

NORTH HANOVER BOARD OF EDUCATION

North Hanover, New Jersey
County of Burlington

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

NORTH HANOVER BOARD OF EDUCATION

NORTH HANOVER, NEW JERSEY

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Prepared by

The Business Office of the North Hanover Board of Education

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INTRODUCTORY SECTION

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

Dear Board Members:

The comprehensive annual financial report of the North Hanover Township School District for the fiscal year ending 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 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 and account groups 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 accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance); *the New Jersey State Aid/Grant Compliance Supplement*; the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations, findings, and recommendations, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES North Hanover Township School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the District are included in this report. The North Hanover Township Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 6. These include regular, transitional as well as special education for handicapped youngsters. The District for the 2015-2016 fiscal year had an average daily enrollment of 1,209 students, which is a decrease of 58 students from the previous year's enrollments. The following details the changes in the student enrollment of the District over the last twenty three (23) years:

Average Daily Enrollment		
Fiscal Year	Student Enrollment	Percent Change
2015/2016	1,178	-2.56%
2014/2015	1,209	-4.58%
2013/2014	1,267	1.93%
2012/2013	1,243	0.81%
2011/2012	1,233	4.31%
2010/2011	1,182	3.41%
2009/2010	1,143	0.26%
2008/2009	1,140	-1.81%
2007/2008	1,161	-4.05%
2006/2007	1,210	-5.62%
2005/2006	1,282	-2.73%
2004/2005	1,318	-2.01%
2003/2004	1,345	-3.52%
2002/2003	1,394	-4.85%
2001/2002	1,465	-0.81%
2000/2001	1,477	-5.74%
1999/2000	1,567	0.51%
1998/1999	1,559	-3.82%
1997/1998	1,621	-0.43%
1996/1997	1,628	-4.63%
1995/1996	1,707	-3.61%
1994/1995	1,771	9.73%
1993/1994	1,614	-3.64%

2) ECONOMIC CONDITION AND OUTLOOK: The local community of North Hanover Township is not experiencing any major development or expansion. The student population is on a slight downswing, possibly due to reduction in preschool students at the JB-MDL. In addition to the local community students, the District has the responsibility of educating the students of families assigned to Joint Base MDL: the Department of Defense’s first joint base and the only joint base that consolidated Air Force, Army and Navy installations. Although base housing is filled to near capacity, the District has been informed that additional land is available for housing. If additional missions move to JB-MDL there could be an impact on enrollment.

3) MAJOR INITIATIVES: A new school housing all the fifth and sixth grade students under one roof was completed and opened in September 2007. In January of 2011 a team from the Department of Defense Education Activity (DoDEA) inspected the schools on Base and prepared a report on the condition of those schools. This report was reviewed by Congress and Congress has thus far, appropriated two (2) rounds of funding for the renovations or replacement of schools nationwide identified in the report. In early spring of 2012, the District was invited to apply for funding to the (Federal) Office of Economic Adjustment (OEA). District administrative staff and Board Members attended a meeting which described and outlined the application process. It was made clear by the staff of the OEA that it was a noncompetitive process. After considerable review and in consultation with the entire Board, an application was filed to apply for the funding of the construction of a new school on Base to replace both

3) MAJOR INITIATIVES (continued):

of the Columbia and Atlantis Schools, thus, a community school for children living on Base in grades 1-4. The application also requested funds for the renovations of the Discovery School which, when completed would provide for an expanded preschool program for all children served by the District. Upon further review and with consultation from the District Architect, the funding for renovation of Discovery was considered inadequate and would take necessary money away from the construction of a new school. Discovery School will now also be demolished. One school, with a capacity for 890 students, will be built for military students from grades Pre-K through grade 4. An architect, engineer and construction manager has been hired, and the district completed and submitted the grant in March of 2016. As part of this initiative, the Columbia School was demolished in July 2015. The district will began the site work portion of the project in the summer of 2016.

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 estimate 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 to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund and the special revenue fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line items basis. Open encumbrances at year-end either are canceled or are included as reappropriation of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of 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 Government Accounting Standards Board (GASB). The accounting system of the District is organized based on funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.

7) FINANCIAL INFORMATION AT FISCAL YEAR END: 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 financial management. The following schedule presents a summary of the general fund and special revenues for the fiscal year ending June 30, 2016 and the amount and percentage of increase in relating to prior year revenues.

Revenue	Amount	Percent of Total	Increase/(Decrease) from 2015	Percent of Increase/(Decrease)
Local Sources	\$ 3,032,262	10.66%	99,851	3.41%
State Sources	13,929,458	48.97%	311,833	2.29%
Federal Sources	11,485,897	40.38%	2,407,633	26.52%
Total	\$ 28,447,617	100.00%	2,819,317	11.00%

The following schedule presents a summary of general fund expenditures for the fiscal year ending June 30, 2016:

Expenditures	Amount	Percent of Total	Increase/(Decrease) from 2015	Percent of Increase/(Decrease)
Current Expense/ Special Revenue				
Instruction	\$ 8,971,261	37.41%	17,739	0.20%
Undistributed Expenditures	13,663,877	56.97%	(536,418)	-3.78%
Capital Outlay	1,347,948	5.62%	521,490	63.00%
Total	\$ 23,983,086	100.00%	2,811	0.01%

8) CASH MANAGEMENT: The investment policy of the District is by state statute as detailed in "Notes to the Financial Statements", Note 2. The District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. 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, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

10) OTHER INFORMATION:

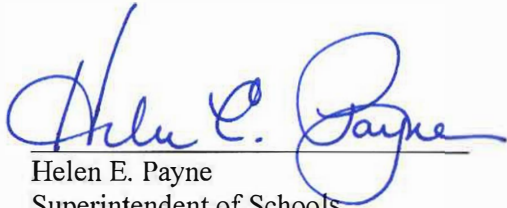
A) **Independent Audit** – State statutes require an annual audit by independent certified public accounts or registered municipal accountants. Mr. Kevin Frenia, CPA, was selected by the Board to serve as


auditor. In addition to meeting the requirements set forth in state statues, the audit also was designed to meet the requirements of the CFR Part 200 Uniforor Guidance and state Treasury Circular Letter15-08 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)ACKNOWLEDGMENTS:

We would like to express our appreciation to the members of the North Hanover Township School Board 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 our financial and accounting staff.

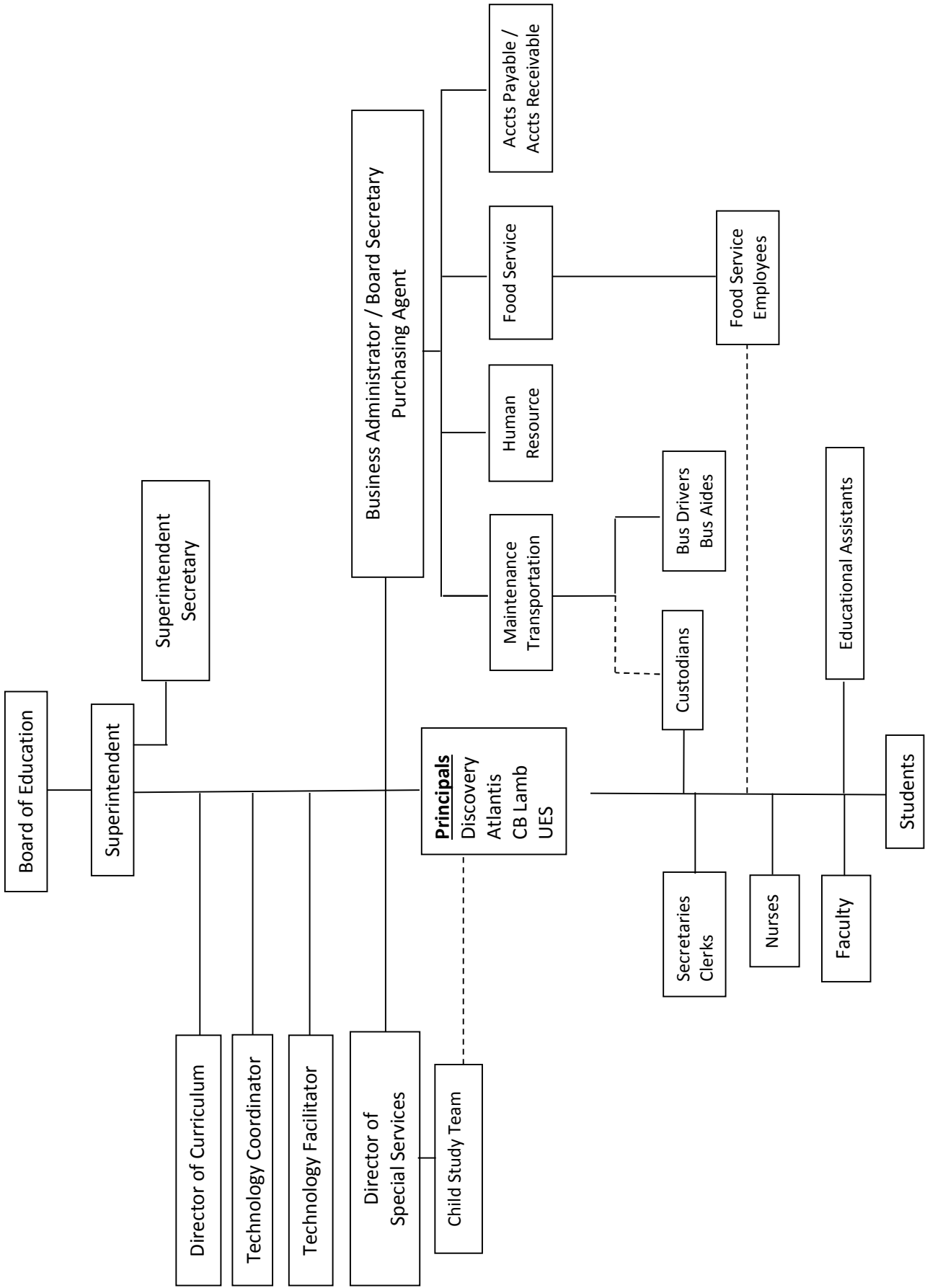
Respectfully submitted,


Helen E. Payne
Superintendent of Schools


Amy S. Lerner
School Business Administrator/
Board Secretary

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NORTH HANOVER TOWNSHIP PUBLIC SCHOOLS



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**NORTH HANOVER BOARD OF EDUCATION
331 Monmouth Road
Wrightstown, New Jersey 08562**

**ROSTER OF OFFICIALS
JUNE 30, 2016**

MEMBERS OF THE BOARD OF EDUCATION	TERM EXPIRES
Charles M. Schroeder, President	2018
William C. Sullivan, Sr., Vice President	2016
Janet W. Bruder	2016
Nancy Morrow	2017
Ronald DeBaecke	2017
Lieutenant Colonel Thorsten Curcio, Base Liaison	

OTHER OFFICIALS

Helen E. Payne, Superintendent
Amy S. Lerner, Business Administrator/Board Secretary
Peggy Ianoale, Treasurer
Bruce W. Padula, Esq., Solicitor

NORTH HANOVER BOARD OF EDUCATION
331 Monmouth Road
Wrightstown, New Jersey 08562

CONSULTANTS AND ADVISORS

INSURANCE AGENT

EJA/Capacity Insurance Agency
217 Route 130
Bordentown, New Jersey 08505

AUDIT FIRM

Holman Frenia Allison, P. C.
Kevin P. Frenia, CPA
618 Stokes Road
Medford, New Jersey 08055

ATTORNEY

Bruce Padula
Cleary, Giacobbe, Alfieri, Jacobs LLC
5 Ravine Drive P.O. Box 533
Matawan, New Jersey 07747

OFFICIAL DEPOSITORY

TD Bank
6000 Atrium Way
Mt Laurel, New Jersey 08054

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
North Hanover Board of Education
County of Burlington
Wrightstown, 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 North Hanover Board of Education, County of Burlington, State of New Jersey, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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 North Hanover Board of Education, County of Burlington, State of New Jersey, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the 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 the schedules related to accounting and reporting for pensions, as listed in the table of contents 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 North Hanover Board of Education's basic financial statements. The introductory section, combining statements and related major fund supporting statements and schedules, and statistical section are presented for purposes of additional analysis, as required by the Division of Administration and Finance, Department of Education, State of New Jersey, and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Audits of States, Local Governments, and Non-Profit Organizations and New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid respectively, and are also not a required part of the basic financial statements.

The accompanying combining statements and the Schedule of Expenditures of Federal Awards and State Financial Assistance are the responsibility of management and were derived from and relates 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 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 accompanying

combining statements and Schedule 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 and statistical section listed in the table of contents 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 December 02, 2016 on our consideration of the North Hanover 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 North Hanover Board of Education's internal control over financial reporting and compliance.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia
Certified Public Accountant
Public School Accountant, No. 1011

Medford, New Jersey
December 02, 2016

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REQUIRED SUPPLEMENTARY INFORMATION - PART I

Management's Discussion and Analysis

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NORTH HANOVER TOWNSHIP BOARD OF EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS For The Fiscal Year Ended June 30, 2016

UNAUDITED

The Management Discussion and Analysis (MD&A) is an element of the Required Supplementary Information specified in the *Governmental Accounting Standard Board's (GASB) Statement No. 34 – Basic Financial Statements – Management's Discussion and Analysis for State and Local Governments* (commonly referred to as GASB 34) issued in June 1999, and is required to be incorporated by the New Jersey Department of Education.

Objectives:

In the Concepts Statement No. 1, Objective of Financial Reporting, the GASB established a number of objectives of financial reporting by state and local governments and GASB further believes that the MD&A will help users to:

- Evaluate the operating results of the government for the year (GASB Concepts Statement No. 1, paragraph 78) by providing an easily readable summary of operating results and the reasons for changes in the components of operating results.
- Assess the financial position and condition of the government and determine whether the government's financial position improved or deteriorated as a result of the year's operations (paragraph 78c and 79a) by providing financial management's analysis directed specifically to this point, including the reasons for changes.
- Determine whether current-year revenues were sufficient to pay for current-year services (paragraph 77a) by discussing operating results, including decisions already made that will affect future operations.
- Understand the sources and uses of financial resources (paragraph 78a) by providing an analysis of the balances and transaction of individual funds, particularly for *governmental* funds.
- Understand how the government financed its activities and met its cash requirements (paragraph 78b) by describing (a) important economic factors, such as changes in tax or employment bases, that significantly affected operating results for the year; and (b) debt limitations that may affect the financing of planned facilities or services and any changes in credit ratings.
- Determine whether resources were obtained and used in accordance with the entity's legally adopted budget (paragraph 77b) by providing management's analysis of significant variations between original and final budget amounts and between final budget and actual amounts for the government's general fund.
- Assess the service efforts, costs and accomplishments (SEA) of the governmental entity (paragraph 77c) by discussing currently known facts that are expected to affect the services a government provides and the cost of those services.

- Assess the level of services that can be provided by the government and its ability to meet obligations as they become due (paragraph 79) by describing debt limitations, changes in credit ratings, reasons for significant changes in individual fund balances and the effect of any limitations on their use, as well as important economic factors that significantly affected operating results for the year.
- Gain information about a government's physical and other nonfinancial resources having useful lives that extend beyond current year (paragraph 79b) by describing significant capital assets activity during the year, commitments made to acquire new capital assets, and in some cases, the condition level of infrastructure assets.
- Assess legal or contractual restrictions on resources and risks of potential loss of resources (paragraph 79c) by describing debt limitations and any changes in credit ratings, limitations on individual fund balances, as well as currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations.

Thus, it is the objective of this statement to assess for the readers the financial position of the North Hanover Township School District and to explain the major sources of revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) District-wide financial statements, 2) Governmental Fund financial statements, and 3) Notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

District-Wide Financial Statements. The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to the reporting for the private sector. For governmental entities these statements tell how services were financed and what remains for future spending.

The combined statement of net assets (A-1) presents information on all of the assets and liabilities of the District, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The combined statement of activities (A-2) presents information showing how the net assets of the District changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The district-wide financial statements can be found as Exhibits A-1 and A-2 in this report.

Fund Financial Statements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because of the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund, special revenue fund, capital projects fund, debt service fund and permanent fund, all of which are considered to be major funds.

The general and special revenue funds utilize a legally adopted annual budget. A budgetary comparison statement has been provided for the general fund and special revenue fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found as Exhibits B-1 through B-3 in this report.

Proprietary Funds

The District maintains one proprietary fund type, an enterprise fund. The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the District is that the costs of providing goods or services be financed through user charges. The food services enterprise fund provides for the operation of food services in all schools within the District. The proprietary fund has been included within business-type activities in the district-wide financial statements.

The food services fund detail financial statements can be found as Exhibits G-1 through G-3 in this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. 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 District uses trust and agency funds to account for resources held for payroll transactions and the District' unemployment trust fund and sick pay benefits fund. The basic fiduciary fund financial statements can be found as Exhibits H-1 and H-3 in this report.

Notes to the Financial Statements. The notes provide additional information that is essential for a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found after the fund financial statements in this report.

Other information. The combining and individual fund statements referred to earlier in connection with governmental and enterprise funds are presented immediately following the notes to the financial statements.

Overview of the District as a Whole

The North Hanover Township School District is a pre-k to grade 6 district serving the children of those who live in North Hanover and at the Joint Base MDL (McGuire, Dix, Lakehurst). State Aid, local tax levy and a payment from the Federal government in lieu of taxes, known Impact Aid, are the primary revenues. There are five (5) school buildings: three (3) of which are owned by the U.S. Department of Education (USDOE). The three (3) schools which are owned by the USDOE are located on land owned by Joint Base MDL and which, in turn, is leased to the North Hanover Township Board of Education at no fee. Contracts were awarded in April 2004 for the construction of a 124,934 square foot school, known as the Upper Elementary School, which was designed with the intent to replace one school on Base as well as combine the children educated in that school, i.e. 5th and 6th grade, with those in the same grades from the C.B. Lamb Elementary School. The Upper Elementary School was substantially completed for the 2007/2008 school year, and, in turn, ownership of one school on Base was transferred from the U.S. Department of Education to the then called McGuire Air Force Base.

A new school housing all the fifth and sixth grade students under one roof was substantially completed and opened in September 2007. In January of 2011 a team from the Department of Defense Education Activity (DoDEA) inspected the schools on Base and prepared a report on the condition of those schools. This report was reviewed by Congress and Congress has thus far, appropriated two (2) rounds of funding for the renovations or replacement of schools nationwide identified in the report. In early spring of 2012, the District was invited to apply for funding to the (Federal) Office of Economic Adjustment (OEA). District administrative staff and Board Members attended a meeting which described and outlined the application process. It was made clear by the staff of the OEA that it was a noncompetitive process. After considerable review and in consultation with the entire Board, an application was filed to apply for the funding of the construction of a new school on Base to replace both of the Columbia and Atlantis Schools, thus, a community school for children living on Base in grades 1-4. The application also requested funds for the renovations of the Discovery School which, when completed would provide for an expanded preschool program for all children served by the District. Upon further review and with consultation from the District Architect, the funding for renovation of Discovery was considered inadequate and would take necessary money away from the construction of a new school. Discovery School will now also be demolished. One school, with a capacity for 890 students, will be built for military students from grades Pre-K through grade 4. An architect, engineer and construction manager has been hired, and the district anticipates completing the grant process by February or March of 2015.

