

SCHOOL DISTRICT
OF
HANOVER TOWNSHIP

Hanover Township School District
Hanover, New Jersey

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017

Comprehensive Annual Financial Report

of the

Hanover Township School District

Hanover, New Jersey

For the Fiscal Year Ended June 30, 2017

Prepared by

Hanover Township Board of Education

Finance Department

HANOVER TOWNSHIP SCHOOL DISTRICT
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INTRODUCTORY SECTION

Hanover Township Public Schools

61 Highland Avenue
Whippany, New Jersey 07981-1399

Vanessa M. Wolsky
School Business Administrator/Board Secretary

973-515-2407
FAX 973-540-1023

August 8, 2017

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

Dear Board Members:

The Comprehensive Annual Financial Report of the Hanover Township School District (the "District") for the fiscal year ended June 30, 2017, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Independent Auditors' Report, management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, financial trends, and the fiscal capacity of the District, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of New Jersey's OMB Circular 15-08. Information related to this single audit, including the auditors' reports on internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

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

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

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

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

The District provides a full range of educational services appropriate to grade levels K through 8 for the students residing in Hanover Township. These include programs for regular, gifted and talented and special education students. The District completed the 2016-17 fiscal year with an average daily enrollment of 1,458 students, which is a increase of 2 students from the previous year's enrollment.

Elementary School (K-5)

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

Middle School (6-8)

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

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

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

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

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

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

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

3) MAJOR INITIATIVES: During the 2016-2017 school year the Board of Education and administration in consultation with parents and faculty established and accomplished or made significant progress towards four district wide goals.

DISTRICT GOALS FOR THE 2016-2017 SCHOOL YEAR

1. Complete the implementation of the new standards-based K-5 report card.
2. To conduct a district wide facilities review to identify specific areas in need of improvement and to ensure that all facilities continue to meet the needs of the district.
3. To implement the “Next Generation” Science Standards (NGSS) in grades 6-8 and plan for the implementation of the NGSS at the elementary level during the 2017-2018 school year.
4. To continue to enrich the learning experiences of Hanover Township students through the expanded use of digital learning.

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

As a recipient of federal and state awards, the District also is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by the District's management. As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control system, including that portion related to major federal and state award programs, as well as to determine that the District has complied with major applicable laws, regulations, contracts and grants.

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as restrictions, commitments or assignments of fund balance at June 30, 2017.

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

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

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

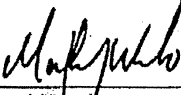
9) OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of New Jersey's OMB Circular 15-08. The auditor's report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

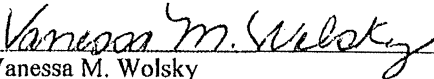
The Honorable President and Members of the Board of Education
Hanover Township School District
Page 5
August 8, 2017

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

Respectfully submitted,



Michael Wasko
Superintendent



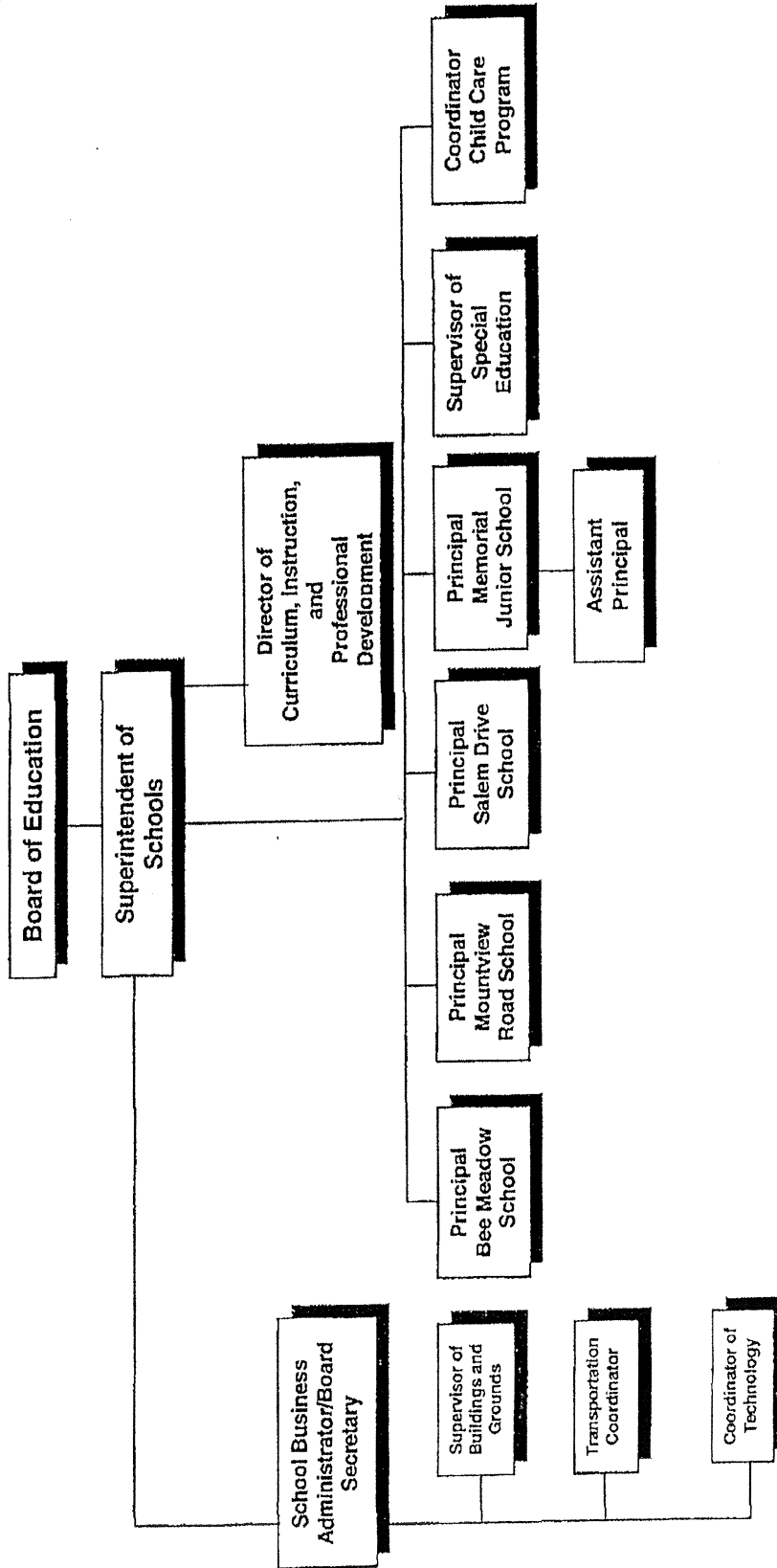
Vanessa M. Wolsky
School Business Administrator/Board Secretary

POLICY

HANOVER TOWNSHIP BOARD OF EDUCATION

ADMINISTRATION
1110/Page 1 of 1
Organizational Chart

1110 ORGANIZATIONAL CHART



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

Adopted: 12/20/71
 Revised: 12/18/72
 Revised: 4/28/87
 Revised: 10/22/91
 Revised: 11/15/94
 Revised: 03/18/97
 Revised: 12/15/98
 Revised: 11/15/01
 Revised: 11/30/01
 Revised: 8/26/03
 Revised: 9/23/08
 Revised: 10/29/13
 org chart 2013.doc

**HANOVER TOWNSHIP SCHOOL DISTRICT
 ROSTER OF OFFICIALS
 JUNE 30, 2017**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Stephen E. Furda, President	2019
Carol Tognetti , Vice President	2018
Daniel J. Breen	2019
Brian Cahill	2017
Salvatore A. Azzarello	2017
Patricia Mattia	2019
Rose McCauley	2018
Douglas J. Petty	2018
Glenn P. Yannotta	2017

<u>Other Officers</u>	<u>Title</u>
Michael Wasko	Superintendent of Schools
Vanessa M. Wolsky	School Business Administrator/Board Secretary

HANOVER TOWNSHIP SCHOOL DISTRICT

Consultants and Advisors

Architect

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

Audit Firm

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

Attorneys

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

Insurance Advisors

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

Official Depository

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

FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Hanover Township School District (the "District") in the County of Morris, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Hanover Township School District, in the County of Morris, as of June 30, 2017 and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report, the pension schedules in Exhibits L-1 through L-4 and the related notes and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and the other information, such as the introductory and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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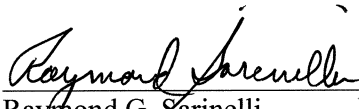
The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance

August 8, 2017
Mount Arlington, New Jersey

NISIVOCCIA LLP



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

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Management Discussion and Analysis (Unaudited)

This section of Hanover Township School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2017. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Financial Highlights

- ◆ Overall revenue of governmental and business-type activities was \$36,045,452 which consisted primarily of property taxes of \$24,830,321. Overall expenses were \$36,972,863.
- ◆ The General Fund had revenues and other financing sources of \$29,210,256 and expenditures of \$29,246,231. The General Fund's fund balance (budgetary basis) decreased \$34,108 from 2016.
- ◆ The District appropriated \$500,000 of fund balance and \$200,000 of capital reserve at June 30, 2016, to aid in funding the FY 2017 budget and appropriated \$400,000 of fund balance at June 30, 2017 to aid in funding the FY 2018 budget.

Overview of the Financial Statements

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

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

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

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

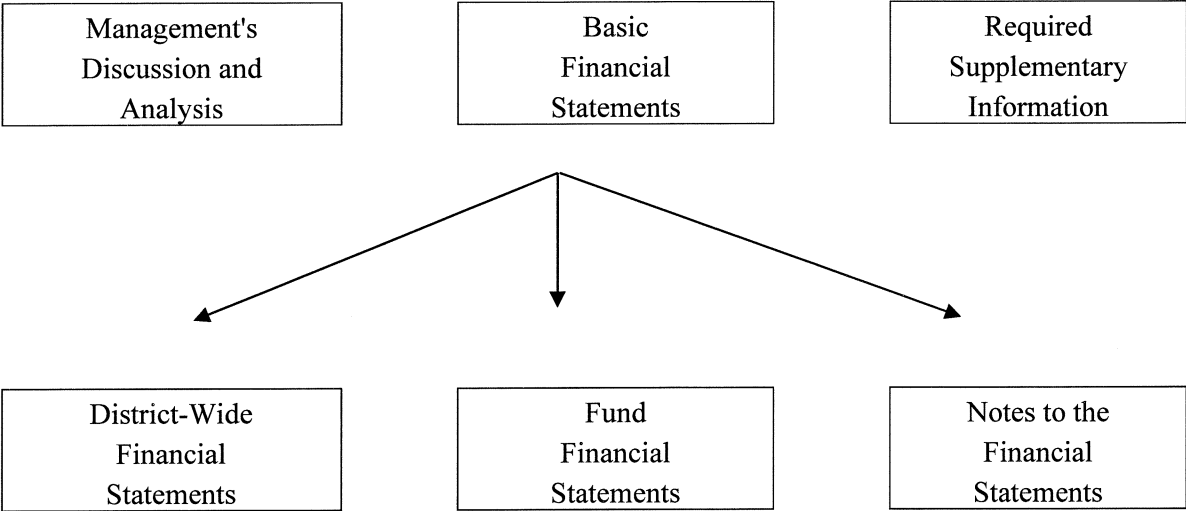


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

Notes to the Basic Financial Statements: Provide additional information essential to a full understanding of the District-wide and fund financial statements.

