Program Revenues	3,283,268	3,341,698	2,522,100	3,022,004	2,501,576	2,831,091	3,170,517	2,978,177	5,244,179	5,845,688
Business-Type Activities:										
Charges For Services										
Food Service	\$ 14,126	\$ 15,044	\$ 17,258	\$ 15,612	\$ 15,160	\$ 13,817	\$ 12,911	\$ 11,321	\$ 10,610	\$ 10,427
After School Child Care Program		5,145			469,593	557,055	622,549	577,605	706,399	737,155
Operating Grants And Contributions	4,888	4,515	5,210	3,845	2,976	-	-	-	-	-
Total Business Type Activities Program Revenues	19,014	24,704	22,468	19,457	487,729	570,872	635,460	588,926	717,009	747,582
Total District Program Revenues	\$ 3,302,282	\$ 3,366,402	\$ 2,544,568	\$ 3,041,461	\$ 2,989,305	\$ 3,401,963	\$ 3,805,977	\$ 3,567,103	\$ 5,961,188	\$ 6,593,270

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

	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net (Expense)/Revenue										
Governmental Activities	\$ (15,370,922)	\$ (15,948,941)	\$ (16,813,817)	\$ (16,517,494)	\$ (16,362,480)	\$ (16,274,655)	\$ (16,680,013)	\$ (16,823,053)	\$ (18,080,314)	\$ (18,008,814)
Business-Type Activities	4,408	7,136	5,289	8,663	216,138	210,827	191,870	81,709	89,880	(19,936)
Total District-Wide Net Expense	\$ (15,366,514)	\$ (15,941,805)	\$ (16,808,528)	\$ (16,508,831)	\$ (16,146,342)	\$ (16,063,828)	\$ (16,488,143)	\$ (16,741,344)	\$ (17,990,434)	\$ (18,028,750)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied For General Purposes, Net	\$ 14,218,199	\$ 15,228,543	\$ 15,837,685	\$ 16,431,592	\$ 17,013,656	\$ 16,670,904	\$ 16,523,260	\$ 16,762,710	\$ 17,089,582	\$ 17,422,828
Taxes Levied For Debt Service	649,486	652,276	840,054	846,839	865,413	796,570	856,272	516,463	516,191	616,762
Unrestricted Grants And Contributions	155,557	188,951	133,679	21,922				368	17,854	19,108
Miscellaneous Income	308,478	116,867	279,023	59,527	30,009	68,514	55,707	118,077	237,690	56,710
Gain on Disposal of Capital Assets								(3,540)	-	-
Transfers	42	-	-	-	-	-	-	476,950	54,454	-
Total Governmental Activities	15,331,762	16,186,637	17,090,441	17,359,880	17,909,078	17,535,988	17,435,239	17,871,028	17,915,771	18,115,408
Business-Type Activities:										
Miscellaneous Income	88	91	22	64	195	62	12	-	-	-
Transfers	(42)	-	-	-	-	-	-	(476,950)	(54,454)	-
Total Business-Type Activities	46	91	22	64	195	62	12	(476,950)	(54,454)	-
Total District-Wide	\$ 15,331,808	\$ 16,186,728	\$ 17,090,463	\$ 17,359,944	\$ 17,909,273	\$ 17,536,050	\$ 17,435,251	\$ 17,394,078	\$ 17,861,317	\$ 18,115,408
Change in Net Position										
Governmental Activities	\$ (39,160)	\$ 237,696	\$ 276,624	\$ 842,386	\$ 1,546,598	\$ 1,261,333	\$ 755,226	\$ 1,047,975	\$ (164,543)	\$ 106,594
Business-Type Activities	4,454	7,227	5,311	8,727	216,333	210,889	191,882	(395,241)	35,426	(19,936)
Total District	\$ (34,706)	\$ 244,923	\$ 281,935	\$ 851,113	\$ 1,762,931	\$ 1,472,222	\$ 947,108	\$ 652,734	\$ (129,117)	\$ 86,658