Revenues received by the District are primarily Impact Aid from the Federal government, as well as State Aid and a local tax levy.

Financial Highlights

Some of the significant financial highlights of the 2015/2016 school year (FY'16) as compared to the 2014/2015 school year (FY'15):

- There was an increase in general revenues of \$2,819,317, or 11.00%, and a decrease in expenses of \$2,811 or .01%.
- Impact Aid, which is enrollment and formula driven based upon three (3) year old data, increased by \$2,377,205 or 27.66%.
- Unallocated benefits decreased by \$270,597 or 4.13%.

The following table, also shown as Exhibit A-1, is a worksheet indicator of the District's financial position:

Table A-1		
North Hanover Township Board of Education		
Net Position		
As of June 30, 2016		
	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Current and Other Assets	\$ 37,457,765	\$ 27,025,803
Capital Assets	40,850,996	40,830,593
Total Assets	<u>78,308,761</u>	<u>67,856,396</u>
Deferred Outflows Related to Pensions	1,431,887	575,440
Total Deferred Outflows	<u>1,431,887</u>	<u>575,440</u>
Long-term Liabilities	9,316,437	7,528,256
Other Liabilities	6,156,273	364,693
Total Liabilities	<u>15,472,710</u>	<u>7,892,949</u>
Deferred Inflows Related to Pensions	323,917	651,573
Total Deferred Inflows	<u>323,917</u>	<u>651,573</u>
Net Position		
Net Investment in Capital Assets	40,850,996	40,830,593
Restricted	29,930,633	24,314,218
Unrestricted	(6,837,608)	(5,257,497)
Total Net Position	<u><u>\$ 63,944,021</u></u>	<u><u>\$ 59,887,314</u></u>

Financial Analysis of the District's Funds

As discussed previously, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the District's governmental fund is to provide information on near term inflows, outflows, as balance, of spendable resources. Such information is useful in assessing the District financing requirements. The unreserved fund balance is divided between designated balance and undesignated balances.

Financial Information at Fiscal Year End

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 financial management. The following schedule presents a summary of the general fund and special revenue fund for the fiscal year ended June 30, 2016 and the amount and percentage of increase and (decrease) in relation to prior year revenues.

Revenue	Amount	Percent of Total	Increase/(Decrease) from 2015	Percent of Increase/(Decrease)
Local Sources	\$ 3,032,262	10.66%	\$ 99,851	3.41%
State Sources	13,929,458	48.97%	311,833	2.29%
Federal Sources	11,485,897	40.38%	2,407,633	26.52%
Total	\$ 28,447,617	100.00%	\$ 2,819,317	11.00%

The following schedule presents a summary of the general fund expenditures for the fiscal year ended June 30, 2016 and the percentage of increase and (decrease) relative to FY'16 amounts.

Expenditures	Amount	Percent of Total	Increase/(Decrease) from 2015	Percent of Increase/(Decrease)
Current Expense/ Special Revenue				
Instruction	\$ 8,971,261	37.41%	\$ 17,739	0.20%
Undistributed Expenditures	13,663,877	56.97%	(536,418)	-3.78%
Capital Outlay	1,347,948	5.62%	521,490	63.00%
Total	\$ 23,983,086	100.00%	\$ 2,811	0.01%

The modest increases in instruction was indicative of increases in salaries and the decrease in undistributed expenditures was due to reduction in tuition expenses and administrative cost.

A significant increase in the area of capital outlay was realized as equipment needs were met and the district purchased new playground equipment and safety surfaces as well as a new 24 passenger school bus. Additionally the district began construction on the new school building on Joint Base MDL.

General Fund Budgetary Highlights

Capital improvements and the purchase of new equipment over the past few years resulted in significant reductions in the cost to maintain the plant and the school bus fleet.

A contract was awarded for the installation of solar panels on the Upper Elementary School in August of 2009 but delayed by litigation. After a rather long drawn out battle, the Courts ruled in favor of the Board in March of 2010; the project got underway shortly thereafter. The project was completed in April of 2011 and has resulted in significantly lower energy costs. It is evident that when combined with geothermal energy, solar panels offer an opportunity for energy savings.

Significant benefit changes achieved through collective bargaining requiring the enrollment of new hires into managed care plans and only providing coverage for the employee, as well as requiring the contribution by employees toward their health care costs beginning in the 2011/2012 fiscal year, has resulted in a more modest increase in benefits costs.

Throughout the year budget transfers were effectuated between accounts to realign the 2015-2016 budget. Most of the transfers were in the area of salaries for special education staff to accommodate an increase in the enrollment of special needs children being educated within the District.

Proprietary Funds. The District’s proprietary fund provides the same type of information found in the district wide financial statements.

The Food Service operates under the enterprise fund. There was a decrease in operating expenses of \$5,573 due primarily to a decrease in cost of salaries and benefits. There was also an increase in operating revenue of \$10,388.

<u>General Fixed Assets</u>					
	June 30, 2015	Additions	Deletions	Adjustments	June 30, 2016
Land	\$ 98,818	\$ -	\$ -	\$ -	\$ 98,818
Construction In Progress	-	1,049,225	-	-	1,049,225
Total Non-Depreciable	\$ 98,818	\$ 1,049,225	\$ -	\$ -	\$ 1,148,043
Buildings	46,611,956	-	-	-	46,611,956
Machinery & Equipment	3,300,131	298,723	-	-	3,598,854
Subtotal	49,912,087	298,723	-	-	50,210,810
Accumulated Depreciation	(9,396,625)	\$ (1,327,347)	-	\$ -	(10,723,972)
Total Depreciable	\$ 40,515,462	\$ (1,028,624)	\$ -	\$ -	\$ 39,486,838

The increase in net capital assets appears in the addition column, which is primarily due to new equipment acquired and building improvements.

Economic Factors and the Forecast on the 2016/2017 (FY'17) Budget

The District anticipates that the approved 2016-2017 budget will be adequate to satisfy all 2016-2017 financial needs.

Requests for Information

This financial report is designed to provide a general overview of the North Hanover Township School District’s finances. Questions concerning any of the information contained in this report or any requests for additional information should be addressed to the Business Administrator/Board Secretary at the Upper Elementary School, located at 331 Monmouth Road, in North Hanover Township with a Post Office address of Wrightstown, NJ, 08562.

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BASIC FINANCIAL STATEMENTS

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A. Government-Wide Financial Statements

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**NORTH HANOVER BOARD OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2016**

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	JUNE 30, 2016
Cash & Cash Equivalents	\$ 35,174,173	\$ -	\$ 35,174,173
Receivables, Net	236,377	-	236,377
Inventory	-	9,206	9,206
Restricted Assets:			
Capital Reserve Account- Cash	2,038,009	-	2,038,009
Capital Assets , Non-Depreciable (Note 5)	1,148,043	-	1,148,043
Capital Assets, Depreciable, Net (Note 5)	39,486,838	216,115	39,702,953
Total Assets	78,083,440	225,321	78,308,761
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	1,431,887	-	1,431,887
Total Deferred Outflows of Resources	1,431,887	-	1,431,887
Total Assets and Deferred Outflows of Resources	79,515,327	225,321	79,740,648
LIABILITIES			
Cash Deficit	-	114,653	114,653
Accounts Payable	339,550	-	339,550
Unearned Revenue	5,692,536	9,534	5,702,070
Noncurrent Liabilities (Note 6):			
Due Beyond One Year	9,316,437	-	9,316,437
Total Liabilities	15,348,523	124,187	15,472,710
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	323,917	-	323,917
Total Deferred Inflows of Resources	323,917	-	323,917
Total Liabilities and Deferred Inflows of Resources	15,672,440	124,187	15,796,627
NET POSITION			
Net Investment in Capital Assets	40,634,881	216,115	40,850,996
Restricted for:			
Other Purposes	25,641,385	-	25,641,385
Capital Projects	4,289,248	-	4,289,248
Unrestricted	(6,722,627)	(114,981)	(6,837,608)
Total Net Position	\$ 63,842,887	\$ 101,134	\$ 63,944,021

**NORTH HANOVER BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION			TOTALS JUNE 30, 2016
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES		
Governmental Activities:							
Instruction:							
Regular	\$ 5,853,374	\$ -	\$ 330,165	\$ (5,523,209)	\$ -	\$ -	(5,523,209)
Special Education	2,097,735	-	-	(2,097,735)	-	-	(2,097,735)
Other Instruction	1,020,152	-	-	(1,020,152)	-	-	(1,020,152)
Support Services & Undistributed Costs:							
Tuition	214,251	-	-	(214,251)	-	-	(214,251)
Attendance & Social Work	19,000	-	-	(19,000)	-	-	(19,000)
Health Services	334,889	-	-	(334,889)	-	-	(334,889)
Student & Instruction Related Services	2,020,830	-	184,844	(1,835,986)	-	-	(1,835,986)
Educational Media Services/ School							
Library	417,231	-	-	(417,231)	-	-	(417,231)
School Administrative Services	431,912	-	-	(431,912)	-	-	(431,912)
Other Administrative Services	1,063,459	-	-	(1,063,459)	-	-	(1,063,459)
Plant Operations & Maintenance	1,616,514	-	-	(1,616,514)	-	-	(1,616,514)
Pupil Transportation	1,270,570	-	-	(1,270,570)	-	-	(1,270,570)
Unallocated/Allocated Benefits	9,654,343	-	5,455,293	(4,199,050)	-	-	(4,199,050)
Increase/(Decrease) In Compensated Absences-							
Unallocated	(1,461)	-	-	1,461	-	-	1,461
Unallocated Depreciation	1,327,347	-	-	(1,327,347)	-	-	(1,327,347)
Total Governmental Activities	27,340,146	-	5,970,302	(21,369,844)	-	-	(21,369,844)

The Accompanying Notes to the Financial Statements are an integral part of this Statement.

**NORTH HANOVER BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION			TOTALS
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	JUNE 30, 2016	
Business-Type Activities:							
Food Service	763,311.00	204,779.00	383,130.00	-	(175,402)		(175,402)
Total Business-Type Activities	763,311.00	204,779.00	383,130.00	-	(175,402)		(175,402)
Total Primary Government	\$ 28,103,457	\$ 204,779	\$ 6,353,432	(21,369,844)	(175,402)		(21,545,246)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net				2,705,329	-		2,705,329
Federal & State Aid Unrestricted				22,565,532	-		22,565,532
Transportation				28,300	-		28,300
Tuition Received				25,733	-		25,733
Investment Earnings				4,916	4,159		9,075
Miscellaneous Income				267,984	-		267,984
Total General Revenues				25,597,794	4,159		25,601,953
Total General Revenues, Special Items, Extraordinary Items & Transfers				25,597,794	4,159		25,601,953
Change In Net Position				4,227,950	(171,243)		4,056,707
Net Position - Beginning of Year				59,614,937	272,377		59,887,314
Net Position - End of Year				\$ 63,842,887	\$ 101,134		\$ 63,944,021

The Accompanying Notes to the Financial Statements are an integral part of this Statement.

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B. Fund Financial Statements

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Governmental Funds

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**NORTH HANOVER BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016**

ASSETS	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	JUNE 30, 2016
Cash & Cash Equivalents	\$ 30,975,822	\$ -	\$ 4,289,248	\$ 35,265,070
Receivables from Other Governments	143,795	92,582	-	236,377
Restricted Cash	2,038,009	-	-	2,038,009
Total Assets	\$ 33,157,626	\$ 92,582	\$ 4,289,248	\$ 37,539,456
LIABILITIES & FUND BALANCES				
Liabilities:				
Cash Deficit	\$ -	\$ 90,897	\$ -	\$ 90,897
Accounts Payable	339,425	125	-	339,550
Unearned Revenue	5,690,976	1,560	-	5,692,536
Total Liabilities	6,030,401	92,582	-	6,122,983
Fund Balances:				
Restricted for:				
Capital Reserve	2,038,009	-	-	2,038,009
Capital Projects	-	-	4,289,248	4,289,248
Reserve for Impact Aid	17,700,804	-	-	17,700,804
Reserve for Impact Aid Capital Fund	5,902,572	-	-	5,902,572
Committed to:				
Other Purposes	205,159	-	-	205,159
Assigned to:				
Designated for Subsequent Year's Expenditures	1,280,681	-	-	1,280,681
Total Fund Balances	27,127,225	-	4,289,248	31,416,473
Total Liabilities & Fund Balances	\$ 33,157,626	\$ 92,582	\$ 4,289,248	

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 \$51,358,853 and the accumulated depreciation is \$10,723,972	40,634,881
Deferred outflows and inflows of resources related to pensions and deferred charges or credits on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.	1,107,970
Long-term liabilities, including net pension liability, and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(9,316,437)
Net Position of Governmental Activities	\$ 63,842,887

The Accompanying Notes to the Financial Statements are an integral part of this Statement.

**NORTH HANOVER BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2016**

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	JUNE 30, 2016
Revenues:				
Local Sources:				
Local Tax Levy	\$ 2,705,329	\$ -	\$ -	\$ 2,705,329
Tuition	25,733	-	-	25,733
Interest Earned	4,916	-	-	4,916
Transportation	28,300	-	-	28,300
Other Local Revenues/Miscellaneous	267,984	-	-	267,984
Total Local Sources	3,032,262	-	-	3,032,262
State Sources	13,929,458	-	-	13,929,458
Federal Sources	10,970,888	515,009	-	11,485,897
Total Revenues	27,932,608	515,009	-	28,447,617
Expenditures:				
Current Expense:				
Regular Instruction	5,523,209	330,165	-	5,853,374
Special Education Instruction	2,097,735	-	-	2,097,735
Other Instruction	1,020,152	-	-	1,020,152
Support Services & Undistributed Costs:				
Tuition	214,251	-	-	214,251
Attendance & Social Work	19,000	-	-	19,000
Health Services	334,889	-	-	334,889
Student & Instruction Related Services	1,835,986	184,844	-	2,020,830
Educational Media Services/School Library	417,231	-	-	417,231
School Administrative Services	431,912	-	-	431,912
Central Services	323,678	-	-	323,678
Administration Information Technology	38,124	-	-	38,124
Other Administrative Services	701,657	-	-	701,657
Plant Operations & Maintenance	1,616,514	-	-	1,616,514
Pupil Transportation	1,270,570	-	-	1,270,570
Employee Benefits	6,275,221	-	-	6,275,221
Capital Outlay	298,723	-	1,049,225	1,347,948
Total Expenditures	22,418,852	515,009	1,049,225	23,983,086
Excess/(Deficiency) of Revenues Over/ (Under) Expenditures	5,513,756	-	(1,049,225)	4,464,531
Other Financing Sources/(Uses):				
Transfers In	-	-	5,338,473	5,338,473
Transfers Out	(5,338,473)	-	-	(5,338,473)
Total Other Financing Sources/(Uses)	(5,338,473)	-	5,338,473	-
Excess/(Deficiency) of Revenues & Other Financing Sources Over/(Under) Expenditures & Other Financing Uses	175,283	-	4,289,248	4,464,531
Fund Balances July 1	26,951,942	-	-	26,951,942
Fund Balances June 30	\$ 27,127,225	\$ -	\$ 4,289,248	\$ 31,416,473

The Accompanying Notes to the Financial Statements are an integral part of this Statement.

**NORTH HANOVER BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Total Net Change in Fund Balances - Governmental Funds (From B-2) \$ 4,464,531

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period:

Capital Outlays	\$ 1,347,948	
Depreciation Expense	<u>(1,327,347)</u>	20,601

District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

Unfunded TPAF Pension Expense	(3,120,479)	
State Share of Unfunded TPAF Pension Expense	3,120,479	
District Pension Contributions - PERS	346,896	
Pension Expense - PERS	<u>(605,539)</u>	(258,643)

Repayment of compensated absences is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.

Prior Year	225,176	
Current Year	<u>(223,715)</u>	1,461

Change in Net Position of Governmental Activities \$ 4,227,950

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Proprietary Funds

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**NORTH HANOVER BOARD OF EDUCATION
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2016**

ASSETS	BUSINESS-TYPE ACTIVITIES- ENTERPRISE FUNDS <u>FOOD SERVICE</u>	JUNE 30, 2016
Current Assets:		
Inventories	\$ 9,206	\$ 9,206
Total Current Assets	<u>9,206</u>	<u>9,206</u>
Fixed Assets:		
Equipment	564,300	564,300
Less: Accumulated Depreciation	<u>(348,185)</u>	<u>(348,185)</u>
Total Fixed Assets	<u>216,115</u>	<u>216,115</u>
Total Assets	<u>225,321</u>	<u>225,321</u>
LIABILITIES		
Current Liabilities:		
Cash Deficit	114,653	114,653
Unearned Revenue	<u>9,534</u>	<u>9,534</u>
Total Liabilities	<u>124,187</u>	<u>124,187</u>
NET POSITION		
Net Investment in Capital Assets	216,115	216,115
Unrestricted	<u>(114,981)</u>	<u>(114,981)</u>
Total Net Position	<u>\$ 101,134</u>	<u>\$ 101,134</u>

The Accompanying Notes to the Financial Statements are an integral part of this Statement.

**NORTH HANOVER BOARD OF EDUCATION
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES
EXPENSES AND CHANGES IN FUND NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2016**

	BUSINESS-TYPE ACTIVITIES- ENTERPRISE FUNDS	JUNE 30, 2016
	FOOD SERVICE	
Operating Revenues:		
Local Sources:		
Daily Sales-Reimbursable Programs	\$ 153,056	\$ 153,056
Daily Sales - Nonreimbursable Program	51,723	51,723
	<hr/>	<hr/>
Total Operating Revenue	204,779	204,779
	<hr/>	<hr/>
Operating Expenses:		
Salaries	237,796	237,796
Employee Benefits	94,448	94,448
Professional Technical Services	181,355	181,355
Miscellaneous	1,845	1,845
Management Fee	32,825	32,825
Depreciation	198	198
Supplies and Materials	24,055	24,055
Cost of Sales	190,789	190,789
	<hr/>	<hr/>
Total Operating Expenses	763,311	763,311
	<hr/>	<hr/>
Operating Income/(Loss)	(558,532)	(558,532)
	<hr/>	<hr/>
Nonoperating Revenues (Expenses):		
State Sources:		
State School Lunch Program	4,765	4,765
Federal Sources:		
National School Lunch Program	164,346	164,346
National School Breakfast Program	35,279	35,279
Impact Aid	150,000	150,000
Food Distribution Program	28,740	28,740
	<hr/>	<hr/>
Total Nonoperating Revenue/ (Expenses)	383,130	383,130
	<hr/>	<hr/>
Other Financing Sources/(Uses):		
Interest Revenue- Board Contribution	4,159	4,159
	<hr/>	<hr/>
Total Other Financing Sources/ (Uses)	4,159	4,159
	<hr/>	<hr/>
Change in Net Position	(171,243)	(171,243)
Total Net Position - Beginning	272,377	272,377
	<hr/>	<hr/>
Total Net Position - Ending	\$ 101,134	\$ 101,134
	<hr/>	<hr/>

The Accompanying Notes to the Financial Statements are an integral part of this Statement.