Financial Analysis of the District as a Whole

Net Position. The Statement of Net Position provides one perspective of the District as a whole. Figure A-3 provides a summary of the District's net position as of June 30, 2016 and 2017. The District's *combined* net position was \$4,069,770 on June 30, 2017, \$927,411 or 18.56% less than it was the year before. It is important to note here that depreciation of the District's capital assets is computed in the total. The depreciation factored into the District's net position for 2016/17 is \$981,320. This same amount is also factored in as an expense in this year's financial statements.

Figure A-3

Condensed Statement of Net Position

	Government Activities		Business-Type Activities		Total School District		Percentage
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	Change 2016/17
Current and Other Assets	\$ 2,281,560	\$ 2,374,592	\$ 851,564	\$ 857,936	\$ 3,133,124	\$ 3,232,528	3.17%
Capital Assets, Net	18,223,435	17,935,871			18,223,435	17,935,871	-1.58%
Total Assets	<u>20,504,995</u>	<u>20,310,463</u>	<u>851,564</u>	<u>857,936</u>	<u>21,356,559</u>	<u>21,168,399</u>	-0.88%
Deferred Outflows of Resources	<u>1,689,338</u>	<u>4,705,579</u>			<u>1,689,338</u>	<u>4,705,579</u>	178.55%
Other Liabilities	858,566	1,444,657	255,117	196,429	1,113,683	1,641,086	47.36%
Long-Term Liabilities Outstanding	16,572,696	20,021,562			16,572,696	20,021,562	20.81%
Total Liabilities	<u>17,431,262</u>	<u>21,466,219</u>	<u>255,117</u>	<u>196,429</u>	<u>17,686,379</u>	<u>21,662,648</u>	22.48%
Deferred Inflows of Resources	<u>362,337</u>	<u>141,560</u>			<u>362,337</u>	<u>141,560</u>	-60.93%
Net Position:							
Net Investment in Capital Assets	14,012,558	14,096,888			14,012,558	14,096,888	0.60%
Restricted	448,975	401,835			448,975	401,835	-10.50%
Unrestricted/(Deficit)	<u>(10,060,799)</u>	<u>(11,090,460)</u>	<u>596,447</u>	<u>661,507</u>	<u>(9,464,352)</u>	<u>(10,428,953)</u>	-10.19%
Total Net Position	<u>\$ 4,400,734</u>	<u>\$ 3,408,263</u>	<u>\$ 596,447</u>	<u>\$ 661,507</u>	<u>\$ 4,997,181</u>	<u>\$ 4,069,770</u>	-18.56%

Changes in Net Position. The District's *combined* net position was \$4,069,770 on June 30, 2017, \$927,411 or 18.56% less than it was the year before. (See Figure A-3). The decrease in the District's financial position came primarily from its governmental activities as net position decreased \$992,471, while net position from business type activities increased \$65,060, (See Figure A-4) for the fiscal year ended June 30, 2017.

Figure A-4

Changes in Net Position from Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	Change 2016/17
Revenue:							
Program Revenue:							
Charges for Services			\$ 1,055,402	\$ 1,146,457	\$ 1,055,402	\$ 1,146,457	8.63%
Operating Grants and Contributions	\$ 7,109,627	\$ 9,379,277	12,102	11,366	7,121,729	9,390,643	31.86%
General Revenue:							
Property Taxes	24,354,769	24,830,321			24,354,769	24,830,321	1.95%
Unrestricted State Aid	480,397	362,255			480,397	362,255	-24.59%
Other	447,639	315,696	72	80	447,711	315,776	-29.47%
Total Revenue	<u>32,392,432</u>	<u>34,887,549</u>	<u>1,067,576</u>	<u>1,157,903</u>	<u>33,460,008</u>	<u>36,045,452</u>	7.73%
Expenses:							
Instruction	19,877,594	22,025,905			19,877,594	22,025,905	10.81%
Pupil and Instruction Services	4,835,339	5,513,936			4,835,339	5,513,936	14.03%
Administrative and Business	3,052,300	3,262,318			3,052,300	3,262,318	6.88%
Maintenance and Operations	2,833,741	3,099,103			2,833,741	3,099,103	9.36%
Transportation	1,383,555	1,792,139			1,383,555	1,792,139	29.53%
Other	246,020	186,619	948,571	1,092,843	1,194,591	1,279,462	7.10%
Total Expenses	<u>32,228,549</u>	<u>35,880,020</u>	<u>948,571</u>	<u>1,092,843</u>	<u>33,177,120</u>	<u>36,972,863</u>	11.44%
Increase/(Decrease) in Net Position	<u>\$ 163,883</u>	<u>\$ (992,471)</u>	<u>\$ 119,005</u>	<u>\$ 65,060</u>	<u>\$ 282,888</u>	<u>\$ (927,411)</u>	-427.84%

Revenue Sources. The District's total revenue for the 2016/17 school year was \$36,045,452. (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$24,830,321 of the total, or 68.89 percent. (See Figure A-5). Another 27.05 percent came from state and federal aid for specific programs and the remainder from miscellaneous sources. It is important to note that of the Categorical Grants amount of \$4,665,921, over \$3.2 million is included in funds that are not paid to the District, but are included in funding for Pension Contributions and Post Retirement Contributions that the State of New Jersey is paying on behalf of the District. Hanover Township School District basically conducts its operations from the revenues it receives from its local taxpayers.

Figure A-5**Sources of Revenue for Fiscal Year 2017**

	<u>Amount</u>	<u>Percentage</u>
Sources of Income:		
State Formula Aid	\$ 5,086,977	14.11%
Property Taxes	24,830,321	68.89%
Federal and State Categorical Grants	4,665,921	12.94%
Charges for Services	1,146,457	3.18%
Other	315,776	0.88%
	<u>\$ 36,045,452</u>	<u>100.00%</u>

The total cost of all programs and services was \$36,972,863. The District's expenses are predominantly related to instruction and instruction services which comprise 74.48% of total expenses.

Figure A-6**Expenses for Fiscal Year 2017**

	<u>Amount</u>	<u>Percentage</u>
Expense Category:		
Instruction	\$ 22,025,905	59.57%
Pupil and Instruction Services	5,513,936	14.91%
Administrative and Business	3,262,318	8.82%
Maintenance and Operations	3,099,103	8.39%
Transportation	1,792,139	4.85%
Other	1,279,462	3.46%
	<u>\$ 36,972,863</u>	<u>100.00%</u>

Governmental Activities

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

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

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

Figure A-7

Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2015/2016	2016/2017	2015/2016	2016/2017
Instruction	\$ 19,877,594	\$ 22,025,905	\$ 13,192,753	\$ 13,155,956
Pupil and Instruction Services	4,835,339	5,513,936	4,835,339	5,513,936
Administrative and Business	3,052,300	3,262,318	2,685,473	2,818,225
Maintenance and Operations	2,833,741	3,099,103	2,833,742	3,099,103
Transportation	1,383,555	1,792,139	1,325,596	1,726,904
Other	246,020	186,619	246,020	186,619
	<u>\$ 32,228,549</u>	<u>\$ 35,880,020</u>	<u>\$ 25,118,923</u>	<u>\$ 26,500,743</u>

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

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

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

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

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

Other expenses include the interest on debt and depreciation expense for the school district.

Business-Type Activities

Net position from the District's business-type activities increased \$65,060. (Refer to Figure A-4). School Age Child Care fees and enrollment increased in 2016/2017.

Financial Analysis of the District's Funds

The school district's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$34,887,549 and expenditures of \$35,880,020. The General Fund experienced a net change in fund balance of (\$34,108) on the budgetary basis of accounting. However, due to regulations regarding the reporting of state aid receivables, this balance must be adjusted to (\$35,975). This difference of (\$1,867) is the difference between Hanover Township's final 15/16 and 16/17 General Fund state aid payments.

General Fund Budgetary Highlights

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

During the course of the fiscal year 2017, the school district amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management. Amendments to the budget were for the following:

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

While the District's final budget for the general fund anticipated that revenues and expenditures would roughly equal, the actual results for the year show a \$34,108 decrease due to the following:

- ◆ Actual revenues were \$80,104 more than expected mainly due to an increase in miscellaneous revenue.
- ◆ The actual expenditures were \$695,385 less than expected due to health care cost increases that were less than anticipated.

Capital Asset and Long-Term Liabilities Administration

Figure A-8

	Capital Assets (Net of Depreciation)						Percentage Change
	Government Activities		Business-Type Activities		Total School District		
	2015-2016	2016-2017	2015-2016	2016-2017	2015-2016	2016-2017	
Land	\$ 288,109	\$ 288,109			\$ 288,109	\$ 288,109	0.00%
Construction in Progress	5,000	5,000			5,000	5,000	0.00%
Site Improvements	367,880	323,808			367,880	323,808	-11.98%
Buildings and Improvements	16,776,652	16,404,406			16,776,652	16,404,406	-2.22%
Machinery and Equipment	785,794	914,548			785,794	914,548	16.39%
Total Capital Assets (Net of Depreciation)	<u>\$ 18,223,435</u>	<u>\$ 17,935,871</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 18,223,435</u>	<u>\$ 17,935,871</u>	-1.58%

Overall capital assets decreased \$287,564 from fiscal year 2016 to fiscal year 2017. Capital additions of \$693,756 were offset by depreciation expenses of \$981,320 for the year.

The capital asset expenses during fiscal year 2017 were mainly physical plant improvements and equipment.

Long-term Liabilities

At June 30, 2017, the School District had \$20,021,562 of outstanding long-term liabilities – an increase of \$3,448,866 from last year – as shown in Figure A-9. Of this amount \$846,890 is for compensated absences, \$2,404,546 for capital leases, \$1,515,000 for bonds for school construction, \$94,571 for unamortized bond premium and \$15,160,555 for net pension liability.

Figure A-9

	Total School District		Percentage Change
	2015/16	2016/17	
General Obligation Bonds (Financed with Property Taxes)	\$ 1,820,000	\$ 1,515,000	-20.13%
Net Pension Liability	11,364,762	15,160,555	25.04%
Unamortized Bond Premium	113,485	94,571	-20.00%
Capital Leases	2,487,553	2,404,546	-3.45%
Other Long- Term Liabilities	786,896	846,890	7.08%
	<u>\$ 16,572,696</u>	<u>\$ 20,021,562</u>	20.81%

- The District continued to pay down its debt, retiring \$305,000 of outstanding bonds.

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

The Hanover Township Public School District is in good financial condition at present. The Township of Hanover currently has several proposed and recently completed residential developments that may continue to have a substantial impact on the District's enrollment and future budgets. The impact of the Affordable Care Act on the cost of health insurance is an area of concern for the future.