Source: District's Financial Records

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

	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 378,277	\$ 520,308	\$ 633,271	\$ 916,417						
Unreserved	261,092	127,910	26,697	36,064						
Restricted					\$ 780,137	\$ 1,247,812	\$ 1,879,339	\$ 1,850,831	\$ 2,366,212	\$ 2,339,551
Assigned					201,326	511,038	62,316	638,725	78,522	54,097
Unassigned	-	-	-	-	358,870	315,420	301,886	309,642	177,631	315,595
Total General Fund	<u>\$ 639,369</u>	<u>\$ 648,218</u>	<u>\$ 659,968</u>	<u>\$ 952,481</u>	<u>\$ 1,340,333</u>	<u>\$ 2,074,270</u>	<u>\$ 2,243,541</u>	<u>\$ 2,799,198</u>	<u>\$ 2,622,365</u>	<u>\$ 2,709,243</u>
All Other Governmental Funds										
Reserved	\$4,023,445	\$ 470,976	\$ 47,347	\$ 25,100						
Unreserved	108,690	803,543	698,186	479,936						
Restricted	\$ -	\$ -	\$ -	\$ -	\$ 527,067	\$ 395,582	\$ 205,571	\$ 105,572	\$ 1	\$ 1,449,548
Assigned	-	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	<u>\$4,132,135</u>	<u>\$ 1,274,519</u>	<u>\$ 745,533</u>	<u>\$ 505,036</u>	<u>\$ 527,067</u>	<u>\$ 395,582</u>	<u>\$ 205,571</u>	<u>\$ 105,572</u>	<u>\$ 1</u>	<u>\$ 1,449,548</u>

Source: District's Financial Records

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

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

	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Tax Levy	\$ 14,867,685	\$ 15,880,819	\$ 16,677,739	\$ 17,278,431	\$ 17,879,069	\$ 17,467,474	\$ 17,379,532	\$ 17,279,173	\$ 17,605,773	\$ 18,039,590
Tuition Charges						60,449	55,710	80,660	68,300	57,350
Interest Earnings										
Miscellaneous	308,478	116,867	279,023	59,527	151,414	124,034	102,333	149,275	399,814	81,410
State Sources	3,150,311	3,248,426	2,353,107	2,500,747	2,067,982	2,346,441	2,773,110	2,581,464	2,728,931	2,955,485
Federal Sources	288,514	282,223	302,673	543,179	312,189	344,012	295,071	285,223	289,775	311,940
Private Sources	-	-	-	-	-	-	-	-	-	-
Total Revenue	18,614,988	19,528,335	19,612,542	20,381,884	20,410,654	20,342,410	20,605,756	20,375,795	21,092,593	21,445,775
Expenditures										
Instruction										
Regular Instruction	7,294,219	7,309,836	7,140,499	7,254,801	7,221,167	7,176,330	7,521,613	7,280,961	7,557,356	7,270,858
Special Education Instruction	3,879,284	4,090,088	3,865,377	4,057,394	3,950,105	3,941,165	4,119,061	3,630,579	3,610,983	3,285,328
Other Special Instruction						-				
Other Instruction	478,930	498,001	508,351	529,406	685,326	648,958	513,508	714,168	715,642	807,384
School Sponsored Activities and Athletics	135,753	138,001	156,679	154,195	164,070	141,143	219,783	159,881	296,814	293,581
Support Services:										
Student and Inst. Related Services	1,980,936	2,110,042	2,153,061	2,138,540	1,976,767	2,036,949	2,250,534	2,419,480	2,828,558	3,556,406
General Administration	505,863	580,840	728,956	593,669	456,881	444,392	563,071	477,441	550,189	574,400
School Administrative Services	1,040,978	1,023,231	1,031,935	1,204,492	1,102,669	1,218,594	1,299,835	1,309,814	1,361,043	1,392,146
Central Services	504,118	584,651	576,272	448,692	437,197	392,091	349,967	341,037	397,838	384,379
Plant Operations And Maintenance	1,448,718	1,479,030	1,579,028	1,629,523	1,521,005	1,579,941	1,448,662	1,719,300	1,615,423	1,667,048
Pupil Transportation	975,012	971,890	1,027,598	1,009,733	1,037,967	1,028,368	1,124,733	1,065,476	1,121,141	1,143,650
Employee Benefits										
Special Schools										
Charter Schools										
Capital Outlay	2,737,221	2,861,252	397,853	462,585	597,022	260,333	302,127	623,034	713,248	701,517
Debt Service										
Principal	404,506	421,259	607,051	535,000	620,000	680,000	728,000	485,000	500,000	587,462
Cost of Issuance					106,225					
Advance Refunding Escrow					124,310					
Interest and Other Charges	329,994	308,981	357,117	311,839	248,672	191,494	185,602	170,916	161,216	154,012
Total Expenditures	21,715,532	22,377,102	20,129,777	20,329,869	20,249,383	19,739,758	20,626,496	20,397,087	21,429,451	21,818,171
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	(3,100,544)	(2,848,767)	(517,235)	52,015	161,271	602,652	(20,740)	(21,292)	(336,858)	(372,396)