**NORTH HANOVER BOARD OF EDUCATION
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR FISCAL YEAR ENDED JUNE 30, 2016**

	BUSINESS-TYPE ACTIVITIES- ENTERPRISE FUNDS	FOOD SERVICE	JUNE 30, 2016
Cash Flows from Operating Activities:			
Receipts from Customers	\$	214,313	\$ 214,313
Payments to Employees		(237,796)	(237,796)
Payments for Employee Benefits		(94,448)	(94,448)
Payments to Suppliers		(429,226)	(429,226)
		(547,157)	(547,157)
Cash Flows From Noncapital Financing Activities:			
Cash Received From State & Federal Programs		426,203	426,203
Transfers Out		-	-
		426,203	426,203
Cash Flows From Investing Activities:			
Interest & Dividends		4,159	4,159
		4,159	4,159
Net Increase/(Decrease) in Cash & Cash Equivalents		(116,795)	(116,795)
Balances - Beginning of Year		2,142	2,142
		(114,653)	(114,653)
Balances - Ending of Year	\$	(114,653)	\$ (114,653)
 Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:			
Operating Income (Loss)	\$	(558,532)	\$ (558,532)
Adjustments to Reconcile Operating Income (Loss) to Cash Provided by (Used in) Operating Activities:			
Depreciation & Net Amortization		198	198
Change in Assets & Liabilities:			
Increase/(Decrease) in Unearned Revenue		9,534	9,534
(Increase)/Decrease in Inventory		1,643	1,643
		(547,157)	(547,157)
Net Cash Provided/(Used) by Operating Activities	\$	(547,157)	\$ (547,157)

The Accompanying Notes to the Financial Statements are an integral part of this Statement.

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Fiduciary Fund

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**NORTH HANOVER BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITON
JUNE 30, 2016**

ASSETS	PRIVATE PURPOSE			JUNE 30, 2016
	SICK PAY BENEFITS	ERNANDES GRADUATION FUND	UNEMPLOYMENT COMPENSATION	
Cash & Cash Equivalents	\$ 223,715	\$ 1,205	\$ 184,763	\$ 409,683
Total Assets	223,715	1,205	184,763	409,683
NET POSITION				
Reserve for:				
Sick Pay Benefits	223,715	-	-	223,715
Scholarships	-	1,205	-	1,205
Unemployment Compensation	-	-	184,763	184,763
Total Net Position	\$ 223,715	\$ 1,205	\$ 184,763	\$ 409,683

**NORTH HANOVER BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016**

ADDITIONS	PRIVATE PURPOSE			JUNE 30, 2016
	SICK PAY BENEFITS	ERNANDES GRADUATION FUND	UNEMPLOYMENT COMPENSATION	
Additions:				
Interest	\$ 149	\$ 5	\$ 730	\$ 884
Donations	-	1,500	-	1,500
Impact Aid	47,018	-	-	47,018
Total Additions	47,167	1,505	730	49,402
DEDUCTIONS				
Quarterly Contribution Reports:				
Unemployment Claims	-	-	2,029	2,029
Scholarship Awards	-	300	-	300
Sick Time Payouts	48,629	-	-	48,629
Total Deductions	48,629	300	2,029	50,958
Change in Net Position	(1,462)	1,205	(1,299)	(1,556)
Net Position - Beginning of the Year	225,177	-	186,062	411,239
Net Position - End of the Year	\$ 223,715	\$ 1,205	\$ 184,763	\$ 409,683

NORTH HANOVER BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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NORTH HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1. Summary of Significant Accounting Policies

The financial statements of the North Hanover Board of Education District (the ‘District’) have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of more significant accounting policies.

Reporting Entity

The North Hanover Board of Education is a Type II district located in the County of Burlington, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The operations of the District include five elementary schools located in North Hanover Township and on the Joint Base McGuire-Dix-Lakehurst. The Board is comprised of five members appointed to three-year terms. These terms are staggered so that various members’ terms expire each year. The District provides a full range of educational services appropriate to grade levels K through 6. These include regular, vocational, as well as special education for handicapped youngsters. The North Hanover Board of Education has an approximate enrollment at June 30, 2016 of 1,200 students.

The primary criterion for including activities within the District’s reporting entity as a component unit, as set forth in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, is whether:

- ◆ the organization is legally separate (can sue or be sued in their own name)
- ◆ the District holds the corporate powers of the organization
- ◆ the District appoints a voting majority of the organization’s board
- ◆ the District is able to impose its will on the organization
- ◆ the organization has the potential to impose a financial benefit/burden on the District
- ◆ there is a fiscal dependency by the organization on the District

There were no additional entities required to be included in the reporting entity under the criteria as described above. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

Component Units

GASB Statement No.14. The Financial Reporting Entity, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units and GASB Statement No. 61, The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34. The District had no component units as of for the year ended June 30, 2016.

Government-Wide Financial Statements

The District’s Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the District accompanied by a total column. Fiduciary activities of the District are not included in these statements.

NORTH HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 (continued)

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the District’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule (Exhibit B-3) is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The District has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. (The District’s deferred outflows of resources and deferred inflows of resources are noncurrent.) The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District, are property tax and intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and for the non-major funds aggregated. A column representing internal service funds is also presented in these statements. However, internal service funds balances and activities have been combined with the governmental activities in the Government-Wide financial statements.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

NORTH HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 (continued)

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position. The District's fiduciary funds are Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency funds are accounted for on a spending or "economic resources" measurement focus and the accrual basis of accounting as are the proprietary funds explained above.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in 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.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges 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 taxes.

While government-wide and fund financial statements are presented separately, they are interrelated. The governmental activities column of the government wide statements incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the District's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. However, data from the fiduciary funds is not incorporated in the government-wide financial statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as 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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, charges for services, licenses, and interest on notes receivable associated with the current fiscal period are all considered to be susceptible to accrual and accordingly have been recognized as revenues of the current fiscal period. Entitlements 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 (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be

NORTH HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 (continued)

measurable and available when cash is received.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Food Service Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, employee salaries and benefits, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Internal service funds are used to account for those operations which provide benefits to other funds, departments, or agencies of the primary government and its component unit. Although internal service funds are reported as a proprietary fund in the fund financial statements, it is incorporated into governmental activities in the government-wide financial statements. The District does not maintain any internal service funds.

The District reports the following major governmental funds:

General Fund - The general fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the Capital Outlay sub-fund.

As required by the New Jersey Department of Education the District includes budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, interest earnings and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund - The capital projects fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

NORTH HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 (continued)

The District reports the following major proprietary funds:

Food Service Fund – This fund accounts for the revenues and expenses pertaining to the District’s cafeteria operations.

Additionally, the District reports the following major fiduciary funds:

Private Purpose Trust Funds - Private-purpose trust funds are used to account for the principal and income for trust arrangements that benefit individuals, private organizations, or other governments. The district currently maintains the following private purpose trust funds:

Unemployment Trust Fund – Revenues consist of employee payroll withholdings, interest income, and contributions through the annual budget process of the District. Expenditures consist of unemployment reimbursement claims.

Ernandes Graduation Fund – Revenues consist of donations and expenditures consist of scholarship awards.

Sick Pay Fund – Revenues consist of interest income and district contributions. Expenditures consist of payments made for accrued sick leave.

Agency Funds - Agency funds are assets held by a governmental entity (either as trustee or as an agent) for other parties that cannot be used to finance the governmental entity’s own operating programs. The district currently maintains Payroll funds as Agency Funds.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the county office. In accordance with P.L.2011 c.202, which became effective January 17, 2012, the District eliminated the April annual voter referendum on budgets which met the statutory tax levy cap limitations and the board of education members are elected at the November general election. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item

NORTH HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 (continued)

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. 6A:23-2-2(f)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23-2-11.

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

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

The budget, as detailed on Exhibit C-1, Exhibit C-2, and Exhibit I-3, includes all amendments to the adopted budget, if any.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounts as presented in the General Fund Budgetary Comparison Schedules and the Special Revenue Fund Budgetary Comparison Schedule to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds. Note that the District does not report encumbrances outstanding at fiscal year-end as expenditures in the general fund since the general fund budget follows modified accrual basis with the exception of the revenue recognition policy for the last state aid payments.

Encumbrances

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

Open encumbrances in the special revenue fund for which the District has received advances are reflected in the balance sheet as a reduction of the accounts receivables or as unearned revenue at fiscal year-end.

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

Cash and Cash Equivalents

Cash and Cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost.

NORTH HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 (continued)

New Jersey School Districts are limited as to the types of investments and types of financial institutions they may invest in. *N.J.S.18A:20-37* provides a list of permissible investments that may be purchased by New Jersey school districts.

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from loss of funds on deposit with a failed banking institution in New Jersey.

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

Tuition Receivable/Payable

Tuition rates for the fiscal year end June 30, 2016 were established by the receiving district based on estimated costs. The charges are subject to adjustment when the final costs have been determined.

Inventories

Inventories are valued at cost, utilizing the first-in, first-out method. The cost of inventories are recorded as expenditures when consumed rather than when purchased.

Prepaid Expenses

Prepaid expenses, which benefit future periods, are only recorded in the government-wide financial statements and in the proprietary fund statements. Prepaid expenses in the proprietary fund represent payments made to vendors for services that will benefit periods beyond June 30, 2016. They are recorded as expenditure during the year of purchase.

Short-Term Interfund Receivables/Payables

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year. The amounts are eliminated in the governmental and business-type activities, which are presented as Internal Balances. Balances with fiduciary funds are not considered Internal Balances; therefore those balances are reported on the Statement of Net Position.

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation. The District has established a threshold of \$2,000 for capitalization of

NORTH HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 (continued)

depreciable assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the District are depreciated or amortized using the straight-line method over the following estimated lives:

Buildings	20-50 Years
Machinery and Equipment	5-10 Years
Improvements	10-20 Years

Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

In the Government-Wide financial statements, under governmental activities, compensated absences are reported as an expenditure and noncurrent liabilities.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measureable and the District is eligible to realize the revenue.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, government fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumption that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NORTH HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 (continued)

Fund Balance

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- Non-spendable – This classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Non-spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. These amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School Board did not have any committed resources as of June 30, 2016.
- Assigned – This classification includes amounts that are constrained by the School District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Education or through the Board of Education delegating this responsibility to the business administrator through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to consider restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, it is the District's policy to consider amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

NORTH HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 (continued)

Net Position

Net position, represents the difference between summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified in the following three components:

- Net Investment in Capital Assets – This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for acquisition, construction, or improvement of those assets.
- Restricted – Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- Unrestricted – Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

Impact of Recently Issued Accounting Principles

Adopted Accounting Pronouncements

For the year ended June 30, 2016, the District implemented GASB Statement No. 72, *Fair Value Measurement and Application*. As a result of implementing this statement, the District is required to measure certain investments at fair value for financial reporting purposes. In addition, the District is required to measure donated capital assets at acquisition value (an entry price); these assets were previously required to be measured at fair value. Statement No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Implementation of this Statement did not impact the District's financial statements.

The District implemented GASB Statement 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*. Implementation of this Statement did not impact the District's financial statements.

The District implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Implementation of this Statement did not impact the District's financial statements.

Recently Issued and Adopted Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. 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. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB)

NORTH HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 (continued)

with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ended June 30, 2017. Management does not expect this Statement to impact the District's financial statements.

Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans. This Statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the District's financial statements.

Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose information about those agreements. This Statement will be effective for the year ended June 30, 2017. Management does not expect this Statement to impact the District's financial statements.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement will be effective for the year ended June 30, 2017. Management does not expect this Statement to impact the District's financial statements.

Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. This Statement will be effective for the year ended June 30, 2017. Management does not expect this Statement to impact the District's financial statements.

Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement will be effective for the year ended June 30, 2018. Management does not expect this Statement to impact the District's financial statements.

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement will be effective for the year ended June 30, 2018. Management does not expect this Statement to impact the District's financial statements.

Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, 68 and No. 73*. 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 Pensions*, 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*. This Statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the District's financial statements.

NORTH HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 (continued)

Bond Premiums, Discounts and Issuance Costs

In the government-wide financial statements and in the proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when bonds are issued.

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

Deferred Loss on Refunding Debt

Deferred loss on refunding debt arising from the issuance of the refunding bonds is recorded as deferred outflows of resources. It is amortized in a systematic and rational manner over the shorter of the duration of the related debt or the new debt issues as a component of interest expense.

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net 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.

In addition to liabilities, the statement of net 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 a future periods and so will not be recognized as an inflow of resources (revenue) until that time.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

Subsequent Events

The North Hanover Board of Education has evaluated subsequent events occurring after June 30, 2016 through the date of December 2, 2016, which is the date the financial statements were available to be issued.

NORTH HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 (continued)

Note 2. Cash and Cash Equivalents

The District is governed by the deposit and investment limitations of New Jersey state law. The Deposits and investments held at June 30, 2016, and reported at fair value are as follows:

Type	Carrying Value
Deposits	
Demand Deposits	\$ <u>37,507,213</u>
Total Deposits	<u>\$ 37,507,213</u>

The District's Cash & Cash Equivalents are Reported as Follows:

Governmental Activities	\$ 37,212,182
Business-Type Activities	(114,652)
Fiduciary Funds	<u>409,683</u>
Total Cash & Cash Equivalents	<u>\$ 37,507,213</u>

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Board’s deposits may not be recovered. Although the Board does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 et seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA is a supplemental insurance program set forth by the New Jersey Legislature to protect the deposits of local governmental agencies. The program is administered by the Commissioner of the New Jersey Department of Banking and Insurance. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by FDIC. Public fund owned by the Board in excess of FDIC insured amounts are protected by GUDPA.

However, GUDPA does not protect intermingled trust funds such as salary withholdings, student activity funds or funds that may pass to the Board relative to the happening of a future condition. Such funds are shown as Uninsured and Uncollateralized in the schedule below. As of June 30, 2016, the District’s bank balance of \$38,166,938 was exposed to custodial credit risk as follows:

Insured Under FDIC	\$ 500,000
Uninsured and uncollateralized	382,410
Collateralized in the District’s Name Under GUDPA	<u>37,284,529</u>
Total	<u>\$ 38,166,938</u>

NORTH HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 (continued)

Note 3. Capital Reserve Account

A capital reserve account was established by the North Hanover Township Board of Education for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by Board resolution at year-end of any unanticipated revenue or unexpended line-item appropriation 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 account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2015 to June 30, 2016 fiscal year is as follows:

Beginning Balance, July 1, 2015	\$	2,033,093
Interest Earnings		4,916
Deposit		208,188
Transfer		<u>(208,188)</u>
Ending Balance, June 30, 2016	\$	<u>2,038,009</u>

Note 4. Accounts Receivable

Accounts receivable at June 30, 2016 consisted of accounts and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of state programs and the current fiscal year guarantee of federal funds. Accounts receivable as of fiscal year end for the School District's individual major and fiduciary funds, in the aggregate, are as follows:

	General Fund	Special Revenue Fund	Proprietary Funds	Total
State Aid	\$ 143,795	\$ -	\$ -	\$ 143,795
Federal Aid	-	92,582	-	<u>92,582</u>
Total	<u>\$ 143,795</u>	<u>\$ 92,582</u>	<u>\$ -</u>	<u>\$ 236,377</u>

NORTH HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 (continued)

Note 5. Capital Assets

The schedule on the following page is a summarization of the capital assets by source for the fiscal year ended June 30, 2016.

	June 30, <u>2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	June 30, <u>2016</u>
Land	\$ 98,818	\$ -	\$ -	\$ -	\$ 98,818
Construction In Progress	-	1,049,225	-	-	1,049,225
Total Non-Depreciable Assets	\$ 98,818	\$ 1,049,225	\$ -	\$ -	\$ 1,148,043
Buildings	\$ 46,611,956				\$ 46,611,956
Machinery & Equipment	3,300,131	298,723			3,598,854
Subtotal	49,912,087	298,723	-	-	50,210,810
Accumulated Depreciation	(9,396,625)	(1,327,347)			(10,723,972)
Total Depreciable Assets	\$ 40,515,462	\$ (1,028,624)	\$ -	\$ -	\$ 39,486,838

The following schedule is a summarization of the proprietary fund fixed assets recorded at historical cost by source for the fiscal year ended June 30, 2016:

	June 30, <u>2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	June 30, <u>2016</u>
Machinery & Equipment	\$ 564,300	\$ -	\$ -	\$ -	\$ 564,300
Less: Accumulated Depreciation	(347,987)	(198)	-	-	(348,185)
Total	\$ 216,313	\$ (198)	\$ -	\$ -	\$ 216,115

NORTH HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 (continued)

Note 6. Long-Term Obligations

During the fiscal year ended June 30, 2016 the following changes occurred in Long-Term Obligations:

	June 30, <u>2015</u>	<u>Retired</u>	<u>Issued</u>	June 30, <u>2016</u>	<u>Due Within One Year</u>
GASB #45 - Other Post					
Employment Benefits	\$ 35,107	\$ -	\$ -	\$ 35,107	-
Compensated Absences Payable	225,176	1,461	-	223,715	-
Net Pension Liability	7,267,973	-	1,789,642	9,057,615	-
	<hr/>				
Total	\$ 7,528,256	\$ 1,461	\$ 1,789,642	\$ 9,316,437	\$ -
	<hr/>				

Note 7. Inventory:

Inventory recorded at June 30, 2016 in business-type activities on the government-wide statement of net position, consisted of the following:

Food	\$ 3,427
Supplies & Cleaning	2,154
USDA Commodities	<u>3,625</u>
	<u>\$ 9,206</u>

Note 8: Pension Obligations

A. Public Employees' Retirement System (PERS)

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

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

The following represents the membership tiers for PERS:

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

NORTH HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 (continued)

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

Basis of Presentation - The schedules of employer allocations and the schedules of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Contributions - The contribution policy for PERS is set by *N.J.S.A. 15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2014 and 2013, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Components of Pension Liability - At June 30, 2016, the District reported a liability of \$9,057,615 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2014, to the measurement date of June 30, 2015. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2015. The District's proportion measured as of June 30, 2015, was 0.04035% percent, which was a decrease of 0.00153% from its proportion measured as of June 30, 2014.