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

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 1,491,960	\$ 854,180	\$ 2,346,140
Receivables:			
Other Governments	464,088	1,064	465,152
Tuition	11,933		11,933
Other	4,776	2,692	7,468
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	401,835		401,835
Capital Assets, Net:			
Sites (Land) and Construction in Progress	293,109		293,109
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	17,642,762		17,642,762
Total Assets	<u>20,310,463</u>	<u>857,936</u>	<u>21,168,399</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Amount on Refunding	80,563		80,563
Changes in Assumptions - Pensions	3,140,456		3,140,456
Changes in Proportions - Pensions - 2016, and 2014	169,783		169,783
Investment Gains - Pensions	578,086		578,086
Difference Between Expected and Actual Experience - Pensions	281,940		281,940
District Contribution Subsequent to Measurement Date	454,751		454,751
Total Deferred Outflows of Resources	<u>4,705,579</u>		<u>4,705,579</u>
LIABILITIES:			
Accrued Interest Payable	27,775		27,775
Accounts Payable - Vendors	298,037	1,403	299,440
Interfund Payable	654,750		654,750
Payable to State Government	463,595		463,595
Unearned Revenue	500	195,026	195,526
Noncurrent Liabilities:			
Due Within One Year	681,428		681,428
Due Beyond One Year	19,340,134		19,340,134
Total Liabilities	<u>21,466,219</u>	<u>196,429</u>	<u>21,662,648</u>
DEFERRED INFLOWS OF RESOURCES:			
Changes in Proportions - Pensions - 2015	141,560		141,560
Total Deferred Inflows of Resources	<u>141,560</u>		<u>141,560</u>
NET POSITION:			
Net Investment in Capital Assets	14,096,888		14,096,888
Restricted for:			
Capital Projects	401,835		401,835
Unrestricted/(Deficit)	(11,090,460)	661,507	(10,428,953)
Total Net Position	<u>\$ 3,408,263</u>	<u>\$ 661,507</u>	<u>\$ 4,069,770</u>

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

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 16,387,022		\$ 6,076,178	\$ (10,310,844)		\$ (10,310,844)
Special Education	4,520,561		2,374,805	(2,145,756)		(2,145,756)
Other Special Instruction	849,600		330,306	(519,294)		(519,294)
Other Instruction	268,722		88,660	(180,062)		(180,062)
Support Services:						
Tuition	729,894			(729,894)		(729,894)
Student & Instruction Related Services	4,784,042			(4,784,042)		(4,784,042)
General Administrative Services	641,632			(641,632)		(641,632)
School Administrative Services	1,750,859		444,093	(1,306,766)		(1,306,766)
Plant Operations and Maintenance	3,099,103			(3,099,103)		(3,099,103)
Pupil Transportation	1,792,139		65,235	(1,726,904)		(1,726,904)
Central Services and Admin Info Tech	869,827			(869,827)		(869,827)
Transfer to Charter School	97,287			(97,287)		(97,287)
Capital Outlay	22,124			(22,124)		(22,124)
Interest on Long-Term Debt	67,208			(67,208)		(67,208)
Total Governmental Activities	35,880,020		9,379,277	(26,500,743)		(26,500,743)

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Functions/Programs Business-Type Activities: Enterprise Funds	Program Revenue		Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
	\$ 1,092,843	\$ 1,146,457	\$ 11,366	\$ 64,980	\$ 64,980	\$ 64,980
Total Business-Type Activities	1,092,843	1,146,457	11,366	64,980	64,980	64,980
Total Primary Government	\$ 36,972,863	\$ 1,146,457	\$ 9,390,643	\$ (26,500,743)	\$ 64,980	\$ (26,435,763)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net			\$ 24,452,529	\$ 24,452,529		\$ 24,452,529
Taxes, Levied for Debt Service			377,792	377,792		377,792
Federal and State Aid not Restricted			362,255	362,255		362,255
Investment Earnings			20	80		100
Miscellaneous Income			315,676	315,676		315,676
Total General Revenues			25,508,272	80		25,508,352
Change in Net Position			(992,471)	65,060		(927,411)
Net Position - Beginning			4,400,734	596,447		4,997,181
Net Position - Ending			\$ 3,408,263	\$ 661,507		\$ 4,069,770

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

FUND FINANCIAL STATEMENTS

HANOVER TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 1,491,960				\$ 1,491,960
Receivables:					
Other Governments	413,427	50,661			464,088
Tuition	11,933				11,933
Interfund Receivable	33,905				33,905
Other	4,090	686			4,776
Restricted Cash and Cash Equivalents	401,835				401,835
Total Assets	\$ 2,357,150	\$ 51,347	---	---	\$ 2,408,497
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable - Vendors	\$ 289,439	\$ 8,598			\$ 298,037
Interfund Payable	654,750	33,905			688,655
Unearned Revenue	500				500
Payable to State Government		8,844			8,844
Total Liabilities	944,689	51,347	---	---	996,036
Fund Balances:					
Restricted for:					
Capital Reserve Account	401,835				401,835
Assigned:					
For Subsequent					
Year's Expenditures	400,000				400,000
Year End Encumbrances	169,697				169,697
Unassigned	440,929				440,929
Total Fund Balances	1,412,461	---	---	---	1,412,461
Total Liabilities and Fund Balances	\$ 2,357,150	\$ 51,347	\$ -0-	\$ -0-	---
Amounts Reported for <i>Governmental Activities</i> 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 \$33,535,509 and the accumulated depreciation is \$15,599,638.					17,935,871
Long-term liabilities, including bonds payable and other long-term liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the funds.					
					(4,766,436)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.					
					(27,775)
Bond issuance premiums are reported as revenue in the governmental funds in the year the bonds are sold.					
The amount is \$226,969 and the accumulated amortization is \$132,398.					(94,571)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.					
					(15,160,555)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds:					
Changes in Assumptions - Pensions					3,140,456
Difference Between Expected and Actual Experience - Pensions					281,940
Investment Gains - Pensions					578,086
Changes in Proportions - Pensions - 2016 and 2014					169,783
Changes in Proportions - Pensions - 2015					(141,560)
Deferred amounts on refunding are not reported as expenditures in the governmental funds in the year of the expenditure.					
					80,563
Net Position of Governmental Activities					\$ 3,408,263

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

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local Sources:					
Local Tax Levy	\$ 24,452,529			\$ 377,792	\$ 24,830,321
Interest Earned on Capital Reserve Funds	20				20
Miscellaneous	315,676				315,676
Total - Local Sources	<u>24,768,225</u>			<u>377,792</u>	<u>25,146,017</u>
State Sources	4,202,623	103,437			4,306,060
Federal Sources		359,861			359,861
Total Revenues	<u>28,970,848</u>	<u>463,298</u>		<u>377,792</u>	<u>29,811,938</u>
EXPENDITURES:					
Current:					
Regular Instruction	7,851,060	19,608			7,870,668
Special Education Instruction	2,357,645	338,127			2,695,772
Other Special Instruction	406,425				406,425
Other Instruction	126,226				126,226
Support Services and Undistributed Costs:					
Tuition	669,381	60,513			729,894
Student & Instruction Related Services	3,306,718	45,050			3,351,768
General Administration Services	497,920				497,920
School Administration Services	967,669				967,669
Central Services	427,289				427,289
Administrative Information Technology Services	167,525				167,525
Plant Operations and Maintenance	2,620,524				2,620,524
Pupil Transportation	1,001,170				1,001,170

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES (Cont'd):					
Current:					
Unallocated Benefits	\$ 8,035,817				\$ 8,035,817
Transfer to Charter School	97,287				97,287
Debt Service:					
Principal				\$ 305,000	305,000
Interest and Other Charges				72,800	72,800
Capital Outlay	713,575				713,575
Total Expenditures	<u>29,246,231</u>	<u>\$ 463,298</u>		<u>377,800</u>	<u>30,087,329</u>
Excess (Deficiency) of Revenues over/(under) Expenditures	<u>(275,383)</u>			<u>(8)</u>	<u>(275,391)</u>
OTHER FINANCING SOURCES/(USES):					
Capital Leases (Non-Budgeted)	231,491				231,491
Transfers In	7,917				7,917
Transfers Out			(7,917)		(7,917)
Total Other Financing Sources/(Uses)	<u>239,408</u>		<u>(7,917)</u>		<u>231,491</u>
Net Change in Fund Balances	(35,975)		(7,917)	(8)	(43,900)
Fund Balances - July 1	1,448,436		7,917	8	1,456,361
Fund Balances - June 30	<u>\$ 1,412,461</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,412,461</u>

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

HANOVER TOWNSHIP SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2) \$ (43,900)

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 differs from depreciation in the period.

Depreciation expense	\$	(981,320)
Capital outlays		693,756
		(287,564)

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

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

Capital leases entered into by the District are an other financing source in the governmental funds, but the acquisition increases long-term liabilities in the statement of net position and is not reported in the statement of activities. (231,491)

Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities. 314,498

HANOVER TOWNSHIP SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation. (+)

The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:

Change in Net Pension Liability	\$ 5,592
Deferred Outflows:	
Changes in Assumptions	(3,795,793)
Changes in Proportion - 2016 and 2014	1,919,971
Difference Between Expected and Actual Experience - Pensions	68,729
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	10,817
Deferred Inflows:	760,810
Changes in Proportion - 2015	38,053

The governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (+)

The governmental funds report the effect of deferred amounts on refunding when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Change in Net Position of Governmental Activities (Exhibit A-2)	18,914
	(16,113)
	\$ (992,471)

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Non-Major Fund</u>	<u>Major Fund School Age Child Care</u>	<u>Total Funds</u>
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 7,351	\$ 846,829	\$ 854,180
Accounts Receivable:			
Federal	1,064		1,064
Other		2,692	2,692
Total Current Assets	<u>8,415</u>	<u>849,521</u>	<u>857,936</u>
Total Assets	<u>8,415</u>	<u>849,521</u>	<u>857,936</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable - Vendors	1,403		1,403
Unearned Revenue		195,026	195,026
Total Current Liabilities	<u>1,403</u>	<u>195,026</u>	<u>196,429</u>
NET POSITION:			
Unrestricted	<u>7,012</u>	<u>654,495</u>	<u>661,507</u>
Total Net Position	<u>\$ 7,012</u>	<u>\$ 654,495</u>	<u>\$ 661,507</u>

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

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Non-Major Fund</u>	<u>Major Fund School Age Child Care</u>	<u>Total Funds</u>
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs:			
Special Milk Program	\$ 22,551		\$ 22,551
Child Care Fees		\$ 1,123,906	1,123,906
Total Operating Revenue	<u>22,551</u>	<u>1,123,906</u>	<u>1,146,457</u>
Operating Expenses:			
Cost of Sales - Reimbursable Programs	19,216		19,216
Salaries	11,212	515,427	526,639
Benefits and Taxes	4,916	178,760	183,676
Purchased Services		15,772	15,772
Supplies/Field Trips/Travel		142,899	142,899
Other	179	204,462	204,641
Total Operating Expenses	<u>35,523</u>	<u>1,057,320</u>	<u>1,092,843</u>
Operating Income (Loss)	<u>(12,972)</u>	<u>66,586</u>	<u>53,614</u>
Non-Operating Revenue:			
Local Sources:			
Interest Revenue	2	78	80
Federal Sources:			
Special Milk Program	11,366		11,366
Total Non-Operating Revenue	<u>11,368</u>	<u>78</u>	<u>11,446</u>
Change in Net Position	(1,604)	66,664	65,060
Net Position - Beginning of Year	<u>8,616</u>	<u>587,831</u>	<u>596,447</u>
Net Position - End of Year	<u>\$ 7,012</u>	<u>\$ 654,495</u>	<u>\$ 661,507</u>