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

	2007	2008	2009	2010	Fiscal Year Ended June 30,		2013	2014	2015	2016
					2011	2012				
Other Financing Sources (Uses)										
Lease Proceeds										\$ 1,908,821
Bond Proceeds	\$ 953,000				\$ 6,355,000					
Premium on Bond Proceeds					22,412					
Payment to Refunded Bond Escrow Agent					(6,129,000)					
Capital Leases (Non-Budgeted)	42,856									
Transfers In	138,289	\$ 1,208	\$ 6,154	\$ 2,078	260,722		\$ 48,377	\$ 576,950	\$ 160,024	395,480
Transfers Out	(138,247)	(1,208)	(6,154)	(2,078)	(260,722)	-	(48,377)	(100,000)	(105,570)	(395,480)
Total Other Financing Sources (Uses)	<u>995,898</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>248,412</u>	<u>-</u>	<u>-</u>	<u>476,950</u>	<u>54,454</u>	<u>1,908,821</u>
Net Change in Fund Balances	<u>\$ (2,104,646)</u>	<u>\$ (2,848,767)</u>	<u>\$ (517,235)</u>	<u>\$ 52,015</u>	<u>\$ 409,683</u>	<u>\$ 602,652</u>	<u>\$ (20,740)</u>	<u>\$ 455,658</u>	<u>\$ (282,404)</u>	<u>\$ 1,536,425</u>
Debt Service as a Percentage of Noncapital Expenditures	3.87%	3.74%	4.89%	4.26%	4.42%	4.47%	4.50%	3.32%	3.19%	3.51%

Source: District's Financial Records

* Noncapital expenditures are total expenditures less capital outlay.

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

<u>Fiscal Year Ended June 30,</u>	<u>Interest on Investments</u>	<u>Sale of Assets</u>	<u>Tuition</u>	<u>Prior Year Refunds</u>	<u>Transportation Fees</u>	<u>Cancel Prior Year Accounts Payable</u>	<u>E-Rate</u>	<u>Miscellaneous</u>	<u>Total</u>
2007	\$ 55,463							\$ 114,699	\$ 170,162
2008	54,610							61,048	115,658
2009	30,257	\$ 130,400						112,212	272,869
2010	8,431							49,018	57,449
2011	2,333		\$ 41,573					26,954	70,860
2012		2,667	60,449	\$ 64,317				1,530	128,963
2013			55,710	27,792				27,915	111,417
2014			80,660	22,676	\$ 23,684		\$ 8,265	87,136	222,421
2015	3,879		68,300	19,268	16,253	\$ 126,830	4,978	82,735	322,243
2016	1,905		57,350	9,892	15,158		11,289	18,443	114,037

Source: District's Financial Records

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

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Ofarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^a
2007	\$ 28,357,400	\$ 1,398,387,900			\$ 858,164,200	\$ 159,026,300		\$ 2,443,935,800	\$ 2,450,212	\$ 2,446,386,012	\$ 3,451,954,019	\$ 1
2008	25,273,000	1,412,610,900			903,419,300	158,521,600		2,499,824,800	2,382,719	2,502,207,519	3,734,169,526	0.648
2009	23,661,400	1,413,759,500			832,574,597	200,519,200		2,470,514,697	2,650,113	2,473,164,810	3,678,662,516	0.693
2010	22,852,400	1,417,254,300			820,763,797	200,142,200	\$ 224,300	2,461,236,997	2,037,625	2,463,274,622	4,044,758,170	0.714
2011	22,432,600	1,418,273,800			820,963,397	200,566,400		2,462,236,197	2,037,625	2,464,273,822	3,836,789,266	0.717
2012	21,921,200	1,418,233,400			821,059,097	200,816,300		2,462,029,997	2,045,837	2,464,075,834	3,412,374,787	0.708
2013	20,842,200	1,423,277,600			817,689,997	201,416,300		2,463,226,097	2,045,837	2,465,271,934	3,410,921,059	0.708
2014	20,748,400	1,424,081,700			884,469,197	202,322,900		2,531,622,197	2,045,837	2,533,668,034	3,538,256,041	0.689
2015	21,366,100	1,426,212,000			882,190,797	202,322,900		2,532,091,797	1,974,647	2,534,066,444	3,583,486,834	0.704
2016	20,188,000	1,434,708,400			880,470,597	202,072,900	320,900	2,537,760,797	1,974,647	2,539,735,444	3,381,426,778	0.726

Source: County Abstract of Ratables

N/A - Information is not available.