**NORTH HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 (continued)**

Collective Balances at June 30, 2016 and June 30, 2015

	<u>6/30/2016</u>	<u>6/30/2015</u>
Actuarial valuation date	July 1, 2015	July 1, 2014
Deferred Outflows of Resources	\$ 1,431,887	\$ 228,544
Deferred Inflows of Resources	\$ 323,917	\$ 651,573
Net Pension Liability	\$ 9,057,615	\$ 7,267,973
District's portion of the Plan's total net pension Liability	0.04035%	0.03882%

Pension Expense and Deferred Outflows/Inflows of Resources - For the year ended June 30, 2016, the District recognized pension expense of \$605,539. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 145,629
Changes of assumptions	972,716	-
Net difference between projected and actual earnings on pension plan investments	216,083	-
Changes in proportion and differences between District contributions and proportionate share of contributions	243,088	178,288
Total	<u>\$ 1,431,887</u>	<u>\$ 323,917</u>

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

Year Ended June 30:	
2017	233,712
2018	233,712
2019	233,712
2020	233,712
2021	173,123

**NORTH HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 (continued)**

Actuarial Assumptions - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

	<u>PERS</u>
Measurement date	June 30, 2015
Actuarial valuation date	July 1, 2014
Interest rate	7.90%
Salary scale	2012-2021 - 2.15-4.40% Based on Age Thereafter - 3.15-5.40%
Inflation rate	Based on Age 3.01%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

NORTH HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 (continued)

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 rates of return for each major asset class included in PERS's 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%	5.21%
Total	100.00%	

Discount Rate - The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability as of June 30, 2015, calculated using the discount rate as disclosed above, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.90%) or 1-percentage-point higher (5.90%) than the current rate:

NORTH HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 (continued)

	<u>Decrease</u> <u>(3.90%)</u>	<u>Discount</u> <u>(4.90%)</u>	<u>Increase</u> <u>(5.90%)</u>
District's proportionate share of the net pension liability	\$ 11,257,508	\$ 9,057,615	\$ 7,213,242

B. Teachers' Pension and Annuity Fund (TPAF)

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

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

The following represents the membership tiers for TPAF:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit, and tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Basis of Presentation - The schedules of employer and nonemployer allocations and the schedules of pension amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of TPAF and the State as an employer/nonemployer entity. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of TPAF or the State. The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of

**NORTH HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 (continued)**

TPAF to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Contributions - The contribution policy for TPAF is set by *N.J.S.A 18A:66* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015, the State's pension contribution was less than the actuarial determined amount.

Special Funding Situation - The employer contributions for local participating employers are legally required to be funded by the State in accordance with *N.J.S.A 18:66-33*. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer.

Teachers Pensions and Annuity Fund (TPAF) - 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 Teachers Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF. 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.

	<u>TPAF</u>
Measurement date	June 30, 2015
Acturial valuation date	July 1, 2014
Interest rate	7.90%
Salary scale	Varies Based On Experience
Inflation rate	2.50%

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

NORTH HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 (continued)

males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan 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 TPAF's 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 Market Equities	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%
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 4.13% as of June 30, 2015. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of employers' contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-

NORTH HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 (continued)

term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS & TPAF financial report.

Defined Contribution Retirement Plan (DCRP) – The District contributes to the New Jersey Defined Contribution Retirement Program (DCRP) which is a defined contribution retirement benefit plan, along with life insurance and disability coverage, for its employees who are ineligible for PERS or TPAF.

When enrolled in the DCRP, members contribute 5.5 percent of their base salary to a tax-deferred investment account established with Prudential Financial, which jointly administers the DCRP investments with the Division of Pension and Benefits. Member contributions are matched by a 3 percent employer contribution.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in District contributions and earnings on District contributions after commencement of their second year of employment, with some exceptions. Nonvested District contributions and earnings are forfeited upon separation from covered employment. Such forfeitures are reverted back to a forfeiture account for the employer and may be used to reduce pension expenses. For the year ended June 30, 2016, the District did not apply forfeitures to reduce the District's pension expense.

Note 10. Post-Retirement Benefits

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 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 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.

Note 11. Risk Management

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

**NORTH HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 (continued)**

Property and Liability Insurance – The District maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

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

Fiscal Year	District Contributions	Interest Earnings	Amount Reimbursed	Ending Balance
2015-2016	-	730	2,029	184,763
2014-2015	-	615	114,156	186,062
2013-2014	105,188	614	49,335	299,603

Note 12. Contingent Liabilities

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2016 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying combined financial statements for such contingencies.

Note 13. Economic Dependency

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

Note 14. Deferred Compensation

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

Prudential	UNUM	Equitable	Lincoln Investment
	Valic	Met Life	

NORTH HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 (continued)

Note 15. Compensated Absences

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

District employees are granted varying amounts of vacation and sick leave in accordance with the district's school personnel policy. Upon termination, employees are paid for accrued vacation. The district's school's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement employees shall be paid by the district school for the unused sick leave in accordance with district's agreements with various employee unions.

The liability for vested compensated absences of the governmental fund types is recorded in the statement of net position under governmental activities. The current portion of the compensated absence balance is not considered material to the applicable funds total liabilities, and is therefore not shown separately from the long-term liability balance of compensated absences. The amount at June 30, 2016 is \$223,715.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2016 no liability existed for compensated absences in the proprietary fund types.

Note 15. Fund Balance Disclosure

General Fund (Exhibit B-1) – Of the \$27,127,225 General Fund fund balance at June 30, 2016, \$205,159 is reserved for encumbrances; \$-0- has been designated for Subsequent Year's Expenditures; \$5,902,572 has been reserved in the Capital Impact Aid Reserve Account; \$2,038,009 has been reserved in the Capital Reserve Account and \$17,700,804 has been reserved in the Impact Aid Reserve Account.

Impact Aid Reserve – The District receives a large portion of its annual operating revenue from Federal Impact Aid. Due to the uncertainty of future funding the District has reserved Federal Impact Aid Fund Balance for use in future years. Reserves have been set up to fund future capital projects as well as future operating expenses.

Capital Projects Fund (Exhibit B-1) – Of the \$4,289,248 Capital Projects Fund, Fund Balance at June 30, 2016, \$4,289,248 is reserved for Capital projects.

Note 16. Litigation

Several cases are still pending, as of June 30, 2016, before the Division of Workers' Compensation. These cases are still in litigation and the outcome of such is unknown.

**NORTH HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 (continued)**

Note 17. GASB #45 - Post-Retirement Health Benefits

The North Hanover School District provides Medicare Part B re-imbusement to a closed group of three retirees who participated in the ERIP of 1994. Current active employees are not eligible for the Medicare Part B reimbursement. The North Hanover School District pays 100% of the supplementary Medicare insurance cost for the retiree.

The North Hanover School District’s annual Other Post-Employment Benefit cost is calculated based on the Annual Required Contribution. The actuarial cost method used to determine the Plan’s funding requirements is the “Unit Credit” method. Under this method, an actuarial accrued liability is determined as the present value of the earned benefits, which is allocated to service before the current plan year. The Plan is currently unfunded. The unfunded actuarial liability is amortized over the average life expectancy of the retiree population.

The North Hanover School District’s annual Other Post-Employment Benefit cost, the percentage of annual Other Post Employment Benefit cost contributed to the Plan and the net Other Post Employment Benefit obligation (OPEB) for the year ending June 30, 2016 is as follows:

YEAR ENDED	ANNUAL OPEB COST	PERCENTAGE CONTRIBUTED	NET OPEB OBLIGATION
06/30/16	\$4,704	0%	\$35,107

Actuarial assumptions were used to value the post-retirement medical liabilities. Actuarial assumptions were based on the actual experience of the covered group, to the extent that creditable experience data was available, with an emphases on expected long-term future trends rather than giving undue weight to recent past experience. The reasonableness of each actuarial assumption was considered independently based on its own merits, its consistency with each other assumption, and the combined impact of all assumptions.

Two economic assumptions used in the valuation are the discount rate and the health care cost trend rates. The economic assumptions are used to account for changes in the cost of benefits over time and to discount future benefit payments for the time value of money.

The investment return assumption (discount rate) should be the estimated long-term investment yield on the investments that are expected to be used to finance the payments of benefits. The investments expected to be used to finance the payments of benefits would be plan assets for funded plans, assets of the employer for pay-as-you-go plans, or a proportionate combination of the two for plans that being partially funded. We assumed a discount rate of 5.0 percent for purposes of developing the liabilities and Annual Required Contribution on the basis that the Plan would not be funded. We based medical claims cost for retirees on \$1,223 per year for calendar year 2013. We assumed health care costs would increase annually at a rate of 5%.

The North Hanover School District currently has three eligible retired employees receiving retirement benefits. The net Other Post-Employment Benefit obligation to the North Hanover School District to provide benefits to the retiree for the year ended June 30, 2016, was \$35,107.

NORTH HANOVER TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 (continued)

Note 18. Federal Impact Aid Reserve

As permitted by P.L.2015, c.46 which amended *N.J.S.A.* 18A:7F-41 a federal impact reserve account was established by the Township of North Hanover Board of Education. The district increased the impact aid – capital reserve by transfer of \$ 7,439,812 by board resolution for the amount of federal impact aid funds – capital – received during the current fiscal year for use as capital outlay expenditures or for transfer to capital projects fund in subsequent fiscal years. The federal impact aid – capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

As permitted by P.L.2015, c.46 which amended *N.J.S.A.* 18A:7F-41 a federal impact reserve account was established by the Township of North Hanover Board of Education. The district increased the impact aid – general reserve by transfer of \$ 500,000 by board resolution for the amount of federal impact aid funds – general fund – received during the current fiscal year for use as general fund expenditures in subsequent fiscal years. The federal impact aid – general reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Note 19. Deficit in Net Position

As reflected on Exhibit A-1, Statement of Net position, a deficit in unrestricted net position of \$(6,722,627) existed as of June 30, 2016 for governmental activities. The primary causes of this deficit is the District not recognizing the receivable for the last two state aid payments and the recording of the long-term liability for compensated absences and net pension. In accordance with full accrual accounting, which is the basis of accounting for Exhibit A-1, Statement of Net position, such liabilities are required to be recorded in the period in which they are incurred. However, in accordance with the rules and regulations that govern the District in the formulation of their annual budget (see Note 1), compensated absences and pension liabilities that relate to future services, or that are contingent on a specific event outside the control of the District and its employees, are funded in the period in which such services are rendered or in which such events take place. Therefore, this deficit in unrestricted net position for governmental activities does not indicate that the District is facing financial difficulties.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

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C. Budgetary Comparison Schedules

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

ACCOUNT NUMBER	JUNE 30, 2016				POSITIVE/ (NEGATIVE) FINAL TO ACTUAL	
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL		
Revenues:						
Local Sources:						
Local Tax Levy	10-1210	\$ 2,705,329	\$ -	\$ 2,705,329	\$ 2,705,329	\$ -
Tuition from Individuals	10-1310	10,000	-	10,000	13,400	3,400
Tuition from LEA's	10-1320	-	-	-	12,333	12,333
Transportation Fees from LEA's	10-1420	92,174	-	92,174	28,300	(63,874)
Interest Earned on Capital Reserve Funds	10-1XXX	4,000	-	4,000	4,916	916
Unrestricted Miscellaneous Revenues	10-1XXX	259,592	-	259,592	267,984	8,392
Total Local Sources		3,071,095	-	3,071,095	3,032,262	(38,833)
State Sources:						
Categorical Transportation Aid	10-3121	426,591	-	426,591	426,591	-
Extraordinary Aid	10-3131	95,000	-	95,000	140,489	45,489
Categorical Special Education Aid	10-3132	588,916	-	588,916	588,916	-
Equalization Aid	10-3176	9,648,284	-	9,648,284	9,648,284	-
Adjustment Aid	10-3178	417,899	-	417,899	417,899	-
Security Aid	10-3177	189,856	-	189,856	189,856	-
PARCC Readiness Aid	10-3190	11,980	-	11,980	11,980	-
Per Pupil Growth Aid	10-3190	11,980	-	11,980	11,980	-
Under Adequacy Aid	10-3190	145,182	-	145,182	145,182	-
Nonpublic Transportation Reimbursement	10-3198	-	-	-	3,306	3,306
On-behalf TPAF Pension Contributions (Non-budgeted)	10-3901	-	-	-	752,876	752,876
On-behalf TPAF Post-Retirement (Non-budgeted)	10-3902	-	-	-	896,467	896,467
Reimbursed TPAF Social Security Contributions (Non-budgeted)	10-3903	-	-	-	685,471	685,471
Total State Sources		11,535,688	-	11,535,688	13,919,297	2,383,609
Federal Sources:						
Impact Aid/ Department of Defense	10-4100	6,291,553	-	6,291,553	10,970,888	4,679,335
Total Federal Services		6,291,553	-	6,291,553	10,970,888	4,679,335
Total Revenues		20,898,336	-	20,898,336	27,922,447	7,024,111
Expenditures:						
Current Expense:						
Instruction - Regular Programs:						
Salaries of Teachers:						
Preschool	11-105-100-101	214,590	(10,690)	203,900	179,955	23,945
Kindergarten	11-110-100-101	641,938	(18,889)	623,049	600,344	22,705
Grades 1 - 5	11-120-100-101	3,372,898	14,963	3,387,861	3,371,521	16,340
Grades 6 - 8	11-130-100-101	646,889	-	646,889	641,607	5,282
Regular Programs - Home Instruction:						
Salaries of Teachers	11-150-100-101	5,000	-	5,000	181	4,819
Regular Programs - Undistributed Instruction:						
Other Salaries for Instruction	11-190-100-106	320,784	(235,125)	85,659	85,659	-
Purchased Professional/Educational Services	11-190-100-320	100,950	41,603	142,553	141,776	777
Purchased Professional/Technical Services	11-190-100-340	188,000	(15,781)	172,219	164,962	7,257
Other Purchased Services	11-190-100-500	-	-	-	-	-
General Supplies	11-190-100-610	276,082	(55,782)	220,300	189,418	30,882
Textbooks	11-190-100-640	141,440	(2,665)	138,775	136,957	1,818
Other Objects	11-190-100-890	3,750	9,026	12,776	10,829	1,947
Total Regular Programs		5,912,321	(273,340)	5,638,981	5,523,209	115,772

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

	ACCOUNT NUMBER	JUNE 30, 2016			POSITIVE/ (NEGATIVE) FINAL TO ACTUAL	
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET		ACTUAL
Preschool Disabilities - Full Time:						
Salaries of Teachers	11-216-100-101	206,762	(2,021)	204,741	204,741	-
Other Salaries for Instruction	11-216-100-106	72,712	50,799	123,511	123,511	-
Purchased Professional/Technical Services						
	11-216-100-320	2,000	8,736	10,736	10,736	-
General Supplies	11-216-100-610	4,500	(3,778)	722	722	-
Total Preschool Disabilities		285,974	53,736	339,710	339,710	-
Multiple Disabilities						
Salaries of Teachers	11-212-100-101	203,524	68,243	271,767	271,767	-
Other Salaries for Instruction	11-212-100-106	102,848	(44,627)	58,221	58,221	-
Purchased Professional/Technical Services						
	11-212-100-320	13,000	(5,758)	7,242	7,242	-
General Supplies	11-212-100-610	4,500	(4,309)	191	191	-
Total Multiple Disabilities		323,872	13,549	337,421	337,421	-
Resource Room/ Resource Center:						
Salaries of Teachers	11-213-100-101	1,222,728	(7,885)	1,214,843	1,214,843	-
Other Salaries for Instruction	11-213-100-106	135,348	45,400	180,748	180,748	-
Purchased Professional/Technical Services						
	11-213-100-320	22,500	(2,487)	20,013	20,013	-
General Supplies	11-213-100-610	13,500	(8,500)	5,000	5,000	-
Total Resource Room		1,394,076	26,528	1,420,604	1,420,604	-
Total Special Education		2,003,922	93,813	2,097,735	2,097,735	-
Basic Skills/Remedial:						
Salaries of Teachers	11-230-100-101	943,565	-	943,565	907,853	35,712
Other Purchased Services	11-230-100-500	400	-	400	-	400
Total Basic Skills/Remedial		943,965	-	943,965	907,853	36,112
Bilingual Education:						
Salaries of Teachers	11-240-100-101	50,049	-	50,049	49,688	361
Purchased Services	11-240-100-500	1,000	(120)	880	53	827
General Supplies	11-240-100-610	600	120	720	719	1
Total Bilingual Education		51,649	-	51,649	50,460	1,189
School Sponsored Cocurricular Activities:						
Salaries of Teachers	11-401-100-100	11,220	-	11,220	8,717	2,503
Purchased Services	11-401-100-500	39,557	-	39,557	19,646	19,911
Other Objects	11-401-100-800	35,780	4,672	40,452	33,476	6,976
Total School Sponsored Cocurricular Activities		86,557	4,672	91,229	61,839	29,390
Total - Instruction		8,998,414	(174,855)	8,823,559	8,641,096	182,463
Undistributed Expenditures:						
Instruction:						
Tuition to Other LEAs Within State - Regular						
	11-000-100-561	-	4,885	4,885	1,132	3,753
Tuition to Other LEAs Within State - Special						
	11-000-100-562	54,122	(5,993)	48,129	13,776	34,353
Tuition to County Special Services School Districts & Regular Day Schools						
	11-000-100-565	227,373	(2,892)	224,481	180,325	44,156
Tuition to Private Schools for the Handicapped - State						
	11-000-100-566	122,157	(35,414)	86,743	3,020	83,723
Tuition-Other	11-000-100-569	50,867	1,847	52,714	15,998	36,716
Total Instruction (Undistributed Expenditures)		454,519	(37,567)	416,952	214,251	202,701

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

	ACCOUNT NUMBER	JUNE 30, 2016			ACTUAL	POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET		
Attendance & Social Work:						
Purchased Professional/Technical Services	11-000-211-300	19,000	-	19,000	19,000	-
Total Attendance & Social Work		19,000	-	19,000	19,000	-
Health Services:						
Salaries	11-000-213-100	358,846	(16,041)	342,805	316,430	26,375
Purchased Professional/Technical Services	11-000-213-300	15,170	1,268	16,438	13,580	2,858
Other Purchased Services	11-000-213-500	850	85	935	-	935
Supplies & Materials	11-000-213-600	6,310	-	6,310	4,879	1,431
Total Health Services		381,176	(14,688)	366,488	334,889	31,599
Other Support Services - Students - Related Services:						
Salaries	11-000-216-100	441,438	18,160	459,598	458,801	797
Purchased Professional/Educational Services	11-000-216-320	-	67,090	67,090	67,090	-
Supplies & Materials	11-000-216-600	2,880	(315)	2,565	741	1,824
Other Objects	11-000-216-800	400	-	400	-	400
Total Other Support Services-Students-Related Services		444,718	84,935	529,653	526,632	3,021
Other Support Services - Students - Extra Services:						
Salaries	11-000-217-100	-	174,050	174,050	161,305	12,745
Total Other Support Services-Students-Related Services		-	174,050	174,050	161,305	12,745
Other Support Services - Students - Regular:						
Salaries of Other Professional Staff	11-000-218-104	250,981	2,637	253,618	253,438	180
Other Salaries	11-000-218-110	15,683	-	15,683	14,714	969
Other Purchased Services	11-000-218-500	400	-	400	-	400
Total Other Support Services-Students-Regular Services		267,064	2,637	269,701	268,152	1,549
Other Support Services - Students - Special Services:						
Salaries of Other Professional Staff	11-000-219-104	464,152	(13,057)	451,095	414,476	36,619
Salaries of Secretarial & Clerical Assistants	11-000-219-105	43,690	(792)	42,898	42,898	-
Purchased Professional/Educational Services	11-000-219-320	125,000	(61,491)	63,509	17,019	46,490
Other Purchased Professional & Technical Services	11-000-219-390	20,850	(179)	20,671	14,193	6,478
Miscellaneous Purchased Services	11-000-219-592	2,500	329	2,829	2,829	-
Supplies & Materials	11-000-219-600	12,150	-	12,150	6,035	6,115
Other Objects	11-000-219-800	2,700	(150)	2,550	250	2,300
Total Other Support Services-Students-Special Services		671,042	(75,340)	595,702	497,700	98,002
Improvement of Instruction Services/Other Support Services - Instructional Staff:						
Salaries of Supervisors of Instruction	11-000-221-102	197,460	-	197,460	157,460	40,000
Salaries of Other Professional Staff	11-000-221-104	51,250	7,750	59,000	59,000	-
Other Salaries	11-000-221-110	51,500	(7,805)	43,695	-	43,695
Salaries of Facil, Math, Lit Coaches	11-000-221-176	125,564	-	125,564	119,130	6,434
Purchased Professional/Educational Services	11-000-221-320	35,000	-	35,000	27,427	7,573
Other Objects	11-000-221-800	-	59	59	59	-
Supplies & Materials	11-000-221-600	2,000	(52)	1,948	1,913	35
Other Purchased Services	11-000-221-500	29,400	500	29,900	17,208	12,692
Total Improvement of Instruction Services/Other Support Services - Instructional Staff		492,174	452	492,626	382,197	110,429
Educational Media Services/School Library:						
Salaries	11-000-222-100	223,732	1,231	224,963	224,468	495
Salaries of Technology Coordinator	11-000-222-177	120,937	-	120,937	119,860	1,077
Other Purchased Professional & Technical Services	11-000-222-300	9,350	-	9,350	8,534	816
Other Purchased Services	11-000-222-500	1,500	(85)	1,415	-	1,415
Supplies & Materials	11-000-222-600	69,200	6,016	75,216	64,022	11,194
Other Objects	11-000-222-800	-	1,297	1,297	347	950
Total Educational Media Services/School Library		424,719	8,459	433,178	417,231	15,947