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

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Non-Major Fund</u>	<u>Major Fund School Age Child Care</u>	<u>Total Funds</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 22,551	\$ 1,127,069	\$ 1,149,620
Payments to Employees	(11,212)	(515,427)	(526,639)
Payments for Employee Benefits	(4,916)	(178,760)	(183,676)
Payments to Suppliers	(19,147)	(422,069)	(441,216)
Net Cash Provided by/(Used for) Operating Activities	<u>(12,724)</u>	<u>10,813</u>	<u>(1,911)</u>
Cash Flows from Noncapital Financing Activities:			
Cash Received from Federal Reimbursements	11,319		11,319
Net Cash Provided by Noncapital Financing Activities	<u>11,319</u>		<u>11,319</u>
Cash Flows from Investing Activities:			
Interest on Investments	2	78	80
Net Cash Provided by Investing Activities	<u>2</u>	<u>78</u>	<u>80</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,403)	10,891	9,488
Cash and Cash Equivalents, July 1	8,754	835,938	844,692
Cash and Cash Equivalents, June 30	<u>\$ 7,351</u>	<u>\$ 846,829</u>	<u>\$ 854,180</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by/(Used for) Operating Activities:			
Operating Income (Loss)	\$ (12,972)	\$ 66,586	\$ 53,614
Adjustment to Reconcile Operating Income (Loss) to Cash Provided by/(Used for) Operating Activities:			
Changes in Assets and Liabilities:			
Decrease in Other Accounts Receivable		3,163	3,163
Increase/(Decrease) in Accounts Payable	248	(85)	163
(Decrease) in Unearned Revenue		(58,851)	(58,851)
Net Cash Provided by/(Used for) Operating Activities	<u>\$ (12,724)</u>	<u>\$ 10,813</u>	<u>\$ (1,911)</u>

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

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Flexible Spending Trust</u>
ASSETS:				
Cash and Cash Equivalents	\$ 114,647	\$ 148,496	\$ 9,812	\$ 7,691
Interfund Receivable	654,750			
Total Assets	<u>\$ 769,397</u>	<u>\$ 148,496</u>	<u>\$ 9,812</u>	<u>\$ 7,691</u>
LIABILITIES:				
Due to Student Groups	\$ 79,984			
Accrued Salaries and Wages	654,750			
Payroll Deductions and Withholding	34,663			
Total Liabilities	<u>769,397</u>			
NET POSITION:				
Restricted for Scholarships			\$ 9,812	
Held in Trust for:				
Unemployment Claims		\$ 148,496		
Flexible Spending Claims				\$ 7,691
Total Net Position	<u>\$ -0-</u>	<u>\$ 148,496</u>	<u>\$ 9,812</u>	<u>\$ 7,691</u>

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

HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Flexible Spending Trust</u>
ADDITIONS:			
Contributions:			
Plan Members	\$ 40,171		\$ 17,810
Donations		\$ 100	
Total Contributions	<u>40,171</u>	<u>100</u>	<u>17,810</u>
Investment Earnings:			
Interest	<u>100</u>	<u>1</u>	
Net Investment Earnings	<u>100</u>	<u>1</u>	
Total Additions	<u>40,271</u>	<u>101</u>	<u>17,810</u>
DEDUCTIONS:			
Quarterly Contribution Reports	14,248		
Scholarships Awarded		2,170	
Flexible Spending Claims			19,251
Total Deductions	<u>14,248</u>	<u>2,170</u>	<u>19,251</u>
Change in Net Position	26,023	(2,069)	(1,441)
Net Position - Beginning of the Year	<u>122,473</u>	<u>11,881</u>	<u>9,132</u>
Net Position - End of the Year	<u>\$ 148,496</u>	<u>\$ 9,812</u>	<u>\$ 7,691</u>

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

District-Wide Financial Statements:

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

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements (Cont'd):

Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self financing or draws from the general revenues of the District.

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

The District reports the following governmental funds:

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

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

B. Basis of Presentation: (Cont'd)

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

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

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

C. Measurement Focus and Basis of Accounting(Cont'd)

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

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2017 was submitted to the County office and approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
from the Budgetary Comparison Schedule	\$ 28,972,715	\$ 463,298
Difference - Budget to GAAP:		
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	84,232	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(86,099)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 28,970,848</u>	<u>\$ 463,298</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	<u>\$ 29,246,231</u>	<u>\$ 463,298</u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 29,246,231</u>	<u>\$ 463,298</u>

E. Cash and Cash Equivalents:

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

The District generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

E. Cash and Cash Equivalents: (Cont'd)

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

F. Interfund Transactions

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

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

G. Allowance for Uncollectible Accounts

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2017.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

K. Capital Assets:

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

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

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

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

L. Long-Term Liabilities

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

M. Accrued Salaries and Wages:

Certain District employees, who provide services to the District over the ten-month academic year, have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2017, the amount earned by these employees but not disbursed was \$654,750.

N. Compensated Absences:

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

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

N. Compensated Absences: (Cont'd)

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

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

O. Unearned Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$1,412,461 General Fund fund balance at June 30, 2017, \$569,697 is assigned fund balance of which \$169,697 is for year- end encumbrances and \$400,000 has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2018; \$401,835 is restricted in the capital reserve account; and there is \$440,929 in unassigned fund balance which is \$86,099 less than the calculated maximum unassigned fund balance, on a GAAP basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2018.

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

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$86,099 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, Districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school Districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the school District cannot recognize the June state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the June state aid payments and not the fund balance reported on the fund statement which excludes the June state aid payments.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

Q. Deficit Net Position/Fund Balance

The \$11,090,460 deficit in the Unrestricted Net Position of the District's Governmental Activities is primarily due to the accrual of \$846,890 of compensated absences, \$15,160,555 of net pension liability, changes in pensions proportions of \$141,560, unamortized bond premium of 94,571 and \$27,775 of accrued interest payable offset by \$169,697 of encumbrances, \$3,140,456 of changes in pensions assumptions, \$169,783 of changes in pensions proportions, \$578,086 of net investment gains – pensions, \$281,940 in pension for the difference between expected and actual experience and \$400,000 of fund balance designated for subsequent year's expenditures in the General Fund. The deficit does not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

R. Net Position

Net Position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources for the Deferred Amount on Refunding at June 30, 2017, changes in assumptions of pensions, changes in proportions of pensions, investment gains – pensions, District contribution subsequent to the measurement date – pensions, and difference between pension actual and experience.

The district had deferred inflows of resources at June 30, 2017 for changes in pension proportions.

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

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

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

S. Fund Balance Restrictions, Commitments and Assignments

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

A fund balance restriction has been established for a capital reserve.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District had no committed resources at June 30, 2017.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances and for amounts designated for subsequent year's expenditures in the General Fund at June 30, 2017.

T. Revenue - Exchange and Nonexchange Transactions

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

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

U. Operating Revenue and Expenses

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

V. Management Estimates

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

W. 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 fiduciary net position of the State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's net position have been determined on the same basis as they are reported by the PERS and the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

Custodial Credit Risk – The District’s policy with respect to custodial credit risk requires that the District ensures that District funds are only deposited in financial institutions in which NJ school districts are permitted to invest their funds.

Deposits:

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

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

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

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

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4);; or

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

Investments (Cont'd):

- (7) Agreements for the repurchase of fully collateralized securities if:
- (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2017, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents Capital Reserve	Total
Checking and Savings Accounts	\$ 2,626,786	\$ 401,835	\$ 3,028,621

During the period ended June 30, 2017, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2017, was \$3,028,621 and the bank balance was \$3,363,312.

NOTE 4. CAPITAL RESERVE ACCOUNT

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

The activity of the capital reserve for the July 1, 2016 to June 30, 2017 fiscal year is as follows:

Beginning balance, July 1, 2016		\$ 441,050
Interest Earnings	\$ 20	
Deposits:		
Transfer by Board Resolution (June 2017)	153,332	
Unexpended Funds - Capital Outlay	40,356	
Unexpended Funds - Completed Capital Projects	7,917	
		201,625
		642,675
Withdrawals:		
Budgeted Withdrawal	(200,000)	
Board Resolutions	(40,840)	
		(240,840)
Ending balance, June 30, 2017		\$ 401,835

The June 30, 2017 LRFPP balance of local support costs exceeds the balance in the capital reserve account at June 30, 2017. Withdrawals from the capital reserve were for use in DOE approved facilities projects, consistent with the District's LRFPP.

NOTE 5. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2017, the District transferred \$40,358 to the equipment line items and therefore did not require approval from the County Superintendent. The District transferred \$40,940 to the facility acquisition and construction services line items which was a withdrawal from Capital Reserve and was approved by Board Resolution.

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2017 were as follows:

	Beginning Balance	Increases	Adjustments/ (Decreases)	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 288,109			\$ 288,109
Construction in Progress	5,000			5,000
Total Capital Assets Not Being Depreciated	293,109			293,109
Capital Assets Being Depreciated:				
Site Improvements	1,683,065	8,500		1,691,565
Buildings and Building Improvements	28,167,573	393,861		28,561,434
Machinery and Equipment	2,698,006	291,395		2,989,401
Total Capital Assets Being Depreciated	32,548,644	693,756	-0-	33,242,400
Governmental Activities Capital Assets	32,841,753	693,756	-0-	33,535,509

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ (Decreases)</u>	<u>Ending Balance</u>
Less Accumulated Depreciation for:				
Site Improvements	1,315,185	52,572		1,367,757
Buildings and Building Improvements	11,390,921	766,107		12,157,028
Machinery and Equipment	1,912,212	162,641		2,074,853
	<u>14,618,318</u>	<u>981,320</u>	<u>-0-</u>	<u>15,599,638</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 18,223,435</u>	<u>\$ (287,564)</u>	<u>\$ -0-</u>	<u>\$ 17,935,871</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 668,769
Special Education Instruction	19,051
Other Special Instruction	7,885
Other Instruction	25,657
Student and Instruction Related Services	73,644
General Administrative Services	4,727
School Administrative Services	25,011
Operations and Maintenance of Plant	62,907
Pupil Transportation	82,945
Central Services	10,724
	<u>\$ 981,320</u>

NOTE 7. OPERATING LEASES

The District has commitments to lease copiers which expire March 2022. Total operating lease payments made during the year ended June 30, 2017 were \$31,474. Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 33,692
2019	30,388
2020	27,757
2021	12,205
2022	4,159
	<u>\$ 108,201</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2017, the following changes occurred in liabilities reported in the District-wide financial statements:

	<u>Balance</u> <u>6/30/2016</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance</u> <u>6/30/2017</u>
Serial Bonds Payable	\$ 1,820,000		\$ 305,000	\$ 1,515,000
Net Pension Liability	11,364,762	\$ 3,795,793		15,160,555
Compensated Absences Payable	786,896	95,286	35,292	846,890
Capital Leases Payable	2,487,553	231,491	314,498	2,404,546
Unamortized Bond Issuance Premium	<u>113,485</u>		<u>18,914</u>	<u>94,571</u>
	<u>\$ 16,572,696</u>	<u>\$ 4,122,570</u>	<u>\$ 673,704</u>	<u>\$ 20,021,562</u>

A. Unamortized Bond Premium

The unamortized bond issuance premium of the governmental fund types is recorded in the noncurrent liabilities. The current portion of the unamortized bond issuance premium balance of the governmental funds is \$18,914 and is separated from long term liability balance of \$75,657.

B. Bonds Payable:

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

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

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

	<u>Serial Bonds</u>			
<u>Purpose</u>	<u>Issue</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u>
School Refunding Bonds	11/2/2010	3.00%-4.00%	1/15/2022	<u>\$ 1,515,000</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

B. Bonds Payable (Cont'd):

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 305,000	60,600	\$ 365,600
2019	305,000	48,400	353,400
2020	305,000	36,200	341,200
2021	300,000	24,000	324,000
2022	300,000	12,000	312,000
	<u>\$ 1,515,000</u>	<u>\$ 181,200</u>	<u>\$ 1,696,200</u>

C. Bonds Authorized But Not Issued:

As of June 30, 2017, the Board had no bonds authorized but not issued.