^a Tax rates are per \$100

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

Assessment Year	Hanover Park Regional District	East Hanover School District	East Hanover Township	Morris County	Total
2007	\$ 0.39	\$ 0.61	\$ 0.51	\$ 0.34	\$ 1.85
2008	0.38	0.65	0.52	0.34	1.890
2009	0.39	0.69	0.59	0.29	1.960
2010	0.42	0.714	0.56	0.38	2.070
2011	0.372	0.717	0.463	0.576	2.129
2012	0.428	0.708	0.569	0.370	2.075
2013	0.431	0.708	0.595	0.352	2.086
2014	0.448	0.689	0.609	0.348	2.094
2015	0.472	0.704	0.608	0.356	2.140
2016	0.471	0.726	0.631	0.343	2.171

Source: County Abstract of Ratables

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

Taxpayer	2016		2007	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Novartis	\$ 424,899,200	16.73%	\$384,751,700	15.73%
Mondelez Global Inc	62,652,900	2.47%	80,987,600	3.31%
Mondelez Global Inc	33,218,700	1.31%	27,458,500	1.12%
New Hanover L.L.C.	24,917,000	0.98%	24,917,000	1.02%
Givaudan Fragrances Corp	21,400,000	0.84%	22,000,000	0.90%
EH Route 10 Realty Co.	21,303,497	0.84%	20,000,000	0.82%
Givaudan Flavors Corp	19,872,200	0.78%	19,991,300	0.82%
Castle Ridge Plaza	18,500,000	0.73%	16,999,600	0.69%
Paradigm East Hanover LLC	15,500,000	0.61%	16,000,000	0.65%
Eric Reichard D.R. Company LLC	13,920,000	0.55%	16,000,000	0.65%
	<u>\$ 656,183,497</u>	<u>25.84%</u>	<u>\$629,105,700</u>	<u>25.72%</u>

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2007	\$ 14,867,685	\$ 14,867,685	100.00%	N/A
2008	15,880,819	15,880,819	100.00%	N/A
2009	16,677,739	16,677,739	100.00%	N/A
2010	17,278,431	17,278,431	100.00%	N/A
2011	17,879,069	17,879,069	100.00%	N/A
2012	17,467,474	17,467,474	100.00%	N/A
2013	17,379,532	17,379,532	100.00%	N/A
2014	17,279,173	17,279,173	100.00%	N/A
2015	17,605,773	17,605,773	100.00%	N/A
2016	18,039,590	18,039,590	100.00%	N/A

Source: District Financial Records

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

Fiscal Year Ended June 30,	Governmental Activities		Total District	Population	Per Capita
	General Obligation Bonds	Capital/Lease Agreements			
2007	\$ 8,542,000	\$ 198,310	\$ 8,740,310	11,311	\$ 773
2008	8,197,000	122,051	8,319,051	11,338	734
2009	7,712,000		7,712,000	11,372	678
2010	7,177,000		7,177,000	11,165	643
2011	6,783,000		6,783,000	11,219	605
2012	6,103,000		6,103,000	11,306	540
2013	5,375,000		5,375,000	11,306	475
2014	4,890,000		4,890,000	11,289	433
2015	4,390,000	74,045	4,464,045	11,269	396
2016	3,885,000	1,900,404	5,785,404	11,269 Est.	513

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

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2007	\$ 8,542,000		\$ 8,542,000	0.35%	755
2008	8,197,000		8,197,000	0.33%	723
2009	7,712,000		7,712,000	0.31%	678
2010	7,177,000		7,177,000	0.29%	643
2011	6,783,000		6,783,000	0.28%	605
2012	6,103,000		6,103,000	0.25%	540
2013	5,375,000		5,375,000	0.22%	475
2014	4,890,000		4,890,000	0.19%	433
2015	4,390,000		4,390,000	0.17%	390
2016	3,885,000		3,885,000	0.15%	345

Source: District Financial Records and Abstract of Ratables

Notes:

a See Exhibit J-6 for property tax data.

b See Exhibit J-14 for population data.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
DECEMBER 31, 2016
(Unaudited)**

	<u>Total Debt</u>
Municipal Debt: (1)	
East Hanover Township Board of Education	\$ 4,390,000
Regional High School - Township's Share	9,302,466
Township of East Hanover	<u>24,857,486</u>
	38,549,952
Overlapping Debt Apportioned to the Municipality:	
Morris County:	
County of Morris (A)	<u>9,029,476</u>
Total Direct and Overlapping Debt	<u>\$ 47,579,428</u>

Source:

(1) Township's 2015 Annual Debt Statement

(A) The debt for this entity was apportioned to East Hanover by dividing the municipality's 2015 equalized value by the total 2015 equalized value for Morris County.

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

Legal Debt Margin Calculation for Calendar Year 2016

Equalized Valuation Basis	
2015	\$ 3,373,873,147
2014	3,582,822,243
2013	3,442,384,482
	<u>\$ 10,399,079,872</u>
 Average Equalized Valuation Of Taxable Property	 <u>\$ 3,466,359,957</u>
 Debt Limit (5% of Average Equalization	 \$ 103,990,799
Total Net Debt Applicable to Limit	<u>4,390,000</u>
 Legal Debt Margin	 <u>\$ 99,600,799</u>