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

	ACCOUNT NUMBER	JUNE 30, 2016			ACTUAL	POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET		
Support Services General Administration:						
Salaries	11-000-230-100	228,241	(1,675)	226,566	224,094	2,472
Group Insurance	11-000-230-210	2,500	-	2,500	2,384	116
Legal Services	11-000-230-331	30,000	(4,027)	25,973	11,110	14,863
Audit Fees	11-000-230-332	38,000	(4,110)	33,890	27,865	6,025
Other Purchased Professional Services	11-000-230-339	30,000	(4,650)	25,350	5,270	20,080
Purchase of Technical Services	11-000-230-340	3,500	11,954	15,454	15,454	-
Communications/Telephone	11-000-230-530	55,000	(245)	54,755	-	54,755
Travel Expenses	11-000-230-580	-	-	-	-	-
BOE Other Purchased Services	11-000-230-585	33,800	(40)	33,760	25,678	8,082
Other Purchased Services	11-000-230-590	34,201	1,049	35,250	34,671	579
Supplies & Materials	11-000-230-610	5,000	106	5,106	1,763	3,343
Judgements Against the District	11-000-230-820	-	50,000	50,000	50,000	-
Miscellaneous Expenditures	11-000-230-890	6,500	1,590	8,090	7,984	106
BOE Membership Dues & Fees	11-000-230-895	30,000	-	30,000	25,639	4,361
Total Support Services General Administration		496,742	49,952	546,694	431,912	114,782
Support Services School Administration:						
Salaries of Principals & Assistant Principals	11-000-240-103	459,440	-	459,440	445,622	13,818
Salaries of Other Professionals	11-000-240-104	-	920	920	720	200
Salaries of Secretarial & Clerical Assistants	11-000-240-105	267,612	(90)	267,522	227,546	39,976
Other Salaries	11-000-240-110	2,000	(330)	1,670	55	1,615
Purchased Professional/Technical Services	11-000-240-300	1,250	19,783	21,033	20,000	1,033
Other Purchased Services	11-000-240-500	2,400	480	2,880	1,720	1,160
Supplies & Materials	11-000-240-600	10,340	(264)	10,076	5,564	4,512
Other Objects	11-000-240-800	1,360	-	1,360	430	930
Total Support Services School Administration		744,402	20,499	764,901	701,657	63,244
Central Services:						
Salaries	11-000-251-100	290,373	-	290,373	276,230	14,143
Purchased Technical Services	11-000-251-340	50,150	-	50,150	33,346	16,804
Misc. Purchased Services	11-000-251-592	5,500	-	5,500	4,442	1,058
Supplies and Materials	11-000-251-600	6,300	106	6,406	5,615	791
Miscellaneous Expenditures	11-000-251-890	9,850	-	9,850	4,045	5,805
Total Central Services		362,173	106	362,279	323,678	38,601
Administration Information Technology:						
Salaries	11-000-252-100	31,490	-	31,490	29,940	1,550
Purchased Technical Services	11-000-252-340	1,290	1,977	3,267	3,267	-
Other Purchased Services	11-000-252-500	2,500	1,091	3,591	1,213	2,378
Other Objects	11-000-252-800	1,000	3,032	4,032	3,704	328
Total Administration Information Technology		36,280	6,100	42,380	38,124	4,256
Allowable Maintenance for School Facilities:						
Salaries	11-000-261-100	284,523	(300)	284,223	277,074	7,149
Cleaning, Repair & Maintenance Services	11-000-261-420	464,715	(70,378)	394,337	265,430	128,907
General Supplies	11-000-261-610	8,000	(240)	7,760	4,120	3,640
Other Objects	11-000-261-800	-	240	240	-	240
Total Maintenance for School Facilities		757,238	(70,678)	686,560	546,624	139,936

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

ACCOUNT NUMBER	JUNE 30, 2016				POSITIVE/ (NEGATIVE) FINAL TO ACTUAL	
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL		
Other Operation & Maintenance of Plant Services:						
Salaries	11-000-262-100	444,291	8,810	453,101	422,342	30,759
Salaries for Noninstructional Aides	11-000-262-107	-	91,984	91,984	-	91,984
Purchased Professional/Technical Services	11-000-262-300	-	14,566	14,566	14,566	-
Cleaning, Repair & Maintenance Services	11-000-262-420	8,550	35,804	44,354	33,119	11,235
Other Purchased Property Services	11-000-262-490	138,420	71,424	209,844	38,425	171,419
Insurance	11-000-262-520	124,381	(6,768)	117,613	111,470	6,143
General Supplies	11-000-262-610	70,150	(2,724)	67,426	61,391	6,035
Energy (Heat & Electricity)	11-000-262-622	399,000	36,289	435,289	311,110	124,179
Energy (Gasoline)	11-000-262-626	8,500	-	8,500	-	8,500
Other Objects	11-000-262-800	825	540	1,365	1,365	-
Energy (Natural Gas)	11-000-262-621	160,650	-	160,650	54,437	106,213
Total Operation & Maintenance of Plant Services		1,354,767	249,925	1,604,692	1,048,225	556,467
Undistributed Expenditures - Care & Upkeep of Grounds:						
Purchased Professional/Educational Services	11-000-263-320	-	3,005	3,005	1,456	1,549
Cleaning, Repair & Maintenance Services	11-000-263-420	19,500	6,434	25,934	15,117	10,817
General Supplies	11-000-263-610	-	8,684	8,684	5,092	3,592
Total Undistributed Expenditures - Care & Upkeep of Grounds		19,500	18,123	37,623	21,665	15,958
Student Transportation Services:						
Salaries for Noninstructional Aides	11-000-270-107	33,437	1,570	35,007	35,007	-
Salaries for Pupil Transportation (Between Home & School) - Regular	11-000-270-160	51,154	25,905	77,059	74,754	2,305
Salaries for Pupil Transportation (Between Home & School) - Special	11-000-270-161	133,155	-	133,155	96,046	37,109
Other Purchased Technical Services	11-000-270-390	8,500	-	8,500	8,047	453
Cleaning, Repair, & Maint. Services	11-000-270-420	7,000	4,370	11,370	8,894	2,476
Contracted Services (Between Home & School) - Vendors	11-000-270-511	1,095,425	(74,792)	1,020,633	862,425	158,208
Contracted Services (Special Education Students) - Vendor	11-000-270-514	113,428	29,731	143,159	143,159	-
Contracted Services (Special Education Students) - Joint Agreements	11-000-270-515	-	19,201	19,201	3,200	16,001
Contract Service Aid In Lieu of Payments	11-000-270-503	21,216	(6,668)	14,548	12,194	2,354
Contract Service Aid In Lieu of Payments - Choice School	11-000-270-505	-	1,768	1,768	1,768	-
Miscellaneous Purchased Services	11-000-270-593	38,445	(175)	38,270	5,711	32,559
Transportation Supplies	11-000-270-615	65,000	(202)	64,798	18,517	46,281
Miscellaneous Expenditures	11-000-270-800	-	848	848	848	-
Total Student Transportation Services		1,566,760	1,556	1,568,316	1,270,570	297,746

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

	ACCOUNT NUMBER	JUNE 30, 2016			ACTUAL	POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
		ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET		
Employee Benefits:						
Workmen's Compensation	11-000-270-260	4,925	(4,925)	-	-	-
Total Allocated Benefits		4,925	(4,925)	-	-	-
Unallocated Benefits - Employee Benefits:						
Social Security Contributions	11-000-291-220	275,000	(2,897)	272,103	242,540	29,563
Other Retirement Contribution - PERS	11-000-291-241	343,999	2,897	346,896	346,896	-
Other Retirement Contribution - Regular	11-000-291-249	10,000	5,000	15,000	12,125	2,875
Unemployment Contributions	11-000-291-250	-	557	557	506	51
Workmen's Compensation	11-000-291-260	181,757	(75)	181,682	161,002	20,680
Health Benefits	11-000-291-270	3,906,990	(149,159)	3,757,831	3,176,756	581,075
Other Health Benefits	11-000-291-290	1,314	-	1,314	582	732
Total Unallocated Benefits		4,719,060	(143,677)	4,575,383	3,940,407	634,976
Nonbudgeted:						
On-Behalf TPAF Pension Contributions		-	-	-	752,876	(752,876)
On-Behalf TPAF Post-Retirement Medical		-	-	-	896,467	(896,467)
Reimbursed TPAF Social Security Contributions		-	-	-	685,471	(685,471)
Total Undistributed Expenditures		13,216,259	269,919	13,486,178	13,479,033	7,145
Total Expenditures - Current Expense		22,214,673	95,064	22,309,737	22,120,129	189,608
Capital Outlay:						
Interest Deposit to Capital Reserve	10-604-000-000	4,000	(4,000)	-	-	-
Capital Outlay - Equipment:						
Regular Programs - Instruction:						
Grades 1-5	12-120-100-730	100,000	264,083	364,083	195,357	168,726
Grades 6-8	12-130-100-730	40,000	(13,630)	26,370	26,370	-
Total Regular Programs		140,000	250,453	390,453	221,727	168,726
Undistributed Expenditures:						
Instruction	12-000-100-730	5,000	(5,000)	-	-	-
Central Services	12-000-251-730	5,000	(5,000)	-	-	-
Required Maintenance School Facilities	12-000-261-730	-	8,720	8,720	-	8,720
Care and Upkeep of Grounds	12-000-263-730	-	4,647	4,647	4,647	-
School Buses- Special	12-000-270-734	-	72,349	72,349	72,349	-
Total Undistributed Expenditures		10,000	75,716	85,716	76,996	8,720
Facilities Acquisition & Construction Services:						
Architectural/Engineering Services	12-000-400-334	-	3,832	3,832	-	3,832
Total Facilities Acquisition & Construction Services		-	3,832	3,832	-	3,832

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

ACCOUNT NUMBER	JUNE 30, 2016				POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	
Total Capital Outlay	154,000	326,001	480,001	298,723	181,278
Total Expenditures	22,368,673	421,065	22,789,738	22,418,852	370,886
Excess/(Deficiency) of Revenues Over/(Under) Expenditures Before Other Financing Uses/(Sources)	(1,470,337)	(421,065)	(1,891,402)	5,503,595	6,653,225
Other Financing Sources/(Uses): Operating Transfers Out: Transfer to Capital Projects	-	(5,338,473)	(5,338,473)	(5,338,473)	-
Total Other Financing Surces/(Uses)	-	(5,338,473)	(5,338,473)	(5,338,473)	-
Excess/(Deficiency) of Revenues Over/(Under) Expenditures After Other Financing Uses/(Sources)	(1,470,337)	(5,759,538)	(7,229,875)	165,122	6,653,225
Fund Balances, July 1	28,084,345	-	28,084,345	28,084,345	-
Fund Balances, June 30	\$ 26,614,008	\$ (5,759,538)	\$ 20,854,470	\$ 28,249,467	\$ 7,394,997
Prior Year Reserve for Encumbrances		\$ 2,299,790			
Utilization of Capital Reserve		208,188			
Utilization of Impact Aid Reserves		3,251,560			
Total Budget Transfers		\$ 5,759,538			

RECAPITULATION OF FUND BALANCE:

Restricted Fund Balance:	
Capital Reserve	\$ 2,038,009
Reserve for Impact Aid	17,700,804
Reserve for Impact Aid Capital Fund	5,902,572
Committed Fund Balance:	
Year-end Encumbrances	205,159
Unassigned Fund Balance	<u>2,402,923</u>
Subtotal	28,249,467
Reconciliation to Governmental Fund Statements (GAAP):	
Last Two State Aid Payments Not Recognized on GAAP Basis	<u>(1,122,242)</u>
Fund Balance Per Governmental Funds (GAAP)	<u>\$ 27,127,225</u>

**NORTH HANOVER BOARD OF EDUCATION
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	JUNE 30, 2016				VARIANCE POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	
REVENUES					
Federal Sources	\$ 398,595	\$ 141,501	\$ 540,096	\$ 540,096	\$ -
Total Revenues	398,595	141,501	540,096	540,096	-
EXPENDITURES:					
Instruction:					
Salaries of Teachers	102,381	101,632	204,013	204,013	-
Tuition	256,612	(136,885)	119,727	119,727	-
General Supplies	-	31,512	31,512	31,512	-
Total Instruction	358,993	(3,741)	355,252	355,252	-
Support Services:					
Benefits	-	35,638	35,638	35,638	-
Purchased Professional & Technical Services	39,602	75,171	114,773	114,773	-
Other Purchased Services (400-500 Series)	-	10,770	10,770	10,770	-
General Supplies	-	23,663	23,663	23,663	-
Total Support Services	39,602	145,242	184,844	184,844	-
Total Expenditures	398,595	141,501	540,096	540,096	-
Total Outflows	398,595	141,501	540,096	540,096	-
Excess/(Deficiency) of Revenues Over/(Under) Expenditures & Other Financing Sources/(Uses)	\$ -	\$ -	\$ -	\$ -	\$ -

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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**NORTH HANOVER BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

	GENERAL FUND	SPECIAL REVENUE FUND
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
From the Budgetary Comparison Schedule (C-Series)	\$ 27,922,447	\$ 540,096
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year		7,635
Current Year		(32,722)
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	1,132,403	-
The last State aid payments are recognized as revenue for budgetary purposes, and differs from GAAP, which does not recognize this revenue until the subsequent year when the State recognizes the related expense.	(1,122,242)	-
	\$ 27,932,608	\$ 515,009
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds. (B-2)		
	\$ 27,932,608	\$ 515,009
Uses/Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 22,418,852	\$ 540,096
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.	-	(25,087)
	\$ 22,418,852	\$ 515,009
	\$ 22,418,852	\$ 515,009
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)		

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REQUIRED SUPPLEMENTARY INFORMATION - PART III

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**NORTH HANOVER BOARD OF EDUCATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset)	0.04035%	0.03882%	0.04017%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 9,057,615	\$ 7,267,973	\$ 7,677,672	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 2,545,109	\$ 2,335,112	\$ 2,660,645	\$ 2,629,238	**N/A	**N/A	**N/A	**N/A	**N/A	**N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	355.88%	311.25%	288.56%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	47.93%	52.08%	48.72%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**NORTH HANOVER BOARD OF EDUCATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 299,520	\$ 346,896	\$ 320,018	314,691	**N/A	**N/A	**N/A	**N/A	**N/A	**N/A
Contributions in relation to the contractually required contribution	299,520	346,896	320,018	314,691	**N/A	**N/A	**N/A	**N/A	**N/A	**N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	**N/A	**N/A	**N/A	**N/A	**N/A	**N/A	**N/A
District's covered-employee payroll	\$ 2,545,109	\$2,335,112	\$2,660,645	2,629,238	**N/A	**N/A	**N/A	**N/A	**N/A	**N/A
Contributions as a percentage of covered-employee payroll	11.77%	14.86%	12.03%	**N/A	**N/A	**N/A	**N/A	**N/A	**N/A	**N/A

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**NORTH HANOVER BOARD OF EDUCATION
SCHEDULE OF THE STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' PENSION AND ANNUITY FUND
LAST TEN FISCAL YEARS**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset)	0.00100%	0.09595%	0.09504%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	\$ 63,436,261	\$ 51,281,684	\$ 48,034,622	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 9,512,345	\$ 9,408,557	\$ 9,552,805	\$9,691,159	**N/A	**N/A	**N/A	**N/A	**N/A	**N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	28.71%	33.64%	33.76%	**N/A	**N/A	**N/A	**N/A	**N/A	**N/A	**N/A

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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**NORTH HANOVER BOARD OF EDUCATION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

Teachers Pension and Annuity Fund (TPAF)

Basis of Presentation. The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. The numbers were derived in a report provided by KPMG dated July 28, 2016. The full report is available by the State of New Jersey, Division of Pension and Benefits. Such preparation requires management of TPAF to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

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

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

Public Employees' Retirement System (PERS)

Basis of Presentation. The amounts presented in the Schedules were prepared in accordance with U.S. generally accepted accounting principles. The numbers were derived in a report provided by KPMG dated April 14, 2016. The full report is available by the State of New Jersey, Division of Pension and Benefits. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

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

Changes of assumptions. Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

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OTHER SUPPLEMENTARY INFORMATION

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D. School Based Budget Schedules

Not Applicable

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E. Special Revenue Fund

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

	I.D.E.A PART B BASIC REGULAR PROGRAM	I.D.E.A PART B PRESCHOOL PROGRAM	N.C.L.B. TITLE I, PART A	N.C.L.B. TITLE II, PART A	2016
Revenues:					
Federal Sources	\$ 304,330	\$ 9,689	\$ 145,592	\$ 80,485	\$ 540,096
Total Revenues	<u>\$ 304,330</u>	<u>\$ 9,689</u>	<u>\$ 145,592</u>	<u>\$ 80,485</u>	<u>\$ 540,096</u>
Expenditures:					
Instruction:					
Salaries of Teachers	90,642	-	91,693	21,678	204,013
Tuition	119,727	-	-		119,727
General Supplies	15,451	5,000	11,061		31,512
Total Instruction	<u>225,820</u>	<u>5,000</u>	<u>102,754</u>	<u>21,678</u>	<u>355,252</u>
Support Services:					
Benefits	-	-	35,638		35,638
Purchased Professional - Educational Services	60,470	-	-	54,303	114,773
Other Purchased Services	3,500	-	7,200	70	10,770
General Supplies	14,540	4,689	-	4,434	23,663
Total Support Services	<u>78,510</u>	<u>4,689</u>	<u>42,838</u>	<u>58,807</u>	<u>184,844</u>
Total Expenditures	<u>\$ 304,330</u>	<u>\$ 9,689</u>	<u>\$ 145,592</u>	<u>\$ 80,485</u>	<u>\$ 540,096</u>

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F. Capital Projects Fund

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**NORTH HANOVER BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR FISCAL YEAR ENDED JUNE 30, 2016**

PROJECT TITLE	ORIGINAL DATE	APPROPRIATIONS	EXPENDITURES		UNEXPENDED BALANCE 2016
			PRIOR YEAR	CURRENT YEAR	
Construction of New Joint Base Elementary School	6/30/2016	\$ 72,348,158	\$ -	\$ 1,049,225	\$ 71,298,933
Total		\$ 72,348,158	\$ -	\$ 1,049,225	\$ 71,298,933

Reconciliation of Fund Balance, June 30, 2016

Unexpended Project Balances, June 30, 2016	\$ 71,298,933
Total Fund Balance (Budgetary Basis) - June 30, 2016	71,298,933
Less: Unexpended Project Sources	(67,009,685)
Total Fund Balance (GAAP Basis) - June 30, 2016	\$ 4,289,248

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

Revenues and Other Financing Sources:	
Federal Sources	\$ 61,958,022
*Transfers - Local Grant Matching Funds	<u>10,390,136</u>
Total Revenues and Other Financing Sources	<u>72,348,158</u>
Expenditures and Other Financing Uses:	
Facilities Acquisition & Construction Services	
Legal Services	23,146
Other Purchased Professional & Technical Services	54,900
Construction Services	124,940
Other Objects	2,624
Other Facilities Acquisition & Construction Services	<u>843,615</u>
Total Expenditures and Other Financing Uses	<u>1,049,225</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>71,298,933</u>
Net Change in Fund Balance	71,298,933
Fund Balance - July 1	<u>-</u>
Fund Balance - June 30	<u><u>\$ 71,298,933</u></u>

*The remaining funding required for local grant matching is shown in the Federal Aid Impact Aid Capital Fund. The remaining \$5,051,663 will be transferred in during a subsequent period.