D. Capital Leases Payable:

The District is leasing technology equipment and an energy savings improvement program totaling \$3,300,299 of which \$895,753 has been liquidated as of June 30, 2016. The capital leases are for terms ranging from three to fifteen years. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2017.

<u>Year</u>	<u>Amount</u>
2018	\$ 405,897
2019	318,502
2020	258,964
2021	239,118
2022	239,119
2023-2027	<u>1,195,589</u>
Total Minimum Lease Payables	2,657,189
Less: Amount representing interest	<u>252,643</u>
Present value of net minimum lease payments	<u>\$ 2,404,546</u>

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

E. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The current portion of the compensated absences balance of the governmental funds is \$-0- and the long-term liability balance of compensated absences is \$846,890. The General Fund will be used to liquidate the compensated absences payable.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

E. Compensated Absences (Cont'd):

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, 2017, no liability existed for compensated absences in the Enterprise Funds.

F. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2017 is \$-0- and the long-term portion is \$15,160,555. See Note 9 for further information on the PERS.

NOTE 9. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP).

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 the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

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:

Tier	Definition
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 to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 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 members 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 50 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.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. 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. District contributions to PERS amounted to \$411,548 for fiscal year 2017.

The employee contribution rate was 7.20% effective July 1, 2016. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2017, the District reported a liability of \$15,160,555 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the District's proportion was 0.012%, which was a decrease of 0.0005% from its proportion measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the District recognized pension expense of \$454,751. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	6.44	\$ 190,570	
Changes in Assumptions	2015	5.72	778,716	
Changes in Assumptions	2016	5.57	2,171,170	
			<u>3,140,456</u>	
Differene Between Expected and Actual Experience	2015	5.72	216,051	
Differene Between Expected and Actual Experience	2016	5.57	65,889	
			<u>281,940</u>	
Changes in Proportion	2014	6.44	78,294	
Changes in Proportion	2015	5.72		\$ 141,560
Changes in Proportion	2016	5.57	91,489	
			<u>169,783</u>	<u>141,560</u>
Net Difference Between Projected and Actual	2014	5	(285,573)	
Investment Earnings on Pension Plan Investments	2015	5	182,708	
	2016	5	680,951	
			<u>578,086</u>	
District Measurement Subsequent to the Measurement Date	2016	1	454,751	
			<u>\$ 8,795,281</u>	<u>\$ 283,120</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion) related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Total
2017	\$ 900,673
2018	900,672
2019	1,043,459
2020	876,658
2021	279,020
	<u>\$ 4,000,482</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	3.08%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15 based on age
Investment Rate of Return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. 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 pension plan investments (7.65% at June 30, 2016) 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 PERS' target asset allocation as of June 30, 2016 are summarized in the following table:

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	50.00%	5.45%
Global Debt ex. U.S.	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. 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 upon the contribution rate in the most recent fiscal year. The local employers contributed 100% of their 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, 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 collective net pension liability as of June 30, 2015 calculated using the discount rate as disclosed below, 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 or 1-percentage-point higher than the current rate:

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate (Cont'd)

	June 30, 2016		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
District's proportionate share of the Net Pension Liability	\$ 18,577,490	\$ 15,160,555	\$ 12,339,578

Pension plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

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. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

Benefits Provided

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:

Tier	Definition
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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Benefits Provided (Cont'd)

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 to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and to 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.

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. 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 included 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 2016, the State's pension contribution was less than the actuarially determined amount.

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, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2017, the State of New Jersey contributed \$1,167,507 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$6,243,118.

The employee contribution rate was 7.20% effective July 1, 2016. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2017, the State's proportionate share of the net pension liability associated with the District was \$83,090,850. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the District's proportion was 0.106%, which was an increase of 0.001% from its proportion measured as of June 30, 2015.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		83,090,850
Total	\$	83,090,850

For

the fiscal year ended June 30, 2016, the State recognized pension expense on behalf of the District in the amount of \$6,243,121 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2017 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions - 2014	8.5	\$ 1,691,524,165	
Changes in Assumptions - 2015	8.3	4,488,602,746	
Changes in Assumptions - 2016	8.3	9,522,623,964	
		15,702,750,875	
Difference Between Expected and Actual Experience - 2014	8.5		16,110,615
Difference Between Expected and Actual Experience - 2015	8.3	277,221,464	
Difference Between Expected and Actual Experience - 2016	8.3	277,221,464	118,421,979
		277,221,464	134,532,594
Net Difference Between Projected and Actual			
Investment Earnings on Pension Plan Investments - 2014	5	(870,618,286)	
Net Difference Between Projected and Actual			
Investment Earnings on Pension Plan Investments - 2015	5	577,926,182	
Net Difference Between Projected and Actual			
Investment Earnings on Pension Plan Investments - 2016	5	1,727,420,767	
		1,434,728,663	
		\$ 33,394,673,341	\$ 269,065,188

Amounts reported by the State as collective deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense excluding that attributable to employer-paid members contributions as follows:

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Fiscal Year Ending June 30,	Total
2017	\$ 2,538,535,636
2018	2,538,535,636
2019	2,973,844,781
2020	2,781,202,718
2021	2,349,347,527
Thereafter	4,098,702,110
	\$ 17,280,168,408

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.65%

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60 years average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.65% at June 30, 2016) 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 target asset allocation as of June 30, 2016 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%	0.39%
U.S. Government Bonds	1.50%	1.28%
U.S. Credit Bonds	13.00%	2.76%
U.S. Mortgages	2.00%	2.38%
U.S. Inflation-Indexed Bonds	1.50%	1.41%
U.S. High Yield Bonds	2.00%	4.70%
U.S. Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Market Equities	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	50.00%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. 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 upon the contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2029, 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 State's proportionate share of the net pension liability associated with the District as of June 30, 2016 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2016		
	At 1% Decrease (2.22%)	At Current Discount Rate (3.22%)	At 1% Increase (4.22%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 99,229,044	\$ 83,090,850	\$ 69,911,932

Pension Plan Fiduciary Net Position - TPAF

Detailed information about the TPAF's fiduciary net position is available in the separately issued TPAF financial statements.

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

C. Defined Contribution Retirement Program (DCRP) (Cont'd)

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the District recognized pension expense of \$18,133 for the fiscal year ended June 30, 2017. Employee contributions to DCRP amounted to \$33,121 for the fiscal year ended June 30, 2017.

NOTE 10. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. Chapter 103 of Public Law amended the law to eliminate the funding of post-retirement medical benefits through TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2016, there were 110,512 retirees receiving post-retirement medical benefits, and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides employer paid benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publically available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at; <http://www.nj.gov/treasury/pensions/pdf/financial2015combined.pdf>.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$1,008,045, \$1,006,960 and \$900,834 for 2017, 2016 and 2015, respectively.

NOTE 11. RISK MANAGEMENT

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

Property, Liability and Health Benefits

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

Property, Liability and Health Benefits (Cont'd)

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

Each member appoints an official to represent their respective District for the purpose of creating a governing body from which officers for the Pool and the Fund are elected. As a member of the Pool and the Fund, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the Pool or the Fund were to be exhausted, members would become responsible for their respective shares of the Pool's or Fund's liabilities.

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

The audit for the year ended June 30, 2017 was not available as of the date of this report.

Selected financial information for the Fund and the Pool as of June 30, 2016 is as follows:

	<u>School Alliance Insurance Fund</u>	<u>Morris Essex Insurance Group</u>
Total Assets	\$ 38,579,014	\$ 9,740,564
Net Position	\$ 9,463,015	\$ 7,012,792
Total Revenue	\$ 41,445,355	\$ 3,393,346
Total Expenses and Adjustments	\$ 39,153,730	\$ 1,680,814
Change in Net Position	\$ 2,291,625	\$ 910,167
Members Dividends	\$ -0-	\$ 802,365

Financial statements are available at the Administrators' Office.

School Alliance Insurance Fund

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

Morris Essex Insurance Group

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

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 chart on the following page is a summary of District and employee contributions, interest earned, reimbursements to the State for benefits paid and the ending balance of the District’s expendable trust fund for the current and previous two years.

<u>Fiscal Year</u>	<u>Employee/ District Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016-2017	\$ 40,171	\$ 100	\$ 14,248	\$ 148,496
2015-2016	38,506	112	33,979	122,473
2014-2015	38,308	126	16,584	117,834

NOTE 12. ECONOMIC DEPENDENCY

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

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The following interfund balances remained on the balance sheet at June 30, 2017:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 33,905	\$ 654,750
Special Revenue Fund		33,905
Fiduciary Fund	654,750	
	<u>\$ 688,655</u>	<u>\$ 688,655</u>

The interfund between the General Fund and the Special Revenue Fund represents a deficit in cash in the Special Revenue Fund primarily due to accounts receivable for Federal Grants. The interfund between General Fund and Fiduciary Fund is the amount of salary for ten-month employees earned which will be disbursed during the summer months and retirement payouts.

NOTE 14. DEFERRED COMPENSATION

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 14. DEFERRED COMPENSATION (Cont'd)

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

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

NOTE 15. TAX CALENDAR

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

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

NOTE 16. COMMITMENTS AND CONTINGENCIES

Grant Programs

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

Litigation

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 16. COMMITMENTS AND CONTINGENCIES (Cont'd)

Encumbrances

At June 30, 2017, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds:

General Fund	Total Governmental Funds
\$ 169,697	\$ 169,697

NOTE 17. ACCOUNTS PAYABLE

Accounts payable recorded in the District's Governmental Activities and Business-Type Activities as of June 30, 2017 consisted of the following:

	Governmental Funds		District Contribution Subsequent to the Measurement Date	Total Governmental Activities	Business- Type Activities Proprietary Funds
	General Fund	Special Revenue			
Vendors	\$ 289,439	\$ 8,598		\$ 298,037	\$ 1,403
State of New Jersey		8,844	454,751	463,595	
	\$ 289,439	\$ 17,442	\$ 454,751	\$ 761,632	\$ 1,403

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

HANOVER TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
District's proportion of the net pension liability	0.0517578196%	0.0506270674%	0.0511884638%
District's proportionate share of the net pension liability	\$ 9,690,479	\$ 11,364,762	\$ 15,160,555
District's covered employee payroll	\$ 3,485,838	\$ 3,487,396	\$ 3,441,428
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	278.00%	325.88%	440.53%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	45.63%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

HANOVER TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
Contractually required contribution	\$ 396,368	\$ 390,257	\$ 411,548
Contributions in relation to the contractually required contribution	(396,368)	(390,257)	(411,548)
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 3,483,902	\$ 3,485,838	\$ 3,487,396
Contributions as a percentage of covered employee payroll	16.52%	15.94%	11.80%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

HANOVER TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ATTRIBUTABLE TO THE DISTRICT
TEACHERS' PENSION AND ANNUITY FUND
LAST THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
State's proportion of the net pension liability attributable to the District	0.1082879663%	0.1049605154%	0.1056243150%
State's proportionate share of the net pension liability attributable to the District	\$ 57,876,394	\$ 66,339,528	\$ 83,090,811
District's covered employee payroll	\$ 10,856,307	\$ 11,364,760	\$ 11,393,594
State's proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll	533.11%	583.73%	729.28%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	26.84%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

HANOVER TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE CONTRIBUTIONS
TEACHERS' PENSION AND ANNUITY FUND
LAST THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
Contractually required contribution	\$ 3,114,293	\$ 4,050,625	\$ 6,243,118
Contributions in relation to the contractually required contribution	<u>(567,455)</u>	<u>(845,670)</u>	<u>(1,167,507)</u>
Contribution deficiency/(excess)	<u>\$ 2,546,838</u>	<u>\$ 3,204,955</u>	<u>\$ 5,075,611</u>
District's covered employee payroll	\$ 10,856,307	\$ 11,364,760	\$ 11,393,594
Contributions as a percentage of covered employee payroll	5.23%	7.44%	10.25%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.90% as of June 30, 2015 to 3.98% as of June 30, 2016. The municipal bond rate changed from 3.80% to 2.85%. The long-term expected rate of return on pension plan investments changed from 7.90% to 7.65%.