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt Limit	\$ 96,972,895	\$ 103,145,699	\$ 104,722,629	\$ 113,820,788	\$ 115,655,910	\$ 115,255,469	\$ 108,989,593	\$ 105,301,995	\$ 104,347,483	\$ 103,990,799
Total Net Debt Applicable To Limit	<u>8,542,000</u>	<u>8,197,000</u>	<u>7,712,000</u>	<u>7,177,000</u>	<u>6,783,000</u>	<u>6,103,000</u>	<u>5,375,000</u>	<u>4,890,000</u>	<u>4,390,000</u>	<u>4,390,000</u>
Legal Debt Margin	<u>\$ 88,430,895</u>	<u>\$ 94,948,699</u>	<u>\$ 97,010,629</u>	<u>\$ 106,643,788</u>	<u>\$ 108,872,910</u>	<u>\$ 109,152,469</u>	<u>\$ 103,614,593</u>	<u>\$ 100,411,995</u>	<u>\$ 99,957,483</u>	<u>\$ 99,600,799</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	8.81%	7.94%	7.36%	6.31%	5.86%	5.30%	4.93%	4.64%	4.21%	4.22%

Source: Annual Debt Statements

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

<u>Year</u>	<u>Population</u> *	<u>County Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2006	11,388	\$ 62,260	3.5%
2007	11,311	66,857	3.2%
2008	11,338	69,900	4.2%
2009	11,372	71,990	7.2%
2010	11,167	67,544	7.3%
2011	11,220	68,725	7.1%
2012	11,242	71,933	7.4%
2013	11,262	74,057	6.4%
2014	11,261	79,094	5.2%
2015	11,269	82,810	4.1%

Source: New Jersey State Department of Education

*- Estimated

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

<u>Employer</u>	<u>2016</u>		<u>2007</u>	
	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>

INFORMATION NOT AVAILABLE

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

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Instruction										
Regular						66.0	64.8	65.5	64.0	63.5
Special Education						41.2	62.0	44.0	40.7	32.3
Other Special Education										
Vocational										
Other Instruction						4.8	5.0	5.0	6.9	7.0
Nonpublic School Programs										
Adult/Continuing Education Programs										
Support Services:										
Student and Instruction Related Services										
General Administration						17.6	15.9	17.0	28.3	38.6
School Administrative Services						2.1	2.0	2.0	2.0	2.1
Other Administrative Services						10.5	11.5	10.5	10.5	10.5
Central Services						3.0	3.0	3.5	3.5	3.5
Administrative Information Technology										
Plant Operations And Maintenance						17.7	27.5	25.5	26.5	18.6
Pupil Transportation						4.6	7.5	6.1	6.5	6.2
Other Support Services										
Special Schools										
Food Service										
Child Care	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	167.5	199.2	179.1	188.9	182.3

Source: District Personnel Records

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

Fiscal Year	Enrollment ^a	Operating Expenditures ^b	Cost Per Pupil ^c	Percentage Change	Teaching Staff	Pupil/Teacher Ratio		Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School				
2007	1,167	\$ 18,243,811	\$ 15,633	7.03%	N/A	N/A	N/A	1,167	1,110	0.34%	95.12%
2008	1,121	18,785,610	16,758	7.20%	N/A	N/A	N/A	1,121	1,079	-3.94%	96.25%
2009	1,150	18,767,756	16,320	-2.61%	N/A	N/A	N/A	1,150	1,107	2.59%	96.26%
2010	1,149	19,020,445	16,554	1.43%	N/A	N/A	N/A	1,149	1,108	-0.09%	96.43%
2011	1,118	18,553,154	16,595	0.25%	N/A	N/A	N/A	1,118	1,008	-2.70%	90.16%
2012	1,114	18,607,931	16,704	0.66%	N/A	N/A	N/A	1,112	1,072	-0.54%	96.40%
2013	1,053	19,410,767	18,434	10.36%	01:10.7	01:12.3	01:08.8	1,082	1,036	-2.70%	95.75%
2014	1,015	19,118,137	18,836	12.76%	01:10.3	01:11.1	01:09.1	1,021	980	-5.64%	95.98%
2015	997	20,054,987	20,115	20.42%	01:10.2	01:11.0	01:09.1	997	956	-2.35%	95.89%
2016	968	20,375,180	21,049	14.19%	01:09.9	01:10.5	01:09.0	969	930	-2.81%	95.98%