**NORTH HANOVER BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, PROJECT BALANCE AND
PROJECT STATUS - BUDGETARY BASIS
CONSTRUCTION OF NEW JOINT BASE ELEMENTARY SCHOOL
FOR THE YEAR ENDED JUNE 30, 2016**

	PRIOR PERIODS	CURRENT YEAR	TOTALS	REVISED AUTHORIZED COST
Revenues and Other Financing Sources:				
Federal Sources	\$ -	\$ 61,958,022	\$ 61,958,022	\$ 61,958,022
Transfers - Local Grant Matching Funds	-	10,390,136	10,390,136	10,390,136
Total Revenues and Other Financing Sources	-	72,348,158	72,348,158	72,348,158
Expenditures and Other Financing Uses:				
Equipment	-	-	-	3,544,300
Facilities Acquisition & Construction Services				
Legal Services	-	23,146	23,146	23,767
Other Purchased Professional & Technical Services	-	54,900	54,900	728,700
Construction Services	-	124,940	124,940	61,196,677
Land & Improvements	-	-	-	5,200,000
Other Objects	-	2,624	2,624	20,000
Other Facilities Acquisition & Construction Services	-	843,615	843,615	1,634,714
Total Expenditures and Other Financing Uses	-	1,049,225	1,049,225	72,348,158
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	\$ -	\$ 71,298,933	\$ 71,298,933	\$ -

Additional Project Information:

Project Number - OMB Number: 4040-0008

Grant Date: 6/30/2016

Original Authorized Cost: 72,348,158

Additional Authorized Cost: -

Revised Authorized Cost: 72,348,158

Percentage Increase Over
Original Authorized Cost: 0%

Percentage Completion: 1.45%

Original Target Completion Date: 12/31/2018

Revised Target Completion Date: 12/31/2018

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G. Proprietary Funds

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Enterprise Funds

(See Exhibits B-4, B-5, B-6)

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Internal Service Fund

Not Applicable

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H. Fiduciary Fund

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**NORTH HANOVER BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016**

ASSETS	PRIVATE PURPOSE			2016
	SICK PAY BENEFITS	ERNANDES GRADUATION FUND	UNEMPLOYMENT COMPENSATION	
Assets:				
Cash & Cash Equivalents	\$ 223,715	\$ 1,205	\$ 184,763	\$ 409,683
Total Assets	<u>223,715</u>	<u>1,205</u>	<u>184,763</u>	<u>409,683</u>
NET POSITION				
Reserved For:				
Sick Pay Benefits	223,715	-	-	223,715
Scholarships	-	1,205	-	1,205
Unemployment Compensation	-	-	184,763	184,763
Total Net Position	<u>\$ 223,715</u>	<u>\$ 1,205</u>	<u>\$ 184,763</u>	<u>\$ 409,683</u>

**NORTH HANOVER BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
JUNE 30, 2016**

	PRIVATE PURPOSE			2016
	SICK PAY BENEFITS	ERNADES GRADUATION FUND	UNEMPLOYMENT COMPENSATION	
Additions:				
Interest	\$ 149	\$ 5	\$ 730	\$ 879
Donation	-	1,500	-	1,500
Impact Aid	47,018	-	-	47,018
Total Additions	47,167	1,505	730	49,397
Deductions:				
Unemployment Claims	-	-	2,029	2,029
Scholarship Awards	-	300	-	300
Sick Time Payouts	48,629	-	-	48,629
Total Deductions	48,629	300	2,029	50,958
Change in Net Position	(1,462)	1,205	(1,299)	(1,556)
Net Position, July 1	225,177	-	186,062	411,239
Net Position, June 30	\$ 223,715	\$ 1,205	\$ 184,763	\$ 409,683

**NORTH HANOVER BOARD OF EDUCATION
PAYROLL FUND SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

ASSETS	BALANCE JULY 1, 2015	ADDITIONS	DISBURSEMENTS	BALANCE JUNE 30, 2016
Cash & Cash Equivalents	\$ -	\$ 12,860,941	\$ 12,860,941	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 12,860,941</u>	<u>\$ 12,860,941</u>	<u>\$ -</u>
LIABILITIES				
Payroll Deductions & Withholdings	\$ -	\$ 12,860,941	\$ 12,860,941	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ 12,860,941</u>	<u>\$ 12,860,941</u>	<u>\$ -</u>

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I. Long-Term Debt

Not Applicable

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STATISTICAL SECTION (Unaudited)

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Financial Trends Information

Financial trends information is intended to assist the user in understanding and assessing how the School District's financial position has changed over time. Please refer to the following exhibits for a historical view of the School District's financial performance. Note that the Exhibits are presented for the presented for the past ten fiscal years.

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NORTH HANOVER BOARD OF EDUCATION
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

FISCAL YEAR ENDING JUNE 30,

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental Activities:										
Net Investment in Capital Assets	\$ 40,634,881	\$ 37,009,812	\$ 44,218,748	\$ 45,752,172	\$ 46,854,184	\$ 47,717,045	\$ 46,176,592	\$ 44,162,815	\$ 41,114,230	\$ 39,541,520
Restricted	29,930,633	24,314,218	25,303,917	26,556,134	26,945,211	26,509,908	27,648,824	27,409,841	27,746,229	23,736,939
Unrestricted	(6,722,627)	(2,153,779)	(254,617)	(262,822)	(262,963)	(308,986)	(781,831)	(46,170)	149,426	566,444
Total Governmental Activities:										
Net Position	\$ 63,842,887	\$ 59,170,251	\$ 69,268,048	\$ 72,045,484	\$ 73,536,432	\$ 73,917,967	\$ 73,043,585	\$ 71,526,486	\$ 69,009,885	\$ 63,844,903
Business-Type Activities:										
Net Investment in Capital Assets	\$ 216,115	\$ 216,313	\$ 198	\$ 897	\$ 1,596	\$ 2,295	\$ 2,994	\$ 4,395	\$ 5,796	\$ 11,150
Unrestricted	(114,981)	297,861	30,382	37,671	344,467	288,838	432,452	319,448	303,533	211,478
Total Business-Type Activities:										
Net Position	\$ 101,134	\$ 514,174	\$ 30,580	\$ 38,568	\$ 346,063	\$ 291,133	\$ 435,446	\$ 323,843	\$ 309,329	\$ 222,628
District-Wide:										
Net Investment in Capital Assets	\$ 40,850,996	\$ 37,226,125	\$ 44,218,946	\$ 44,218,946	\$ 45,753,069	\$ 46,855,780	\$ 47,719,340	\$ 46,179,586	\$ 44,167,210	\$ 41,120,026
Restricted	29,930,633	24,314,218	25,303,917	25,303,917	26,536,134	26,945,211	26,509,908	27,648,824	27,409,841	27,746,229
Unrestricted	(6,837,608)	(1,855,918)	(224,235)	(224,235)	(225,151)	81,504	(20,148)	(349,379)	273,278	452,959
Total District Net Position	\$ 63,944,021	\$ 59,684,425	\$ 69,298,628	\$ 69,298,628	\$ 72,084,052	\$ 73,882,495	\$ 74,209,100	\$ 73,479,031	\$ 71,850,329	\$ 69,319,214

**NORTH HANOVER BOARD OF EDUCATION
CHANGES IN NET POSITION - (ACCRUAL BASIS OF ACCOUNTING)
LAST TEN FISCAL YEARS**

	FISCAL YEAR ENDING JUNE 30									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses:										
Governmental Activities										
Instruction:										
Regular	\$ (5,853,374)	\$ (5,695,480)	\$ (6,113,015)	\$ (6,421,001)	\$ (7,013,168)	\$ (6,771,798)	\$ (7,118,161)	\$ (6,873,898)	\$ (6,414,424)	\$ (6,043,552)
Special Education	(2,097,735)	(2,233,963)	(2,204,707)	(2,183,568)	(2,070,232)	(1,963,098)	(1,760,867)	(1,643,708)	(1,327,616)	(1,269,245)
Other Special Education	-	-	-	-	-	-	-	-	(315,954)	(294,527)
Other Instruction	(1,020,152)	(1,024,079)	(1,163,761)	(1,071,512)	(255,718)	(228,216)	(66,904)	(63,312)	(46,131)	(51,550)
Support Services:										
Tuition	(214,251)	(369,555)	(389,342)	(61,063)	(200,252)	(268,948)	(101,415)	(192,159)	(116,034)	(92,302)
Attendance & Social Work	(19,000)	(19,000)	(38,000)	(38,000)	(38,000)	-	-	-	-	-
Health Services	(334,889)	(364,743)	(426,049)	(361,140)	(347,895)	(333,259)	(367,859)	(338,171)	(319,507)	(315,408)
Student & Instruction Related Services	(2,020,830)	(1,570,191)	(1,547,122)	(1,516,955)	(1,327,828)	(1,298,917)	(1,220,721)	(1,244,622)	(1,218,384)	(1,152,073)
Educational Media Services/School Library	(417,231)	(286,092)	(318,433)	(390,869)	(387,050)	(390,144)	(384,771)	(318,120)	(301,386)	(298,564)
School Administrative Services	(431,912)	(455,255)	(443,504)	(393,897)	(392,663)	(373,557)	(412,238)	(432,794)	(396,209)	(372,764)
Other Administrative Services	(1,063,459)	(1,213,853)	(1,231,848)	(1,237,097)	(1,239,986)	(1,179,431)	(1,297,424)	(1,241,412)	(1,220,656)	(1,217,663)
Plant Operations & Maintenance	(1,616,514)	(2,479,855)	(1,991,487)	(2,015,310)	(2,080,173)	(2,110,902)	(2,140,442)	(2,240,983)	(1,888,768)	(1,742,828)
Pupil Transportation	(1,270,570)	(1,497,840)	(1,520,839)	(1,478,126)	(1,486,320)	(1,471,455)	(1,364,226)	(1,454,284)	(1,226,308)	(980,892)
Business & Other Support Services	-	-	-	(16,087)	(87,421)	(41,257)	-	-	-	-
Transfer of Funds to Charter School	(9,654,343)	(8,775,963)	(6,749,543)	(6,288,177)	(5,769,425)	(5,502,522)	(5,230,236)	(4,659,078)	(5,232,897)	(5,049,890)
Unallocated/Allocated Benefits	-	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-	-
Decrease in Compensated Absences - Unallocated	1,461	(5,666)	8,205	141	25,834	24,955	(50,405)	(4,625)	(34,137)	(18,533)
Unallocated Depreciation	(1,327,347)	(1,327,347)	(1,857,654)	(1,857,654)	(1,817,519)	(1,767,813)	(1,618,575)	(1,538,713)	(1,448,443)	(1,032,129)
Total Governmental Activities	(27,340,146)	(27,318,882)	(25,987,099)	(25,330,315)	(24,487,816)	(23,676,362)	(23,134,244)	(22,245,879)	(21,506,854)	(19,931,920)
Business-Type Activities:										
Food Service	(763,311)	(768,884)	(750,449)	(781,096)	(844,454)	(826,828)	(853,874)	(881,710)	(849,734)	(878,378)
Total Business-Type Activities Expense	(763,311)	(768,884)	(750,449)	(781,096)	(844,454)	(826,828)	(853,874)	(881,710)	(849,734)	(878,378)
Total District Expenses	\$ (28,103,457)	\$ (28,503,324)	\$ (26,737,548)	\$ (26,111,411)	\$ (25,332,270)	\$ (24,503,190)	\$ (23,988,118)	\$ (23,127,589)	\$ (22,356,588)	\$ (20,810,298)
Program Revenues:										
Governmental Activities										
Operating Grants & Contributions	\$ 5,970,302	\$ 4,798,744	\$ 373,670	\$ 294,449	\$ 307,766	\$ 361,464	\$ 408,654	\$ 279,876	\$ 669,337	\$ 506,721
Total Governmental Activities Program Revenues	5,970,302	4,798,744	373,670	294,449	307,766	361,464	408,654	279,876	669,337	506,721

**NORTH HANOVER BOARD OF EDUCATION
CHANGES IN NET POSITION - (ACCRUAL BASIS OF ACCOUNTING)
LAST TEN FISCAL YEARS**

	FISCAL YEAR ENDING JUNE 30									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Business-Type Activities:										
Charges for Services:										
Food Service	201,154	190,766	203,781	226,409	217,184	231,262	233,642	235,175	220,713	230,158
Operating Grants	386,755	600,440	536,133	244,603	678,183	447,880	729,407	656,229	709,521	646,022
Total Business Type Activities	587,909	791,206	739,914	471,012	895,367	679,142	963,049	891,404	930,234	876,180
Program Revenues										
Total District Program Revenues	\$ 6,558,211	\$ 5,399,184	\$ 1,113,584	\$ 765,461	\$ 1,203,133	\$ 1,040,606	\$ 1,371,703	\$ 1,171,280	\$ 1,599,571	\$ 1,382,901
Net/(Expense)/Revenue:										
Governmental Activities	(21,369,844)	(22,520,138)	(25,613,429)	(25,035,866)	(24,180,050)	(23,314,898)	(22,725,590)	(21,966,003)	(20,837,517)	(19,425,199)
Business-Type Activities	(175,402)	22,322	(10,535)	(310,084)	50,913	(147,686)	109,175	9,694	80,500	(2,198)
Total District-Wide Net Expense	\$ (21,545,246)	\$ (22,497,816)	\$ (25,623,964)	\$ (25,345,950)	\$ (24,129,137)	\$ (23,462,584)	\$ (22,616,415)	\$ (21,956,309)	\$ (20,757,017)	\$ (19,427,397)
General Revenues & Other Changes in Net Assets:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 2,705,329	\$ 2,520,776	\$ 2,292,048	\$ 2,203,893	\$ 2,114,955	\$ 2,029,264	\$ 1,951,412	\$ 1,892,543	\$ 1,819,753	\$ 1,661,288
Federal & State Aid Not Restricted	22,565,532	20,113,960	20,178,578	21,004,509	21,353,403	21,746,977	21,275,006	21,653,343	22,424,448	21,972,674
Transportation	28,300	106,545	175,939	152,382	153,303	150,015	151,458	144,618	135,528	60,515
Tuition	25,733	25,197	13,107	4,875	5,350	5,057	72,054	48,393	62,132	37,509
Investment Earnings	4,916	127,333	7,628	4,040	7,628	8,230	8,199	31,204	82,285	114,810
Miscellaneous Income	267,984	152,560	168,693	175,219	163,876	249,737	379,188	752,865	1,391,828	1,639,062
Cancel Prior Year Payables	-	-	-	-	-	-	405,372	-	86,525	286,096
Total Governmental Activities	25,597,794	23,046,371	22,835,993	23,544,918	23,798,515	24,189,280	24,242,689	24,522,966	26,002,499	25,771,954
Business-type Activities										
Investment Earnings	4,159	3,162	2,547	2,589	4,017	3,373	2,428	4,820	6,201	33,041
Total Business-Type Activities	4,159	3,162	2,547	2,589	4,017	3,373	2,428	4,820	6,201	33,041
Total District-Wide	\$ 25,601,953	\$ 23,046,371	\$ 22,838,540	\$ 23,547,507	\$ 23,802,532	\$ 24,192,653	\$ 24,245,117	\$ 24,527,786	\$ 26,008,700	\$ 25,804,995
Change in Net Position:										
Governmental Activities	\$ 4,227,950	\$ 526,233	\$ (2,777,436)	\$ (1,490,948)	\$ (381,535)	\$ 874,382	\$ 1,517,099	\$ 2,556,963	\$ 5,164,982	\$ 6,346,755
Business-Type Activities	(171,243)	25,484	(7,988)	(307,495)	54,930	(144,313)	111,603	14,514	86,701	30,843
Total District	\$ 4,056,707	\$ 551,717	\$ (2,785,424)	\$ (1,798,443)	\$ (326,605)	\$ 730,069	\$ 1,628,702	\$ 2,571,477	\$ 5,251,683	\$ 6,377,598

**NORTH HANOVER BOARD OF EDUCATION
FUND BALANCES AND GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)**

	FISCAL YEAR ENDING JUNE 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Fund:										
Restricted	\$ 25,641,385	\$ 24,314,218	\$ 2,032,606	\$ 2,024,977	\$ 2,020,938	\$ 2,013,310	\$ 2,005,080	\$ -	\$ -	\$ -
Committed	205,159	2,299,790	22,394,722	20,711,394	20,672,224	20,531,376	18,927,552	-	-	-
Assigned	1,280,681	337,934	876,589	3,819,763	4,252,049	3,965,222	6,263,324	25,414,297	26,766,253	23,736,939
Unassigned	-	-	-	-	-	-	-	2,222,954	1,363,131	757,761
Total General Fund	\$ 27,127,225	\$ 26,951,942	\$ 25,303,917	\$ 26,556,134	\$ 26,945,211	\$ 26,509,908	\$ 27,195,956	\$ 27,637,251	\$ 28,129,384	\$ 24,494,700
All Other Governmental Funds:										
Restricted, Reported in:										
Capital Projects Fund	\$ 4,289,248	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned, Reported in:										
Special Revenue Fund	-	-	-	-	-	-	-	(10,114)	(1,839)	(1,839)
Total All Other Governmental Funds	\$ 4,289,248	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (10,114)	\$ (1,839)	\$ (1,839)