The inflation rate changed from 3.04% as of June 30, 2015 to 3.08% as of June 30, 2016. The salary increases changed from 2.15% - 4.40% for 2012 – 2021 to 1.65%-4.15% through 2026 and from 3.15%-5.40% thereafter to 2.65%-5.15% thereafter.

The mortality rates in the July 1, 2014 actuarial valuation were based on the following:

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for 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 one year for females) are used to value disabled retirees.

The mortality rates in the July 1, 2015 actuarial valuation were based on the following:

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.13% as of June 30, 2015 to 3.22% as of June 30, 2016. The municipal bond rate changed from 3.80% to 2.85%. The long-term expected rate of return on pension plan investments changed from 7.90% to 7.65%.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

B. TEACHERS PENSION AND ANNUITY FUND (Cont'd)

Changes of Assumptions (Cont'd)

The mortality rates in the July 1, 2014 actuarial valuation were based on the following:

Mortality rates were based on the RP-2000 Health Annuitant Mortality Tables 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.

The mortality rates in the July 1, 2015 actuarial valuation were based on the following:

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60 years average of Social Security data from 1953 to 2013.

BUDGETARY COMPARISON SCHEDULES
(UNAUDITED)

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 24,452,529		\$ 24,452,529	\$ 24,452,529	
Interest Earned on Capital Reserve Funds	100		100	20	\$ (80)
Miscellaneous	203,100		203,100	315,676	112,576
Total - Local Sources	24,655,729		24,655,729	24,768,225	112,496
State Sources:					
Categorical Special Education Aid	746,954		746,954	746,954	
Categorical Transportation Aid	66,112		66,112	66,112	
Extraordinary Aid	325,000		325,000	285,300	(39,700)
Security Aid	25,667		25,667	25,667	
PARCC Readiness Aid	14,880		14,880	14,880	
Per Pupil Growth Aid	14,880		14,880	14,880	
Professional Learning Community Aid	14,630		14,630	14,630	
Nonpublic School Transportation Costs				7,308	7,308
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				1,167,507	1,167,507
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				42,301	42,301
TPAF Long-Term Disability Insurance (On-Behalf - Non-Budgeted)				2,428	2,428
TPAF Post Retirement (On-Behalf - Non-Budgeted)				1,008,045	1,008,045
TPAF Social Security (Reimbursed - Non-Budgeted)				808,478	808,478
Total State Sources	1,208,123		1,208,123	4,204,490	2,996,367
TOTAL REVENUES	25,863,852		25,863,852	28,972,715	3,108,863

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 428,790	\$ 102,545	\$ 531,335	\$ 529,676	\$ 1,659
Grades 1-5 - Salaries of Teachers	4,158,858	(105,341)	4,053,517	3,959,344	94,173
Grades 6-8 - Salaries of Teachers	2,812,938	(40,000)	2,772,938	2,756,805	16,133
Regular Programs - Home Instruction:					
Salaries of Teachers	10,000	(4,200)	5,800	3,547	2,253
Regular Programs - Undistributed Instruction:					
Purchased Professional-Educational Services	1,700		1,700	750	950
Other Purchased Services (400-500 series)	54,001	(1,600)	52,401	48,040	4,361
General Supplies	466,974	66,873	533,847	482,940	50,907
Textbooks	114,530	48,460	162,990	52,514	110,476
Other Objects	24,665	(4,910)	19,755	17,444	2,311
Total Regular Programs - Instruction	8,072,456	61,827	8,134,283	7,851,060	283,223
Special Education - Instruction:					
Multiple Disabilities:					
Salaries of Teachers	253,991	(23,135)	230,856	229,176	1,680
Other Salaries for Instruction	199,194	45,908	245,102	235,927	9,175
Purchased Professional-Educational Services	7,500	(6,500)	1,000	975	25
General Supplies	5,650		5,650	3,379	2,271
Textbooks	500	233	733	732	1
Other Objects	3,875	(1,600)	2,275	1,013	1,262
Total Multiple Disabilities	470,710	14,906	485,616	471,202	14,414

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Resource Room/Resource Center:					
Salaries of Teachers	\$ 1,170,697	\$ 20,138	\$ 1,190,835	\$ 1,188,188	\$ 2,647
Other Salaries for Instruction	3,700	(1,786)	1,914	1,277	637
General Supplies	9,712	(665)	9,047	8,104	943
Total Resource Room/Resource Center	1,184,109	17,687	1,201,796	1,197,569	4,227
Autism:					
Purchased Professional-Educational Services	475,333	6,706	482,039	472,803	9,236
Total Autism	475,333	6,706	482,039	472,803	9,236
Preschool Disabilities - Part-Time:					
Salaries of Teachers	161,497	(6,586)	154,911	153,685	1,226
Other Salaries for Instruction	63,965	(4,840)	59,125	57,599	1,526
General Supplies	4,120	1,600	5,720	4,404	1,316
Other Objects	520		520	383	137
Total Preschool Disabilities - Part-Time	230,102	(9,826)	220,276	216,071	4,205
Total Special Education - Instruction	2,360,254	29,473	2,389,727	2,357,645	32,082

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	\$ 262,777	\$ 6,210	\$ 268,987	\$ 268,453	\$ 534
General Supplies	2,673		2,673	2,359	314
Total Basic Skills/Remedial - Instruction	265,450	6,210	271,660	270,812	848
Bilingual Education - Instruction:					
Salaries of Teachers	134,221		134,221	133,721	500
General Supplies	5,620		5,620	1,892	
Total Bilingual Education - Instruction	139,841		139,841	135,613	500
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	57,500	2,093	59,593	58,050	1,543
Supplies and Materials	4,650	41	4,691	3,979	712
Total School-Sponsored Cocurricular Activities - Instruction	62,150	2,134	64,284	62,029	2,255
School-Sponsored Athletics - Instruction:					
Salaries	44,500	5,400	49,900	49,900	
Purchased Services (300-500 series)	7,000		7,000	6,206	794
Supplies and Materials	6,050	(733)	5,317	5,145	172
Other Objects	2,000	1,000	3,000	2,946	54
Total School-Sponsored Athletics - Instruction	59,550	5,667	65,217	64,197	1,020
Total Instruction	10,959,701	105,311	11,065,012	10,741,356	319,928

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures:					
Instruction:					
Tuition to Private Schools for the Handicapped - Within State	\$ 744,328	\$ (60,320)	\$ 684,008	\$ 669,381	\$ 14,627
Total Instruction	744,328	(60,320)	684,008	669,381	14,627
Attendance & Social Work:					
Salaries	9,300	15	9,315	9,315	
Total Attendance & Social Work	9,300	15	9,315	9,315	
Health Services:					
Salaries	378,731	6,087	378,818	378,788	30
Other Purchased Professional and Technical Services	21,500		21,500	20,310	1,190
Other Purchased Services (400-500 series)	9,000	13,700	22,700	19,545	3,155
Supplies and Materials	14,206	(3,086)	11,120	10,450	670
Other Objects	2,220		2,220	1,843	377
Total Health Services	419,657	16,701	436,358	430,936	5,422
Speech, OT, PT and Related Services:					
Salaries of Other Professional Staff	395,170	(54,478)	340,692	337,685	3,007
Purchased Professional - Educational Services	378,926	78,192	457,118	438,898	18,220
Supplies and Materials	1,922		1,922	1,907	15
Total Speech, OT, PT and Related Services	776,018	23,714	799,732	778,490	21,242
Other Support Services - Students - Extra Services:					
Salaries of Other Professional Staff	402,030	11,191	413,221	412,611	610
Purchased Professional - Educational Services	4,500	(2,386)	2,114	1,489	625
Total Other Support Services - Students - Extra Services	406,530	8,805	415,335	414,100	1,235

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Guidance:					
Salaries of Other Professional Staff	\$ 325,083	\$ (14)	\$ 325,069	\$ 324,305	\$ 764
Salaries of Secretarial and Clerical Assistants	47,345		47,345	46,451	894
Other Purchased Professional. and Technical Services	43,000	7,689	50,689	45,044	5,645
Other Purchased Services (400-500 series)	500	(300)	200		200
Supplies and Materials	3,774	11	3,785	2,735	1,050
Total Guidance	419,702	7,386	427,088	418,535	8,553
Child Study Team:					
Salaries of Other Professional Staff	685,056	(11,980)	673,076	673,031	45
Salaries of Secretarial and Clerical Assistants	76,898	(1,350)	75,548	75,532	16
Other Purchased Professional. and Technical Services	11,000	(500)	10,500	10,406	94
Misc Purchased Service (400-500 series/ O/than Resid Costs)	5,100	1,300	6,400	5,100	1,300
Supplies and Materials	11,682	(1,709)	9,973	7,321	2,652
Other Objects	1,537	(37)	1,500	1,197	303
Total Child Study Team	791,273	(14,276)	776,997	772,587	4,410
Improvement of Instructional Services:					
Salaries of Supervisor of Instruction	121,628	2,998	124,626	124,626	
Salaries of Other Professional Staff	25,000	(2,998)	22,002	21,503	499
Salaries of Secretarial and Clerical Assistants	42,754	1,200	43,954	43,890	64
Other Purchased Professional. and Technical Services	20,000	(12,056)	7,944	7,944	
Other Purchased Services (400-500)	2,000	400	2,400	2,299	101
Supplies and Materials	2,000		2,000	1,958	42
Other Objects	3,200	183	3,383	3,130	253
Total Improvement of Instructional Services	216,582	(10,273)	206,309	205,350	959

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Educational Media Services/School Library:					
Salaries	\$ 236,734	\$ 1	\$ 236,735	\$ 236,734	\$ 1
Supplies and Materials	29,157	1,000	30,157	27,153	3,004
Other Objects	3,900	(100)	3,800	3,800	
Total Educational Media Services/School Library	269,791	901	270,692	267,687	3,005
Instructional Staff Training Services:					
Purchased Professional - Educational Services	2,000		2,000	1,020	980
Other Purchased Services (400-500 series)	28,960	(3,205)	25,755	7,107	18,648
Supplies and Materials	2,669		2,669	1,591	1,078
Total Instructional Staff Training Services	33,629	(3,205)	30,424	9,718	20,706
Support Services - General Administration:					
Salaries	240,850	(10,021)	230,829	219,100	11,729
Legal Services	30,000	37,065	67,065	27,112	39,953
Audit Fees	42,000		42,000	41,893	107
Other Purchased Professional Services	4,100		4,100	4,040	60
Purchased Technical Services	12,000		12,000	12,000	
Communications/Telephone	114,000	(3,027)	110,973	103,115	7,858
BOE Other Purchased Services	3,000	(503)	2,497	2,480	17
BOE Other Purchased Services	65,588	3,467	69,055	67,708	1,347
Supplies and Materials	1,500	(240)	1,260	1,260	
BOE In-House Training/Meeting Supplies	500		500	334	166
BOE Membership Dues & Fees	11,000		11,000	10,742	258
Miscellaneous Expenditures	7,000	1,300	8,300	8,136	164
Total Support Services - General Administration	531,538	28,041	559,579	497,920	61,659