Sources: District Financial Records and Personnel Records

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

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>District Building</u>										
<u>Elementary</u>										
Central School										
Square Feet	48,369	58,328	58,328	58,328	58,328	58,328	58,328	58,328	58,328	58,328
Capacity (students)						374	374	374	374	374
Enrollment	373	394	394	394	394	364	364	329	316	302
Frank J. Smith School										
Square Feet	29,830	39,197	39,197	39,197	39,197	39,197	39,197	39,197	39,197	39,197
Capacity (students)						425	425	425	425	425
Enrollment	355	344	344	344	344	351	351	316	313	304
<u>Middle School</u>										
Square Feet	59,688	60,502	60,502	60,502	60,502	60,502	60,502	60,502	60,502	60,502
Capacity (students)						383	383	383	425	383
Enrollment	402	384	384	384	384	399	399	370	368	362
<u>Other</u>										
Board of Education Offices										
Square Feet	7,083	7,083	7,083	7,083	7,083	7,083	7,083	7,083	7,083	7,083
Number of Schools at June 30, 2016										
Elementary = 2										
Middle School = 1										
Other = 1										

Source: District Records

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

	<u>Project # (s)</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
School Facilities											
Frank J. Smith School	N/A	\$ 74,505	\$ 48,966	\$ 65,512	\$ 59,770	\$ 55,823	\$ 74,073	\$ 66,961	\$ 117,630	\$ 93,918	\$ 120,734
Central School	N/A	130,384	85,690	114,645	104,599	97,692	110,167	100,720	140,030	139,756	167,192
Middle School	N/A	149,010	97,932	131,023	119,241	111,368	114,248	105,971	181,566	154,586	173,424
Administration Building	N/A	18,626	12,242	16,378	14,949	13,964	15,379	14,060	21,256	16,971	20,303
Total School Facilities		<u>\$ 372,525</u>	<u>\$ 244,830</u>	<u>\$ 327,558</u>	<u>\$ 298,559</u>	<u>\$ 278,847</u>	<u>\$ 313,867</u>	<u>\$ 287,712</u>	<u>\$ 460,482</u>	<u>\$ 405,231</u>	<u>\$ 481,653</u>

Source: District Records

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
INSURANCE SCHEDULE
JUNE 30, 2016
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - NJSBAIG		
Property:		
Blanket Building and Content	\$ 400,000	\$ 5,000
Extra Expense (Per Occurance)	50,000,000	5,000
Valuable Papers and Records (Per Occurance)	10,000,000	5,000
Demolition and Increased Constuction (Per Occurance)	25,000,000	
Equipment Breakdown	100,000,000	1,000
Accounts Receivable (Per Occurance)	250,000	
Pollutant Cleanup and Removal (Per Occurance)	250,000	
Arson Reward & Fire Department Service Charge (Per Occurance)	10,000	
Limited Builders Risk	5,000,000	
Per Occurance/ Annual Aggregate:		
All Flood Zones	75,000,000	10,000
Special Flood Zones	20,000,000	500,000
Earthquakes	50,000,000	
Terrorism	1,000,000	
Computer Equipment	123,000	1,000
Comprehensive General Liability	16,000,000	N/A
Comprehensive Automotive Liability	16,000,000	1,000
Workers' Compensation - NJSIG		N/A
Professional & Clerical	10,485,702	
Non-Professional	829,337	
School Board Legal Liability - NJSIG		
Director's and Officer's Policy	16,000,000	5,000
Public Employees' Faithful Performance Blanket		
Position Bond:		
NJSIG		
Board Secretary/School Business Administrator	250,000	1,000
Treasurer	225,000	1,000
General Employees	250,000	1,000
Theft, Forgery, Computer Fraud	25,000 Ea	500

SINGLE AUDIT SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
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ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
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DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLosi, CPA
ROBERT AMPONSAH, CPA

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Hanover Township Board of Education as of and for the fiscal year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the East Hanover Township Board of Education's basic financial statements and have issued our report thereon dated November 4, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

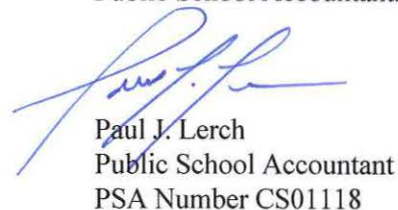
As part of obtaining reasonable assurance about whether the East Hanover Township Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

Purpose of this Report

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



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



Paul J. Lerch
Public School Accountant
PSA Number CS01118

Fair Lawn, New Jersey
November 4, 2016



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

DIETER P. LERCH, CPA, RMA, PSA
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**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR 15-08**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major State Program

We have audited the East Hanover Township Board of Education's compliance with the types of compliance requirements described in the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the East Hanover Township Board of Education's major state programs for the fiscal year ended June 30, 2016. The East Hanover Township Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of state statutes, regulations, and the terms and conditions of its state financial assistance applicable to its state programs.

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the East Hanover Township Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2016.

Report on Internal Control Over Compliance

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

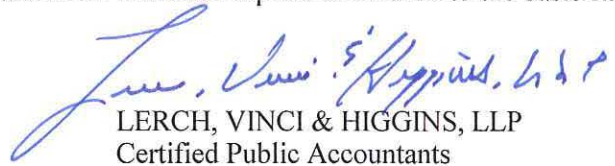
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

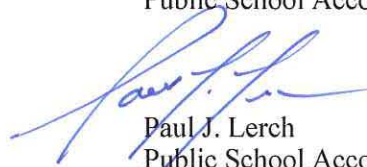
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Hanover Township Board of Education, as of and for the fiscal year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Board of Education's basis financial statements. We have issued our report thereon dated November 4, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.