**NORTH HANOVER BOARD OF EDUCATION
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues										
Tax Levy	\$ 2,705,329	\$ 2,520,776	\$ 2,292,048	\$ 2,203,893	\$ 2,114,955	\$ 2,029,264	\$ 1,951,412	\$ 1,892,543	\$ 1,819,753	\$ 1,661,288
Tuition Charges	25,733	25,197	13,107	4,875	5,350	5,057	72,054	48,393	62,132	37,509
Interest Earned Capital Reserve Funds	4,916	127,333	7,628	4,040	7,628	8,230	8,199	31,204	82,285	114,810
Transportation	28,300	106,545	175,939	152,382	153,303	150,015	151,458	144,618	135,528	60,515
Miscellaneous	267,984	152,560	168,693	175,219	163,876	249,737	379,188	752,865	1,391,828	1,639,060
State Sources	13,929,458	13,617,625	13,382,663	13,282,544	12,258,690	11,721,993	10,426,595	12,032,472	13,151,196	12,072,016
Federal Sources	11,485,897	9,049,136	7,169,585	8,016,414	9,402,479	10,386,448	11,257,065	9,900,747	9,942,589	10,407,379
Total Revenue	28,447,617	25,599,172	23,209,663	23,839,367	24,106,281	24,550,744	24,245,971	24,802,842	26,585,311	25,992,577
Expenditures										
Instruction:										
Regular Instruction	5,853,374	5,666,352	6,113,015	6,421,001	7,013,168	6,771,798	7,118,161	6,873,898	6,414,424	6,043,552
Special Education Instruction	2,097,735	2,233,963	2,204,707	2,183,568	2,070,232	1,963,098	1,760,867	1,643,708	1,327,616	1,269,245
Other Special Instruction	-	-	-	-	-	-	-	-	315,954	294,527
Other Instruction	1,020,152	1,024,079	1,163,761	1,071,512	255,718	228,216	66,904	63,312	46,131	51,550
Support Services:										
Tuition	214,251	369,555	389,342	61,063	200,252	268,948	101,415	192,159	116,034	92,302
Attendance & Social Work	19,000	19,000	38,000	38,000.00	38,000.00	-	-	-	-	-
Health Services	334,889	364,743	426,049	361,140	347,895	333,259	367,859	338,171	319,507	315,408
Student & Instruction Related Services	2,020,830	1,570,191	1,547,122	1,516,955	1,327,828	1,298,917	1,220,721	1,244,622	1,218,384	1,152,073
Educational Media Services/School Library	417,231	286,092	318,433	390,869	387,050	390,144	384,771	318,120	301,386	298,564
School Administrative Services	431,912	455,255	443,504	393,897	392,663	373,557	412,238	432,794	396,209	372,764
Central Services	323,678	361,546	387,863	371,826	334,382	321,839	313,676	301,783	294,367	264,619
Administration Information Technology	38,124	31,318	32,327	32,885	31,650	31,399	29,733	28,947	61,769	89,939
Other Administrative Services	701,657	820,989	811,658	832,386	873,954	826,193	954,015	910,682	864,520	863,105
Plant Operations & Maintenance	1,616,514	1,877,948	1,991,487	2,015,310	2,080,173	2,110,902	2,140,442	2,240,983	1,888,768	1,742,828
Pupil Transportation	1,270,570	1,497,840	1,520,839	1,478,126	1,486,320	1,471,455	1,364,226	1,454,284	1,226,308	980,892
Business & Other Support Services	-	-	-	-	-	-	-	-	-	11
Allocated Benefits	-	-	-	-	-	-	-	-	50,260	45,922.00
Unallocated Benefits	6,275,221	6,545,818	6,749,543	6,288,177	5,789,614	5,497,544	5,225,258	4,654,100	5,232,897	5,049,890
Capital Outlay	1,347,948	826,458	324,230	755,642	954,658	3,308,266	3,632,352	4,587,298	3,021,153	3,981,716
Total Expenditures	23,983,086	23,951,147	24,461,880	24,212,357	23,583,557	25,195,535	25,092,638	25,284,861	23,045,427	22,862,974
Excess (Deficiency) of Revenues Over/(Under) Expenditures	4,464,531	1,648,025	(1,252,217)	(372,990)	522,724	(644,791)	(846,667)	(482,019)	3,539,884	3,539,884
Other Financing Sources/(Uses):										

**NORTH HANOVER BOARD OF EDUCATION
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Cancellation of Prior Year Accounts Payable	-	-	-	-	-	-	405,372.00	-	-	-
Transfer of Funds to Charter School	-	-	-	(16,087)	(87,421)	(41,257.00)	-	-	-	-
Transfers in	5,338,473	-	-	-	-	-	-	-	86,525	286,096.00
Transfers Out	(5,338,473)	-	-	-	-	-	-	-	-	-
Total Other Financing Sources/ (Uses)	-	-	-	(16,087)	(87,421)	(41,257)	405,372.00	-	86,525	286,096
Net Change in Fund Balances	\$ 4,464,531	\$ 1,648,025	\$ (1,252,217)	\$ (389,077)	\$ 435,303	\$ (686,048)	\$ (441,295)	\$ (482,019)	\$ 3,626,409	\$ 3,825,980
Debt Service as a Percentage of Noncapital Expenditures	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Source: District records
Note: Noncapital expenditures are total expenditures less capital outlay

NORTH HANOVER BOARD OF EDUCATION
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

FISCAL YEAR ENDING JUNE 30,	INTEREST ON INVESTMENTS	MISCELLANEOUS	TRANSPORTATION	TUITION	TOTAL
2016	\$ 142,979	\$ 125,005	\$ 28,300	\$ 25,733	\$ 322,017
2015	127,333	233,908	-	25,197	386,438
2014	115,573	53,120	-	-	168,693
2013	99,188	76,031	-	-	175,219
2012	110,014	53,862	-	-	163,876
2011	150,480	99,257	-	-	249,737
2010	210,839	168,349	-	-	379,188
2009	560,353	192,512	-	-	752,865
2008	1,302,234	89,594	-	-	1,391,828
2007	1,543,417	95,643	-	-	1,639,060

Source: District records

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Revenue Capacity Information

Revenue capacity information is intended to assist users in understanding and assessing the factors affecting the School District's ability to generate revenues. Please refer to the following exhibits for a historical view of these factors and how they relate to the School District's ability to generate revenues.

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**NORTH HANOVER TOWNSHIP SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY,
LAST TEN FISCAL YEARS**

FISCAL YEAR ENDED JUNE 30,	VACANT LAND	RESIDENTIAL	FARM REG.	QFARM	COMMERCIAL	INDUSTRIAL	APARTMENT	TOTAL ASSESSED VALUE	TAX EXEMPT PROPERTY	PUBLIC UTILITIES (a)	NET VALUATION TAXABLE	LOCAL SCHOOL TAX RATE (b)	EQUALIZED VALUE
2015	\$ 7,865,100	\$ 294,839,000	\$ 43,285,000	\$ 3,999,453	\$ 60,868,050	\$ 327,800	\$ 13,184,900	\$ 424,369,303	\$ 193,164,520	\$ 941,379	425,310,682	0.641	\$ 420,863,296
2015	8,112,300	297,721,500	43,346,300	4,030,644	52,680,900	327,800	13,060,100	419,279,544	192,231,020	924,253	420,203,797	0.600	410,445,398
2014	8,135,900	297,498,400	43,305,900	3,999,062	52,406,450	327,800	13,060,100	418,733,612	191,867,720	1,144,222	419,877,834	0.546	429,187,138
2013	7,626,700	299,041,200	47,208,400	3,817,000	55,552,750	327,800	14,068,500	427,642,350	186,808,500	1,130,610	428,772,960	0.514	440,784,678
2012	7,469,300	300,264,900	42,790,000	3,828,800	58,829,650	-	14,139,900	427,322,550	191,648,300	1,130,610	428,453,160	0.494	458,272,038
2011	4,201,200	171,210,250	22,355,150	2,855,777	26,918,100	-	7,127,300	234,667,777	83,757,550	473,019	235,140,796	0.863	496,725,277
2010	4,534,700	171,085,100	21,676,400	2,643,127	29,645,700	-	7,127,300	236,712,327	82,811,700	473,019	237,185,346	0.823	556,802,474
2009	4,701,550	169,389,600	21,988,750	2,691,627	29,309,650	-	7,120,300	235,201,477	82,701,800	507,590	235,709,067	0.803	461,269,812
2008	5,054,100	165,948,150	21,257,600	2,871,377	29,440,250	-	7,346,300	231,917,777	77,878,200	490,186	232,407,963	0.783	455,320,108
2007	4,328,050	162,828,650	18,051,600	2,914,050	27,434,000	-	7,346,300	222,902,650	77,922,200	689,343	223,591,993	0.743	425,751,605

**NORTH HANOVER TOWNSHIP SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(Rate per \$100 of Assessed Value)**

FISCAL YEAR ENDED JUNE 30,	SCHOOL DISTRICT DIRECT RATE			OVERLAPPING RATES		TOTAL DIRECT & OVERLAPPING TAX RATE
	LOCAL SCHOOL	REGIONAL SCHOOL	TOTAL DIRECT	TOWNSHIP OF NORTH HANOVER	BURLINGTON COUNTY	
2016	0.641	0.682	1.323	0.354	0.396	2.073
2015	0.600	0.672	1.272	0.315	0.365	1.952
2014	0.546	0.653	1.199	0.293	0.381	1.873
2013	0.514	0.617	1.131	0.277	0.388	1.796
2012	0.494	0.603	1.097	0.273	0.406	1.776
2011	0.863	1.106	1.969	0.457	0.794	3.220
2010	0.823	1.179	2.002	0.406	0.897	3.305
2009	0.803	1.039	1.842	0.381	0.761	2.984
2008	0.783	1.047	1.830	0.297	0.802	2.929
2007	0.743	1.043	1.786	0.297	0.659	2.742

Source: Municipal Tax Collector

**PRINCIPAL PROPERTY TAX PAYERS,
CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	2016			2007		
	TAXABLE ASSESSED VALUE	RANK	% OF TOTAL DISTRICT NET ASSESSED VALUE	TAXABLE ASSESSED VALUE	RANK	% OF TOTAL DISTRICT NET ASSESSED VALUE
Spartan Village	\$ 6,936,800	1	1.63%			
Crosnest @ Park Farm	4,210,900	2	0.99%			
Hanover Partners - RiteAid	3,241,600	3	0.76%			
Hanover Village Assoc., LLC	3,139,100	4	0.74%		NOT AVAILABLE	
Matrix Hanover Golf, LLC	3,124,000	5	0.73%			
California Village	3,063,400	6	0.72%			
North Mill Associates	2,786,700	7	0.66%			
South Mill Apartments	2,711,100	8	0.64%			
Store and Lock Self Storage	2,589,000	9	0.61%			
Maplewood Apartments	2,322,200	10	0.55%			
Total	<u>\$ 34,124,800</u>		<u>8.02%</u>	<u>\$0</u>		<u>0.00%</u>

Source: Municipal Tax Assessor

**NORTH HANOVER TOWNSHIP SCHOOL DISTRICT
MUNICIPAL PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

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	
2016	\$ 8,839,494	\$ 8,680,053	98.20%	\$ 159,441
2015	8,391,571	8,227,574	98.05%	163,997
2014	7,893,876	7,681,550	97.31%	212,326
2013	7,625,093	7,395,314	96.99%	229,779
2012	7,659,117	7,440,241	97.14%	218,876
2011	7,607,626	7,433,685	97.71%	173,941
2010	7,884,085	7,572,199	96.04%	311,886
2009	7,091,963	6,920,525	97.58%	171,438
2008	7,022,724	6,795,851	96.77%	226,873
2007	6,498,335	6,380,469	98.19%	117,866

Source: Municipal records

Collections PY and CY plus Due from State plus overpayments

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Debt Capacity Information

Debt capacity information is intended to assist users in understanding and assessing the School District's debt burden and its ability to issue additional debt. Please refer to the following exhibits for a historical view of the School District's outstanding debt and its debt capacity.

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

There is no Outstanding Debt as of June 30, 2016

**RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

There is no Outstanding Debt as of June 30, 2016

**RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2016**

GOVERNMENTAL UNIT	DEBT OUTSTANDING	ESTIMATED PERCENTAGE APPLICABLE	SHARE OF OVERLAPPING DEBT
Debt Repaid With Property Taxes:			
North Hanover Township	\$ 4,801,570	100.00%	\$ 4,801,570
Northern Burlington County Regional	14,876,121	15.53%	2,310,262
Burlington County	303,356,410	1.07%	<u>3,245,914</u>
Subtotal, Overlapping Debt			10,357,745
North Hanover School District Direct Debt			<u>-</u>
Total Direct & Overlapping Debt			<u><u>\$ 10,357,745</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the Burlington County Board of Taxation.

NOTE:

Debt outstanding data provided by each governmental unit.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District.

This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of North Hanover Township. This process recognizes that, when considering the District's and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping payment.

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

**NORTH HANOVER TOWNSHIP SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Dollars in Thousands)**

	FISCAL YEAR									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Debt Limit	\$ 14,493,238	\$ 14,493,238	\$ 14,953,108	\$ 16,240,715	\$ 17,620,705	\$ 17,586,066	\$ 16,755,516	\$ 14,455,298	\$ 9,021,059	\$ 7,699,445
Legal Debt Margin	\$ 14,493,238	\$ 14,493,238	\$ 14,953,108	\$ 16,240,715	\$ 17,620,705	\$ 17,586,066	\$ 16,755,516	\$ 14,455,298	\$ 9,021,059	\$ 7,699,445
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Legal Debt Margin Calculation for Fiscal Year 2014

	Equalized Valuation Basis
Average Equalized Valuation of Taxable Property	\$ 414,092,511
Debt Limit (3.5% of Average Equalization Value)	\$ 14,493,238
Legal Debt Margin	\$ 14,493,238

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

Demographic and Economic Information

Demographic and economic information is intended (1) to assist users in understanding the socioeconomic environment within which the School District operates and (2) to provide information that facilitates comparisons of financial statement information over time and among school districts. Please refer to the following exhibits for a historical view of the demographic and economic statistics and factors prevalent in the location in which the School District operates.

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

YEAR	POPULATION	PER CAPITA	UNEMPLOYMENT
		PERSONAL INCOME	RATE
2016	7,609	N/A	6.2%
2015	7,647	53,747	7.1%
2014	7,661	51,638	10.4%
2013	7,725	51,079	11.5%
2012	* 7,692	48,318	11.1%
2011	7,685	47,391	11.4%
2010	7,368	46,496	10.7%
2009	7,371	47,673	6.3%
2008	7,401	45,420	4.6%
2007	7,503	43,365	5.1%

Source:

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

Per Capita - Source U.S. Department of Commerce, Bureau of Economic Assistance

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

* 2010 Census

**NORTH HANOVER TOWNSHIP SCHOOL DISTRICT
 PRINCIPAL EMPLOYERS
 CURRENT YEAR AND NINE YEARS AGO**

	2016		
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL EMPLOYMENT
Twin Oaks Moving Co.	40-50	1	N/A
Thermal Piping	30-50	2	N/A
Specialty Fabricators	38	3	N/A
United Communities	30	4	N/A
Herman's Trucking	30	5	N/A
Matrix Hanover Golf	21	6	N/A
Maranatha	18	7	N/A
Tara's Tavern	18	8	N/A
Rite Aid	16	9	N/A
G.W Tire	12	10	N/A
Total	<u>183</u>		

2006 NOT AVAILABLE

Source: Municipal Records

Operating Information

Operating information is intended to provide contextual information about the School District's operations and resources to assist readers in using financial statement information to understand and assess the School District's economic condition. Please refer to the following exhibits for a historical view of the factors and statistics pertinent to the School District's operations.

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

Function/Program	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Instruction:										
Regular	96	96	95	94	107	107	107	108	109	110
Special Education	52	52	59	57	33	33	33	32	32	31
Other Special Education	6	6	12	12	7	7	7	7	7	7
Support Services:										
Student & Instruction Related Services	12	12	24	27	46	46	53	48	58	58
School Administrative Services	13	13	15	15	5	5	5	5	5	5
General & Business Administrative Services	2	2	2	2	2	2	2	2	2	2
Plant Operations & Maintenance	19	19	30	31	23	23	23	24	25	24
Pupil Transportation	4	4	11	11	5	5	5	5	5	4
Business & Other Support Services	7	7	7	6	5	5	5	5	5	6
Food Service	6	6	6	6	8	8	8	8	8	8
Total	217	217	261	261	241	241	248	244	256	255

Source: District Personnel Records

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS

FISCAL YEAR	ENROLLMENT	OPERATING EXPENDITURES (a)	COST PER PUPIL	PERCENTAGE CHANGE	TEACHING STAFF (b)	PUPIL/TEACHER RATIO ELEMENTARY	AVERAGE DAILY ENROLLMENT (ADE) (c)	AVERAGE DAILY ATTENDANCE (ADA) (c)	% CHANGE IN AVERAGE DAILY ENROLLMENT	STUDENT ATTENDANCE PERCENTAGE
2016	1,194	\$ 22,120,129	18,526	-2.06%	148	8	1,193	1,126	-1.32%	94.38%
2015	1,199	22,679,396	18,915	11.77%	148	8	1,209	1,141	-4.58%	94.38%
2014	1,292	21,864,964	16,923	-2.04%	134	10	1,267	1,199	14.66%	94.63%
2013	1,282	22,146,870	17,275	-3.10%	136	9	1,105	1,047	-10.38%	94.75%
2012	1,252	22,321,133	17,828	-2.10%	140	9	1,233	1,172	4.14%	95.05%
2011	1,182	21,525,805	18,211	-1.12%	140	8	1,184	1,123	3.59%	94.85%
2010	1,143	21,051,632	18,418	2.83%	140	8	1,143	1,082	0.26%	94.66%
2009	1,140	20,417,687	17,910	7.06%	140	8	1,140	1,052	-1.81%	92.28%
2008	1,157	19,354,937	16,729	10.16%	140	8	1,161	1,078	-4.05%	92.85%
2007	1,210	18,374,357	15,185	13.67%	141	9	1,210	1,141	-5.62%	94.30%

Sources: District records

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

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

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

**NORTH HANOVER TOWNSHIP SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEAR**

DISTRICT BUILDINGS	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Elementary Schools:										
Columbia School:										
Square Feet	N/A	38,007	38,007	38,007	38,007	38,007	38,007	38,007	38,007	38,007
Capacity (Students)	N/A	273	273	273	273	273	273	273	273	273
Enrollment	N/A	N/A	N/A	N/A	N/A	N/A	161	167	160	170
Discovery School:										
Square Feet	36,154	36,154	36,154	36,154	36,154	36,154	36,154	36,154	36,154	36,154
Capacity (Students)	244	244	244	244	244	244	244	244	244	244
Enrollment	282	282	337	330	342	299	321	307	320	326
Atlantis School:										
Square Feet	39,855	39,855	39,855	39,855	39,855	39,855	39,855	39,855	39,855	39,855
Capacity (Students)	283	283	283	283	283	283	283	283	283	283
Enrollment	228	228	234	234	219	197	180	202	181	206
C.B. Lamb Elementary School:										
Square Feet	65,861	65,861	65,861	65,861	65,861	65,861	65,861	65,861	65,861	65,861
Capacity (Students)	446	446	446	446	446	446	446	472	472	472
Enrollment	419	419	419	408	431	416	216	224	224	342
Upper Elementary School:										
Square Feet	125,729	125,729	125,729	125,729	125,729	125,729	125,729	125,729	N/A	N/A
Capacity (Students)	487	487	487	487	487	487	500	500	N/A	N/A
Enrollment	291	291	291	304	269	265	240	272	N/A	N/A