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	\$ 590,282	\$ (36,750)	\$ 553,532	\$ 540,718	\$ 12,814
Salaries of Secretarial and Clerical Assistants	382,866	10,000	392,866	381,682	11,184
Purchased Technical Services	7,500	35,878	35,878	29,925	5,953
Other Purchased Services (400-500 series)	3,652	1,097	8,597	6,469	2,128
Supplies and Materials	7,550	(32)	3,620	2,340	1,280
Other Objects		(88)	7,462	6,535	927
Total Support Services - School Administration	991,850	10,105	1,001,955	967,669	34,286
Support Services - Central Services:					
Salaries	368,374	5,089	373,463	373,463	
Purchased Technical Services	34,000	4,386	38,386	38,115	271
Other Purchased Services (400-500 series)	8,500	2,339	10,839	10,461	378
Supplies and Materials	3,000	587	3,587	3,571	16
Other Objects	20,685	(18,835)	1,850	1,679	171
Total Support Services - Central Services	434,559	(6,434)	428,125	427,289	836
Support Services - Administrative Information Technology Services:					
Salaries	165,097	2,428	167,525	167,525	
Total Support Services - Administrative IT Services	165,097	2,428	167,525	167,525	
Required Maintenance of School Facilities:					
Salaries	245,450	84,590	330,040	330,040	
Cleaning, Repair and Maintenance Services	216,665	(11,958)	204,707	194,270	10,437
General Supplies	17,000	19,900	36,900	34,749	2,151
Total Required Maintenance of School Facilities	479,115	92,532	571,647	559,059	12,588

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Custodial Services:					
Salaries	\$ 928,166	\$ (27,567)	\$ 900,599	\$ 900,367	\$ 232
Salaries of Non-Instructional Aides	204,760	2,768	207,528	196,251	11,277
Cleaning, Repair and Maintenance Services	22,477	4,600	27,077	18,630	8,447
Rental of Land & Building Other Than Lease Purchase Agreements	1,500	9	1,509	1,461	48
Other Purchased Property Services	35,000		35,000	32,973	2,027
Insurance	88,000	88	88,088	88,088	
Miscellaneous Purchased Services	2,000	72	2,072	2,072	
General Supplies	136,544	13,421	149,965	147,296	2,669
Energy (Natural Gas)	165,000	(53,090)	111,910	107,082	4,828
Energy (Electricity)	250,000	(15,690)	234,310	231,094	3,216
Energy (Gasoline)	7,500	(1,500)	6,000	5,820	180
Other Objects	16,040	(6,910)	9,130	8,855	275
Interest - Energy Savings Impr Program Bonds		53,000	53,000	53,000	
Lease Purchase Payments - Energy Savings Improvement Program	239,118	(53,000)	186,118	186,118	
Total Custodial Services	2,096,105	(83,799)	2,012,306	1,979,107	33,199
Care and Upkeep of Grounds:					
Salaries	109,079	(21,789)	87,290	82,358	4,932
Cleaning, Repair and Maintenance Services	12,000	(12,000)			
Total Care and Upkeep of Grounds	121,079	(33,789)	87,290	82,358	4,932

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Student Transportation Services:					
Salaries of Non-Instructional Aides	\$ 16,000	\$ (496)	\$ 15,504	\$ 15,409	\$ 95
Salaries for Pupil Transportation (Between Home and School) - Regular	472,401	2,382	474,783	474,783	
Salaries for Pupil Transportation (Between Home and School) - Special Education	94,883	37,159	132,042	132,042	
Salaries for Pupil Transportation (Other Than Between Home and School) - Other	39,732	(30,155)	9,577	9,577	
Salaries for Pupil Transportation - Non-Public Schools	60,000	20,308	80,308	80,308	
Cleaning, Repair and Maintenance Services	7,000		7,000	5,750	1,250
Contract Services (Other than Between Home & School)-Vendors	3,304	(3,304)			
Contract Services - (Between Home and School) - Joint Agreements	44,792	(19,550)	25,242	25,242	
Contracted Services (Special Education Students) - ESC's	25,000	25,614	50,614	49,258	1,356
Aid in Lieu Payments - Non Public Schools Students	44,808	(4,232)	40,576	40,576	
Aid in Lieu Payments - Charter School Students	5,000	(5,000)			
Miscellaneous Purchased Services - Transportation	47,530	894	48,424	46,796	1,628
General Supplies	133,931	(729)	133,202	121,429	11,773
Total Student Transportation Services	994,381	22,891	1,017,272	1,001,170	16,102
Allocated Benefits - Student Transportation Services:					
Social Security Contributions	51,000	(889)	50,111	50,111	
Workers Compensation	49,000	(10,810)	38,190	38,190	
Health Benefits	286,500	(11,192)	275,308	274,845	463
Total Allocated Benefits - Student Transportation Services	386,500	(22,891)	363,609	363,146	463

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Unallocated Benefits:					
Social Security Contributions	\$ 325,000	\$ 249	\$ 325,249	\$ 317,381	\$ 7,868
Other Retirement Contributions - PERS	400,000	11,548	411,548	411,548	
Other Retirement Contributions - Regular	17,000	4,228	21,228	21,228	
Workmen's Compensation	188,668	9,932	198,600	198,600	
Health Benefits	3,815,047	(135,329)	3,679,718	3,624,418	55,300
Tuition Reimbursement	45,000	1	45,001	44,601	400
Other Employee Benefits	53,200	(27,064)	26,136	26,136	
Total Unallocated Benefits	4,843,915	(136,435)	4,707,480	4,643,912	63,568
On-Behalf Contributions:					
On-behalf TPAF Pension Contributions (non-budgeted)				1,167,507	(1,167,507)
On-behalf Non-Contributory Insurance (non-budgeted)				42,301	(42,301)
On-behalf Long-Term Disability Insurance (non-budgeted)				2,428	(2,428)
On-behalf TPAF Post Retirement Contributions (non-budgeted)				1,008,045	(1,008,045)
Reimbursed TPAF Social Security Contributions (non-budgeted)				808,478	(808,478)
Total On-Behalf Contributions				3,028,759	(3,028,759)
Total Personal Services - Employee Benefits	5,230,415	(159,326)	5,071,089	8,035,817	(2,964,728)
Total Undistributed Expenses	15,130,949	(157,903)	14,973,046	17,694,013	(2,720,967)
TOTAL CURRENT EXPENSE	26,090,650	(52,592)	26,038,058	28,435,369	(2,397,311)

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CAPITAL OUTLAY					
Equipment:					
Regular Programs - Instruction:					
Grades 1-5	\$ 50,000	\$ 31,858	\$ 81,858	\$ 58,377	\$ 23,481
School Buses - Special	57,599		57,599	57,599	
Undistributed Expenditures - Required Maintenance for School Facilities		8,500	8,500	8,500	
Total Equipment	107,599	40,358	147,957	124,476	23,481
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services	25,000	2,484	27,484	27,484	
Construction Services	310,000	38,356	348,356	308,000	40,356
Assessment for Debt Service on SDA Funding	22,124	100	22,224	22,124	100
Total Facilities Acquisition and Construction Services	357,124	40,940	398,064	357,608	40,456
Assets Acquired Under Capital Leases (non-budgeted)					
Undistributed Expenditures:					
Student Instruction				231,491	(231,491)
Total Assets Acquired Under Capital Leases (non-budgeted)				231,491	(231,491)
TOTAL CAPITAL OUTLAY	464,723	81,298	546,021	713,575	(167,554)
Transfer of Funds to Charter Schools	85,053	12,234	97,287	97,287	
TOTAL EXPENDITURES	26,640,426	40,940	26,681,366	29,246,231	(2,564,865)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(776,574)	(40,940)	(817,514)	(273,516)	543,998

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Financing Sources:					
Operating Transfer In:					
Transfer from Capital Projects Fund - Capital Reserve				7,917	\$ 7,917
Capital Leases (non-budgeted)				231,491	231,491
Total Other Financing/Sources				239,408	239,408
Excess/(Deficiency) of Revenues and Other Financing Sources					
Over/(Under) Expenditures	\$ (776,574)	\$ (40,940)	\$ (817,514)	(34,108)	783,406
Fund Balance, July 1	1,532,668		1,532,668	1,532,668	
Fund Balance, June 30	\$ 756,094	\$ (40,940)	\$ 715,154	\$ 1,498,560	\$ 783,406

Recapitulation:

Restricted:	
Capital Reserve	\$ 401,835
Assigned:	
Year-End Encumbrances	169,697
Designated for Subsequent Year's Expenditures	400,000
Unassigned	527,028
	<u>1,498,560</u>
Reconciliation to Governmental Funds Statements (GAAP):	
June State Aid Payments not recognized on GAAP Basis	(86,099)
Fund Balance per Governmental Funds (GAAP)	<u>\$ 1,412,461</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
State Sources	\$ 75,000	\$ 37,281	\$ 112,281	\$ 103,437	\$ (8,844)
Federal Sources	310,000	72,363	382,363	359,861	(22,502)
Total Revenues	385,000	109,644	494,644	463,298	(31,346)
EXPENDITURES:					
Instruction					
Other Purchased Services	355,000	(60,014)	294,986	294,986	
General Supplies		9,889	9,889	9,878	11
Security		8,000	8,000	7,696	
Textbooks		8,473	8,473	8,090	383
Total Instruction	355,000	(33,652)	321,348	320,650	698
Support Services					
Personal Services - Salaries		13,858	13,858	10,086	3,772
Purchased Professional - Educational Services	30,000	25,812	55,812	37,542	18,270
Purchased Professional - Technical Services		13,230	13,230	13,230	
Tuition		64,898	64,898	60,513	4,385
Other Purchased Services		22,298	22,298	20,243	2,055
Supplies and Materials		3,200	3,200	1,034	2,166
Total Support Services	30,000	143,296	173,296	142,648	30,648
Total Expenditures	385,000	109,644	494,644	463,298	31,346
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

HANOVER TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

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	\$ 28,972,715	\$ 463,298
Differences - Budget to GAAP:		
Prior Year State Aid Payments Not Recognized for Budgetary Purposes, Recognized for GAAP Statements	84,232	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(86,099)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 28,970,848</u>	<u>\$ 463,298</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	<u>\$ 29,246,231</u>	<u>\$ 463,298</u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 29,246,231</u>	<u>\$ 463,298</u>

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2017 was submitted to the County office and was approved by a vote by the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)l. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