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



Paul J. Lerch
Public School Accountant
PSA Number CS01118

Fair Lawn, New Jersey
November 4, 2016

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Federal/Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Grant Project Number	Grant Period	Award Amount	Balance July 1, 2015	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustment	Refund of Prior Years' Balances	Balance, June 30, 2016			Memo Only GAAP Receivable
												(Account Receivable)	Unearned Revenue	Due to Grantor	
Special Revenue Fund:															
U.S. Department of Education															
Passed-through State Department of Education															
NCLB															
Title I	84.010A	S010A150030	NCLB219016	7/1/15-6/30/16	\$ 113,419			\$ 32,382	\$ 30,550			\$ (81,037)	\$ 82,869		* \$ (81,037)
Title II A	84.367A	S367A150029	NCLB219016	7/1/15-6/30/16	18,796			12,140	16,426			(6,656)	2,370		* (6,656)
Title II A, Carryover	84.367A	S367A150029	NCLB219016	7/1/14-6/30/15	18,515							(1,458)	1,458		* (1,458)
I.D.E.I.A Part B, Basic	84.027	H027A150100	IDEA219016	7/1/15-6/30/16	252,398		\$ 4,960	244,186	251,007			(8,212)	6,351		* (8,212)
I.D.E.I.A Part B, Basic, Carryover	84.027	H027A150100	IDEA219015	7/1/14-6/30/15	247,165	\$ (26,581)	(4,960)	31,541							* (26,581)
I.D.E.I.A Preschool	84-173	H173A150114	IDEA219016	7/1/15-6/30/16	13,957			13,957	13,957						* 13,957
I.D.E.I.A Preschool, Carryover	84-173	H173A150114	IDEA219015	7/1/14-6/30/15	13,741	(4,994)	-	4,994	-						* (4,994)
Total IDEA Cluster									264,964						
Total Special Revenue Fund						(31,575)	-	339,200	311,940	-	-	(97,363)	93,048	-	(97,363)
Total Federal Awards						\$ (31,575)	\$ -	\$ 339,200	\$ 311,940	\$ -	\$ -	\$ (97,363)	\$ 93,048	\$ -	\$ (97,363)

Note: This schedule is not subject to a single audit in accordance with the U.S. Uniform Guidance.