Number of Schools at June 30, 2016
Elementary = 4

Source: District Facilities Office

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

**UNDISTRIBUTED EXPENDITURES - REQUIRED
MAINTENANCE FOR SCHOOL FACILITIES**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Columbia School	\$ -	\$ 6,000	\$ 6,000	\$ -	\$ 19,244	\$ -	\$ 60,168	\$ 90,399	\$ 65,611	\$ 49,846
Discovery School	70,765	151,520	70,005	65,000	85,016	90,794	56,305	77,231	66,580	70,219
Atlantis School	95,162	158,720	69,694	70,000	71,150	63,911	63,338	77,169	68,802	69,878
Challenger School	-	-	-	-	-	-	-	-	146	56,358
C.B. Lamb School	168,835	264,551	98,870	79,000	107,162	114,704	82,107	68,751	73,669	94,418
Upper Elementary School	211,862	216,866	76,950	136,000	141,360	134,452	127,725	109,270	85,250	-
Total School Facilities	\$ 546,624	\$ 797,657	\$ 321,519	\$ 350,000	\$ 423,932	\$ 403,861	\$ 389,643	\$ 422,820	\$ 360,058	\$ 340,719

Source: District records

**NORTH HANOVER TOWNSHIP SCHOOL DISTRICT
INSURANCE SCHEDULE
June 30, 2016**

EXHIBIT J-20

	COVERAGE	DEDUCTIBLE
Burlington County Insurance Pool Joint Insurance Fund (BCIP JIF)		
Property / Inland Marine / Automobile Physical Damage - JIF Self Insured Retention	250,000	500
Crime - JIF Self Insured Retention	250,000	500
General Liability / Auto Liability - JIF Self Insured Retention	250,000	
Educators Legal Liability - JIF Self Insured Retention	250,000	
Workers Compensation - JIF Self Insured Retention	250,000	
School Pool for Excess Liability Limits Joint Insurance Fund (SPELL JIF)**		
Property / Inland Marine / Automobile Physical Damage	150,000,000	
Crime	500,000	
Workers Compensation	Statutory	
Employers Liability	10,000,000	
General Liability / Auto Liability	20,000,000	
Educators' Legal Liability	20,000,000	
Travelers Insurance Company		
Boiler and Machinery	125,000,000	1,000
AIG / Commerce and Industry Insurance Company		
Pollution Legal Liability	3,000,000	25,000
AIG / Lexington Insurance Company, Inc.		
Cyber Liability	1,000,000	25,000
Lloyd's of London		
Violent Malicious Acts	1,000,000	15,000
Surety Bonds - Selective Insurance		
Treasurer	272,500	
Board Secretary	100,000	
<u>Excess and Reinsurance Carriers Involved **</u>		
Property and Crime.....	SPELL JIF, Great American Insurance Company Great American Insurance Company Axis Surplus Insurance Company Westchester Fire Insurance Company Alterra Excess & Surplus Insurance Company Ironshore Specialty Insurance Company Steadfast Insurance Company RSUI Indemnity Company James River Insurance Company BRIT / Lloyd's of London Arch Specialty Insurance Company	
General Liability and Automobile Liability.....	SPELL JIF, Great American Insurance Company	
Workers Compensation.....	SPELL JIF, Great American Insurance Company, Safety National Casualty Company	
Educators Legal Liability.....	SPELL JIF, Great American Insurance Company	

Source: District records

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SINGLE AUDIT SECTION

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EXHIBIT K-1

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

Honorable President and Members
of the Board of Education
North Hanover Board of Education
County of Burlington
Wrightstown, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental and business-type activities, each major fund and the aggregate remaining fund information of the North Hanover Board of Education, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise North Hanover Board of Education’s basic financial statements, and have issued our report thereon dated December 02, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Hanover 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 North Hanover Board of Education’s internal control. Accordingly, we do not express an opinion on the effectiveness of North Hanover 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 District’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of 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 North Hanover 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, and federal and state awarding agencies and pass-through entities, in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia
Certified Public Accountant
Public School Accountant, No. 1101

Medford, New Jersey
December 02, 2016



EXHIBIT K-2

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR 15-08**

Honorable President and Members
of the Board of Education
North Hanover Board of Education
County of Burlington
Wrightstown, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited North Hanover Board of Education’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District’s major federal and state programs for the year ended June 30, 2016. North Hanover Board of Education’s major federal and 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 laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of North Hanover Board of Education’s major federal and 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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance); *the New Jersey State Aid/Grant Compliance Supplement*; the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey OMB’s Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, the Uniform Guidance and New Jersey OMB’s Circular 15-08 require that we plan and perform the audit to

obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about North Hanover 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 federal and state program. However, our audit does not provide a legal determination of North Hanover Board of Education's compliance.

Opinion on Each Major Federal and State Program

In our opinion, North Hanover 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 federal and state programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of North Hanover 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 North Hanover Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or 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 federal or state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey OMB's 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 North Hanover 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 federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia
Certified Public Accountant
Public School Accountant, No. 1101

Medford, New Jersey
December 02, 2016

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NORTH HANOVER 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	PASSED-THROUGH NUMBER	PROGRAM OR AWARD AMOUNT	GRANT PERIOD	BALANCE JUNE 30, 2015	CARRYOVER (WALKOVER) AMOUNT	CASH RECEIVED	BUDGETARY EXPENDITURES	SUB RECIPIENT EXPENDITURES	(ACCOUNTS RECEIVABLE) 2016	UNEARNED REVENUE 2016	DUE TO GRANTOR 2016
U.S. Department of Agriculture: Passed-through State Department of Education: Non-Cash Programs:													
Food Distribution Program	10.555	16161NJ304N1099	N/A	\$ 28,740	7/1/15-6/30/16	-	-	\$ 28,740	\$ (25,115)	-	-	\$ 3,625	-
Cash Assistance													
National School Breakfast Program	10.553	16161NJ304N1099	16-010-3350-100-028	35,279	7/1/15-6/30/16	-	-	35,279	(35,279)	-	-	-	-
National School Lunch Program	10.553	16161NJ304N1099	15-010-3350-100-028	36,049	7/1/14-6/30/15	(7,550)	-	7,550	-	-	-	-	-
Subtotal for CFDA # 10.553				42,829		(7,550)	-	42,829	(35,279)	-	-	-	-
Supplemental Nutrition Assistance Program	10.555	16161NJ304N1099	16-010-3350-100-023	6,026	7/1/15-6/30/16	-	-	6,026	(6,026)	-	-	-	-
Supplemental Nutrition Assistance Program	10.555	16161NJ304N1099	15-010-3350-100-023	6,116	7/1/14-6/30/15	(1,271)	-	1,271	-	-	-	-	-
National School Lunch Program	10.555	16161NJ304N1099	16-010-3350-100-023	158,320	7/1/15-6/30/16	-	-	158,320	(158,320)	-	-	-	-
National School Lunch Program	10.555	16161NJ304N1099	15-010-3350-100-023	163,371	7/1/14-6/30/15	(33,240)	-	33,240	-	-	-	-	-
Subtotal for CFDA # 10.555				198,857		(34,511)	-	198,857	(164,346)	-	-	-	-
Total Child Nutrition Cluster				241,686		(42,061)	-	241,686	(199,625)	-	-	-	-
Total U.S. Department of Agriculture				270,426		(42,061)	-	270,426	(224,740)	-	-	3,625	-
U.S. DEPARTMENT OF EDUCATION PASSED- THROUGH STATE DEPARTMENT OF EDUCATION:													
P.L. 103-382 Impact Aid Section 8003(b)	84.041	S041B143114	N/A	16,583,793	Various	-	-	16,583,793	(10,892,817)	-	-	5,690,976	-
P.L. 103-382 Impact Aid Section 8003(d)	84.041	S041B143114	N/A	140,522	Various	-	-	140,522	(140,522)	-	-	-	-
P.L. 108-375 Impact Aid D.O.D.	84.041	S041B143114	N/A	134,567	Various	-	-	134,567	(134,567)	-	-	-	-
Total Impact Aid				16,858,882		-	-	16,858,882	(11,167,906)	-	-	5,690,976	-
N.C.L.B.:													
Title I - Part A	84.010	S010A150030	16-034-5064-100-194	129,823	7/1/15-6/30/16	-	(39,359)	170,651	(145,592)	-	(14,300)	-	-
Title I - Part A	84.010	S010A150030	15-034-5064-100-194	133,976	7/1/14-6/30/15	(39,359)	-	-	-	-	-	-	-
Total Title I - Part A				170,651		(39,359)	-	170,651	(145,592)	-	(14,300)	-	-
Title II - Part A	84.366	S367A150029	16-034-5063-100-290	49,290	7/1/15-6/30/16	-	(5,589)	45,823	(80,485)	-	(40,251)	-	-
Title II - Part A	84.367	S367A150029	15-034-5063-100-290	54,911	7/1/14-6/30/15	(5,589)	-	-	-	-	-	-	-
Total Title II - Part A				45,823		(5,589)	-	45,823	(80,485)	-	(40,251)	-	-
I.D.E.A. Part B, Basic Regular	84.027	H027A150100	16-034-5064-100-16	311,744	7/1/15-6/30/16	-	(125,940)	360,697	(304,330)	-	(69,573)	-	-
I.D.E.A. Part B, Basic Regular	84.027	H027A150100	15-034-5064-100-16	305,693	7/1/14-6/30/15	(125,940)	-	-	-	-	-	-	-
I.D.E.A. Preschool	84.173	H027A150100	16-034-5064-100-16	15,345	7/1/15-6/30/16	-	(12,837)	21,346	(9,689)	-	(1,180)	-	-
I.D.E.A. Preschool	84.173	H027A150100	15-034-5064-100-16	15,072	7/1/14-6/30/15	(12,837)	-	12,837	-	-	-	-	-
Total Special Education Cluster				382,043		(138,777)	-	382,043	(314,019)	-	(70,753)	-	-
Total U.S. Department of Education				17,457,399		(183,725)	-	17,457,399	(11,708,002)	-	(125,304)	5,690,976	-
Total Federal Financial Assistance				17,727,825		(225,786)	-	17,727,825	(11,932,742)	-	(125,304)	5,690,976	-

**NORTH HANOVER 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	AWARD AMOUNT	GRANT PERIOD	BALANCE JUNE 30, 2015	CASH RECEIVED	BUDGETARY EXPENDITURES	ACCOUNTS RECEIVABLE 2016	UNEARNED REVENUE 2016	MEMO	
									BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPENDITURES
State Department of Education:										
General Fund:										
Equalization Aid	16-495-034-5120-078	\$ 9,648,284	7/1/15-6/30/16	\$ -	\$ 9,648,284	\$ (9,648,284)	\$ -	\$ -	\$ 946,422	\$ 9,648,284
Transportation Aid	16-495-034-5120-014	426,591	7/1/15-6/30/16	-	426,591	(426,591)	-	-	41,845	426,591
Special Education Aid	16-495-034-5120-089	588,916	7/1/15-6/30/16	-	588,916	(588,916)	-	-	57,768	588,916
Adjustment Aid	16-495-034-5120-085	417,899	7/1/15-6/30/16	-	417,899	(417,899)	-	-	40,993	417,899
Security Aid	16-495-034-5120-084	189,856	7/1/15-6/30/16	-	189,856	(189,856)	-	-	18,623	189,856
Under Adequacy Aid	16-495-034-5120-083	145,182	7/1/15-6/30/16	-	145,182	(145,182)	-	-	14,241	145,182
PARCC Readiness Aid	16-495-034-5120-098	11,980	7/1/15-6/30/16	-	11,980	(11,980)	-	-	1,175	11,980
Per Pupil Growth Aid	16-495-034-5120-097	11,980	7/1/15-6/30/16	-	11,980	(11,980)	-	-	1,175	11,980
Extraordinary Special Education Costs Aid	16-495-034-5120-044	140,489	7/1/15-6/30/16	-	-	(140,489)	(140,489)	-	-	140,489
Extraordinary Special Education Costs Aid	15-495-034-5120-044	115,815	7/1/14-6/30/15	(115,815)	115,815	-	-	-	-	-
Transportation Aid Reimbursement	16-495-034-5120-014	3,306	7/1/15-6/30/16	-	-	(3,306)	(3,306)	-	-	3,306
Transportation Aid Reimbursement	15-495-034-5120-014	2,784	7/1/14-6/30/15	(2,784)	2,784	-	-	-	-	-
On-Behalf TPAF Pension Contributions	16-495-034-5095-001	752,876	7/1/15-6/30/16	-	752,876	(752,876)	-	-	-	752,876
On-Behalf TPAF Post-Retirement	16-495-034-5095-001	896,467	7/1/15-6/30/16	-	896,467	(896,467)	-	-	-	896,467
Reimbursed TPAF Social Security Contributions	16-495-034-5095-002	685,471	7/1/15-6/30/16	-	685,471	(685,471)	-	-	-	685,471
Reimbursed TPAF Social Security Contributions	15-495-034-5095-002	703,476	7/1/14-6/30/15	(33,316)	33,316	-	-	-	-	-
Total General Fund				(151,915)	13,927,417	(13,919,297)	(143,795)	-	1,122,242	13,919,297
Special Revenue Fund:										
Mentor Training	05-495-034-5120-05	1,560	Indefinite	1,560	-	-	-	1,560	-	-
Total Special Revenue Fund				1,560	-	-	-	1,560	-	-
Enterprise Fund:										
National School Lunch Program	16-100-010-3360-067	4,765	7/1/15-6/30/16	-	4,765	(4,765)	-	-	-	4,765
National School Lunch Program	15-100-010-3360-067	4,884	7/1/14-6/30/15	(1,011)	1,011	-	-	-	-	-
Total Enterprise Fund				(1,011)	5,776	(4,765)	-	-	-	4,765
Total State Financial Assistance				<u>\$(151,366)</u>	<u>\$ 13,933,193</u>	<u>\$(13,924,062)</u>	<u>\$(143,795)</u>	<u>\$ 1,560</u>	<u>\$ 1,122,242</u>	<u>\$ 13,924,062</u>
On-Behalf TPAF Pension Contributions					\$	752,876				
On-Behalf TPAF Post-Retirement						896,467				
Total State Financial Assistance Reported on Single Audit Summary					<u>\$</u>	<u>(12,274,719)</u>				

**NORTH HANOVER BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2016**

Note 1. Basis of Presentation

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the North Hanover Board of Education. The Board of Education is defined in Note 1 to the Board's basic financial statements. All federal and state awards received directly from federal and state 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. Summary of Significant Accounting Policies

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Note 1 to the board's basic financial statements. The information in this schedule is presented in accordance with the requirements of 2 CFR 200-*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Of the federal and state expenditures presented in the schedules of expenditures of federal awards and state financial assistance, the North Hanover Board of Education did not provide any federal or state awards to sub recipients.

Noncash assistance is reported in the schedule of expenditures of federal awards as the entitlement value, as determined by the United States Department of Agriculture, of the food commodities received and disbursed during the year ended June 30, 2016. Unearned revenue represents the value of commodities left in the ending inventory of the District as of June 30, 2016.

North Hanover Board of Education has not elected to use the 10% de minimis cost rate allowed by the Uniform Guidance.

Note 3. Relationship to Basic Financial Statements

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

**NORTH HANOVER BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF FINANCIAL ASSISTANCE
JUNE 30, 2016**

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A.* 18A:22-44.2. For GAAP purposes payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more state aid June payments in the current budget year, consistent with *N.J.S.A.* 18A:22-4.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$10,161 for the general fund and \$(25,087) for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented as follows:

	State	Federal	Total
General Fund	\$13,929,458	\$10,970,888	\$24,900,346
Special Revenue Fund	-0-	515,009	515,009
Sick Pay Trust	-0-	47,018	47,018
Food Service Fund	<u>4,765</u>	<u>381,990</u>	<u>386,755</u>
Total Financial Assistance	<u>\$13,934,223</u>	<u>\$11,914,905</u>	<u>\$25,849,128</u>

Note 4. Relationship to Federal and State Financial Reports

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

Note 5. Other

Revenues and Expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the District for the year ended June 30, 2016. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2016.

Note 6. Federal and State Loans Outstanding

The North Hanover Board of Education had no loan balances outstanding at June 30, 2016.

**NORH HANOVER BOARD OF EDUCATION
SCHEDULE OF FINDINGS & QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2016**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
1) Material weakness(es) identified?	None Reported
2) Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to basic financial Statements noted?	No

Federal Awards

Internal Control over major programs:	
1) Material weakness(es) identified?	None Reported
2) Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Type of auditor’s report issued on compliance for major programs	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 Section .516(a) of the Uniform Guidance?	No

Identification of major programs:

CFDA Number(s)	FAIN Number(s)	Name of Federal Program or Cluster
84.041	S041B143114	Federal Impact Aid & Defense Aid

Dollar threshold used to distinguish between type A and type B programs:[518]	\$750,000
Auditee qualified as low-risk auditee?	Yes

**NORH HANOVER BOARD OF EDUCATION
SCHEDULE OF FINDINGS & QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2016
(continued)**

Section I – Summary of Auditor’s Results (continued):

State Awards

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes
Internal Control over major programs:	
1) Material weakness(es) identified?	None Reported
2) Significant deficiencies identified that are not considered To be material weaknesses?	None Reported
Type of auditor’s report issued on compliance for major programs	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance With 2 CFR 200 Section .516(a) of the Uniform Guidance or NJOMB Circular Letter 15-08 as applicable?	No

Identification of major programs:

State Grant/Project Number(s)	Name of State Program
495-034-5120-078	Equalization Aid
495-034-5120-084	Security Aid
495-034-5120-089	Special Educational Categorical Aid
495-034-5120-085	Adjustment Aid
495-034-5120-096	Under Adequacy Aid
495-034-5120-097	Per Pupil Growth Aid
495-034-5120-098	PARCC Readiness

**NORTH HANOVER BOARD OF EDUCATION
SCHEDULE OF FINDINGS & QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2016
(continued)**

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

No Current Year Findings

Section III – Schedule of Federal Award Findings & Questioned Costs

This section identifies audit findings required to be reported by 2 CFR 200 section .516 of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

No Current Year Findings

Section IV – State Financial Assistance Findings & Questioned Costs

This section identifies audit findings required to be reported by 2 CFR 200 section .516 of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and NJOMB Circular Letter 15-08, as applicable.

No Current Year Findings

**NORTH HANOVER BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
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*, USOMB *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. (¶.511 (a)(b)) and NJOMB's Circular 04-04 and/or 15-08, as applicable.

No Prior Year Findings