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**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2015	Carryover Amount	Cash Received	Budgetary Expenditures	Refund of Prior Years' Balances	Adjustment	Balance, June 30, 2016			Memo	
										(Accounts Receivable)	Unearned Revenue	Due to Grantor	GAAP Receivable	Cumulative Total Expenditures
State Department of Education														
General Fund:														
Special Education Aid	16-495-034-5120-089	7/1/15-6/30/16	\$ 571,367			\$ 516,181	\$ 571,367			\$ (55,186)				\$ 571,367
Special Education Aid	15-495-034-5120-089	7/1/13-6/30/14	571,367	\$ (55,187)		55,187								
Security Aid	16-495-034-5120-084	7/1/15-6/30/16	15,362			14,107	15,362			(1,255)				15,362
Security Aid	15-495-034-5120-084	7/1/14-6/30/15	15,362	(1,255)		1,255								
Adjustment Aid	16-495-034-5120-085	7/1/15-6/30/16	368			368	368							368
Adjustment Aid	15-495-034-5120-085	7/1/14-6/30/15	368											-
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15-6/30/16	9,370			8,743	9,370			(627)				9,370
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14-6/30/15	9,370	(627)		627								-
PARCC Readiness Aid	16-495-034-5120-098	7/1/15-6/30/16	9,370			8,743	9,370			(627)				9,370
PARCC Readiness Aid	15-495-034-5120-098	7/1/14-6/30/15	9,370	(627)		627								-
Total State Aid Public Cluster							605,837							
Transportation Aid	16-495-034-5120-014	7/1/15-6/30/16	60,665			55,648	60,665			(5,017)				60,665
Transportation Aid	15-495-034-5120-014	7/1/14-6/30/15	60,665	(5,017)		5,017								-
Extraordinary Aid	16-100-034-5120-044	7/1/15-6/30/16	175,802				175,802			(175,802)				175,802
Extraordinary Aid	15-100-034-5120-473	7/1/14-6/30/15	223,531	(223,531)		223,531								-
Nonpublic School Transportation Aid	N/A	7/1/15-6/30/16	11,281				11,281			(11,281)		\$ (11,281)		11,281
Nonpublic School Transportation Aid	N/A	7/1/14-6/30/15	13,746	(13,746)		13,746								-
Reimbursed TPAF Social Security Contribution	16-495-034-5094-003	7/1/15-6/30/16	591,033			591,033	591,033							591,033
On-Behalf TPAF Pension Contribution	16-495-034-5094-002	7/1/15-6/30/16	618,060			618,060	618,060							618,060
On-Behalf TPAF Pension Contribution - NCGI	16-495-034-5094-004	7/1/15-6/30/16	30,788			30,788	30,788							30,788
On-Behalf TPAF Post Retirement Medical Contribution	16-495-034-5094-001	7/1/15-6/30/16	772,598	-	-	772,598	772,598	-	-	-	-	-	-	772,598
Total On-Behalf Contributions							2,012,479							
Total General Fund				(299,990)	-	2,916,259	2,866,064	-	-	(249,795)	-	-	(11,281)	2,866,064
New Jersey Nonpublic Aid														
Textbook Aid	16-100-034-5120-064	7/1/15-6/30/16	5,539			5,539	5,435					\$ 104		5,435
Technology	16-100-034-5120-373	7/1/15-6/30/16	2,522			2,522	2,522							2,522
Nursing Services	16-100-034-5120-070	7/1/15-6/30/16	8,730			8,730	8,730							8,730
Security Aid	16-100-034-5120-509	7/1/15-6/30/16	2,425			2,425						2,425		
Auxiliary Services														
Compensatory Education	16-100-034-5120-067	7/1/15-6/30/16	10,998			10,998	3,215					7,783		3,215
Compensatory Education	15-100-034-5120-067	7/1/14-6/30/15	13,696	3,046				\$ 3,046						-
Home Instruction	N/A	7/1/15-6/30/16	1,696				1,696			(1,696)				1,696
Total Auxiliary Services Cluster							4,911							
Handicapped Services														
Examination and Classification Initial	16-100-034-5120-066	7/1/15-6/30/16	13,798			13,798	9,712					4,086		9,712
Examination and Classification Initial	15-100-034-5120-066	7/1/14-6/30/15	19,263	3,603				3,603						-
Corrective Speech	16-100-034-5120-066	7/1/15-6/30/16	8,361			8,361	5,852					2,509		5,852
Corrective Speech	15-100-034-5120-066	7/1/14-6/30/15	11,486	5,655				5,655						-
Supplementary Instruction	16-100-034-5120-066	7/1/15-6/30/16	6,683			6,683	4,529					2,154		4,529
Supplementary Instruction	15-100-034-5120-066	7/1/14-6/30/15	6,938	3,923				3,923						-
Total Handicapped Services Cluster							20,093							
Total Special Revenue Fund				16,227	-	59,056	41,691	16,227	-	(1,696)	-	19,061	-	41,691
Total State Financial Assistance Subject to Single Audit				\$ (283,763)	\$ -	\$ 2,975,315	\$ 2,907,755	\$ 16,227	\$ -	\$ (251,491)	\$ -	\$ 19,061	\$ (11,281)	\$ 2,907,755
Less: Amounts not Utilized in Single Audit and Major Program Determination On-Behalf TPAF Pension and Medicaid														
							(1,421,446)							
Total State Financial Assistance Subject to Major Program Determination							\$ 1,486,309							

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

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

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is an increase of \$47,730 for the general fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 2,913,794	\$ 2,913,794
Special Revenue Fund	\$ 311,940	41,691	353,631
Total Financial Assistance	<u>\$ 311,940</u>	<u>\$ 2,955,485</u>	<u>\$ 3,267,425</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5 OTHER INFORMATION

TPAF Social Security contributions in the amount of \$591,033 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2016. The amount reported as TPAF Pension System Contributions in the amount of \$648,848 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$772,598 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2016.

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

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

NOTE 7 DE MINIMIS INDIRECT COST RATE

The District has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Part I – Summary of Auditor’s Results

Financial Statement Section

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

Federal Awards Section- Not Applicable

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Part I – Summary of Auditor’s Results

State Awards Section

Dollar threshold used to distinguish between Type A and Type B Programs \$ 750,000

Auditee qualified as low-risk auditee? X yes no

Internal Control over compliance:

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

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

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

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

Identification of major programs:

<u>State Grant/Project Number (s)</u>	<u>Name of State Program</u>
<u>495-034-5094-003</u>	<u>TPAF Reimbursable Social Security</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Part 2 - Schedule of Financial Statement Findings

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

THERE ARE NONE.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

CURRENT YEAR FEDERAL AWARDS

NOT APPLICABLE

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

CURRENT YEAR STATE AWARDS

THERE ARE NONE.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

STATUS OF PRIOR YEAR FINDINGS

There were none.