SPECIAL REVENUE FUND

HANOVER TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	No Child Left Behind Title II A	IDEA Part B Basic Regular	IDEA Part B Preschool	Nonpublic Security	Nonpublic Technology Initiative	Nonpublic Nursing	Nonpublic Textbook
REVENUE:							
State Sources	\$ 21,734	\$ 319,763	\$ 18,364	\$ 7,696	\$ 3,822	\$ 13,230	\$ 8,090
Federal Sources							
Total Revenue	21,734	319,763	18,364	7,696	3,822	13,230	8,090
EXPENDITURES:							
Instruction:							
Other Purchased Services		294,986			3,822		
General Supplies		6,056		7,696			8,090
Security							
Textbooks							
Total Instruction		301,042		7,696	3,822		8,090
Support Services:							
Salaries Other Professional Staff							
Purchased Professional - Educational Services	1,491	17,687	18,364			13,230	
Purchased Professional - Technical Services							
Tuition							
Other Purchased Services	20,243	1,034					
Supplies and Materials							
Total Support Services	21,734	18,721	18,364			13,230	
Total Expenditures	\$ 21,734	\$ 319,763	\$ 18,364	\$ 7,696	\$ 3,822	\$ 13,230	\$ 8,090

HANOVER TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

	Nonpublic Auxiliary Services		Nonpublic Handicapped Services			Totals June 30, 2017
	Compensatory Education	English as a Second Language	Supplemental Instruction	Examination & Classification	Corrective Speech	
REVENUE:						
State Sources	\$ 38,340	\$ 548	\$ 9,264	\$ 11,169	\$ 11,278	\$ 103,437
Federal Sources						359,861
Total Revenue	<u>38,340</u>		<u>9,264</u>	<u>11,169</u>	<u>11,278</u>	<u>463,298</u>
EXPENDITURES:						
Instruction:						
Other Purchased Services						294,986
General Supplies						9,878
Security						7,696
Textbooks						8,090
Total Instruction						<u>320,650</u>
Support Services:						
Salaries Other Professional Staff				10,086		10,086
Purchased Professional - Educational Services						37,542
Purchased Professional - Technical Services						13,230
Tuition	38,340	548	9,264	1,083	11,278	60,513
Other Purchased Services						20,243
Supplies and Materials						1,034
Total Support Services	<u>38,340</u>	<u>548</u>	<u>9,264</u>	<u>11,169</u>	<u>11,278</u>	<u>142,648</u>
Total Expenditures	<u>\$ 38,340</u>	<u>\$ 548</u>	<u>\$ 9,264</u>	<u>\$ 11,169</u>	<u>\$ 11,278</u>	<u>\$ 463,298</u>

CAPITAL PROJECTS FUND

HANOVER TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Revenue and Other Financing Sources:	
Transfer from Capital Reserve	\$ (7,917)
Total revenue and other financing sources	<u>(7,917)</u>
Deficit of revenue and other financing sources under expenditures	(7,917)
Fund balance - Beginning Balance	<u>7,917</u>
Fund balance - Ending Balance	<u><u>\$ -0-</u></u>

HANOVER TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
DISTRICT WIDE HVAC IMPROVEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenue and Other Financing Sources:				
SDA Grants	\$ 178,043		\$ 178,043	\$ 178,043
Transfer from Capital Reserve	310,990	(7,917)	303,073	303,073
	489,033	(7,917)	481,116	481,116
Total revenue and other financing sources				
Expenditures:				
Purchased Professional and Technical Services	32,971		32,971	32,971
Construction Services	448,145		448,145	448,145
	481,116		481,116	481,116
Total expenditures				
Excess/(deficit) of revenue and other financing sources over/(under) expenditures	\$ 7,917	\$ (7,917)	\$ -0-	\$ -0-
Additional project information:				
Project Number	2000-050-14-1003			
Grant Date	2/24/14			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 489,033			
Revised Authorized Cost	481,116			
Percentage Increase over Original Authorized Cost	0%			
Percentage Completion	100%			
Original target completion date	09/2015			
Revised target completion date	09/2015			

PROPRIETARY FUNDS

HANOVER TOWNSHIP SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Non-Major Fund Milk Service</u>	<u>Major Fund School Age Child Care</u>	<u>Total</u>
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 7,351	\$ 846,829	\$ 854,180
Accounts Receivable:			
Federal	1,064		1,064
Other		2,692	2,692
Total Current Assets	<u>8,415</u>	<u>849,521</u>	<u>857,936</u>
Total Assets	<u>8,415</u>	<u>849,521</u>	<u>857,936</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable - Vendors	1,403		1,403
Unearned Revenue		195,026	195,026
Total Current Liabilities	<u>1,403</u>	<u>195,026</u>	<u>196,429</u>
NET POSITION:			
Unrestricted	<u>7,012</u>	<u>654,495</u>	<u>661,507</u>
Total Net Position	<u>\$ 7,012</u>	<u>\$ 654,495</u>	<u>\$ 661,507</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Non-Major Fund Milk Service</u>	<u>Major Fund School Age Child Care</u>	<u>Total</u>
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs:			
Special Milk Program	\$ 22,551		\$ 22,551
Child Care Fees		\$ 1,123,906	1,123,906
Total Operating Revenue	<u>22,551</u>	<u>1,123,906</u>	<u>1,146,457</u>
Operating Expenses:			
Cost of Sales - Reimbursable Programs	19,216		19,216
Salaries	11,212	515,427	526,639
Benefits and Taxes	4,916	178,760	183,676
Purchased Services		15,772	15,772
Supplies/Field Trips/Travel		142,899	142,899
Other	179	204,462	204,641
Total Operating Expenses	<u>35,523</u>	<u>1,057,320</u>	<u>1,092,843</u>
Operating Income (Loss)	<u>(12,972)</u>	<u>66,586</u>	<u>53,614</u>
Non-Operating Revenue:			
Local Sources:			
Interest Revenue	2	78	80
Federal Sources:			
Special Milk Program	11,366		11,366
Total Non-Operating Revenue	<u>11,368</u>	<u>78</u>	<u>11,446</u>
Change in Net Position	(1,604)	66,664	65,060
Net Position - Beginning of Year	<u>8,616</u>	<u>587,831</u>	<u>596,447</u>
Net Position - End of Year	<u>\$ 7,012</u>	<u>\$ 654,495</u>	<u>\$ 661,507</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Non-Major Fund <u>Milk Service</u>	Major Fund <u>School Age Child Care</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 22,551	\$ 1,127,069	\$ 1,149,620
Payments to Employees	(11,212)	(515,427)	(526,639)
Payments for Employee Benefits	(4,916)	(178,760)	(183,676)
Payments to Suppliers	(19,147)	(422,069)	(441,216)
Net Cash Provided by/(Used for) Operating Activities	<u>(12,724)</u>	<u>10,813</u>	<u>(1,911)</u>
Cash Flows from Noncapital Financing Activities:			
Cash Received from Federal Reimbursements	<u>11,319</u>		<u>11,319</u>
Net Cash Provided by Noncapital Financing Activities	<u>11,319</u>		<u>11,319</u>
Cash Flows from Investing Activities:			
Interest on Investments	<u>2</u>	<u>78</u>	<u>80</u>
Net Cash Provided by Investing Activities	<u>2</u>	<u>78</u>	<u>80</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,403)	10,891	9,488
Cash and Cash Equivalents, July 1	<u>8,754</u>	<u>835,938</u>	<u>844,692</u>
Cash and Cash Equivalents, June 30	<u>\$ 7,351</u>	<u>\$ 846,829</u>	<u>\$ 854,180</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by/(Used for)			
Operating Activities:			
Operating Income (Loss)	\$ (12,972)	\$ 66,586	\$ 53,614
Adjustment to Reconcile Operating Income (Loss) to Cash			
Provided by/(Used for) Operating Activities:			
Changes in Assets and Liabilities:			
Decrease in Other Accounts Receivable		3,163	3,163
Increase/(Decrease) in Accounts Payable	248	(85)	163
(Decrease) in Unearned Revenue		(58,851)	(58,851)
Net Cash Provided by/(Used for) Operating Activities	<u>\$ (12,724)</u>	<u>\$ 10,813</u>	<u>\$ (1,911)</u>

FIDUCIARY FUNDS

HANOVER TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Agency</u>		<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Flexible Spending Trust</u>
	<u>Student Activity</u>	<u>Payroll</u>			
ASSETS:					
Cash and Cash Equivalents	\$ 79,984	\$ 34,663	\$ 114,647	\$ 148,496	\$ 7,691
Interfund Receivable		654,750	654,750		
Total Assets	\$ 79,984	\$ 689,413	\$ 769,397	\$ 148,496	\$ 7,691
LIABILITIES:					
Due to Student Groups	\$ 79,984		\$ 79,984		
Accrued Salaries and Wages		\$ 654,750	654,750		
Payroll Deductions and Withholdings		34,663	34,663		
Total Liabilities	79,984	689,413	769,397		
NET POSITION:					
Restricted for Scholarships				\$ 9,812	
Held in Trust for:					
Unemployment Claims			\$ 148,496		
Flexible Spending Claims					\$ 7,691
Total Net Position	\$ -0-	\$ -0-	\$ -0-	\$ 148,496	\$ 7,691

HANOVER TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Unemployment Compensation Trust	Private Purpose Scholarship Trust	Flexible Spending Trust	Totals
ADDITIONS:				
Contributions:				
Plan members	\$ 40,171		\$ 17,810	\$ 57,981
Donations		\$ 100		100
Total Contributions	40,171	100	17,810	58,081
Investment Earnings:				
Interest	100	1		101
Net Investment Earnings	100	1		101
Total Additions	40,271	101	17,810	58,182
DEDUCTIONS:				
Quarterly Contribution Reports	14,248			14,248
Scholarships Awarded		2,170		2,170
Flexible Spending Claims			19,251	19,251
Total Deductions	14,248	2,170	19,251	35,669
Change in Net Position	26,023	(2,069)	(1,441)	22,513
Net Position - Beginning of the Year	122,473	11,881	9,132	143,486
Net Position - End of the Year	\$ 148,496	\$ 9,812	\$ 7,691	\$ 165,999

HANOVER TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 81,542	\$ 128,481	\$ 130,039	\$ 79,984
Total Assets	<u>\$ 81,542</u>	<u>\$ 128,481</u>	<u>\$ 130,039</u>	<u>\$ 79,984</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 81,542	\$ 128,481	130,039	\$ 79,984
Total Liabilities	<u>\$ 81,542</u>	<u>\$ 128,481</u>	<u>\$ 130,039</u>	<u>\$ 79,984</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2017</u>
Elementary Schools:				
Bee Meadow	\$ 6,793	\$ 2,304	\$ 621	\$ 8,476
Mountview	27,308	13,367	8,847	31,828
Salem Drive	11,715	6,068	15,669	2,114
	<u>45,816</u>	<u>21,739</u>	<u>25,137</u>	<u>42,418</u>
Total Elementary Schools				
Middle School:				
Memorial	35,726	106,742	104,902	37,566
	<u>35,726</u>	<u>106,742</u>	<u>104,902</u>	<u>37,566</u>
Total Middle School				
Total All Schools	<u>\$ 81,542</u>	<u>\$ 128,481</u>	<u>\$ 130,039</u>	<u>\$ 79,984</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 29,512	\$ 8,610,255	\$ 8,605,104	\$ 34,663
Interfund Receivable	657,314	654,750	657,314	654,750
Total Assets	<u>\$ 686,826</u>	<u>\$ 9,265,005</u>	<u>\$ 9,262,418</u>	<u>\$ 689,413</u>
 <u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 29,512	\$ 8,610,255	\$ 8,605,104	\$ 34,663
Accrued Salaries and Wages	657,314	654,750	657,314	654,750
Total Liabilities	<u>\$ 686,826</u>	<u>\$ 9,265,005</u>	<u>\$ 9,262,418</u>	<u>\$ 689,413</u>

LONG-TERM DEBT

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance June 30, 2016	Matured	Balance June 30, 2017
			Date	Amount				
School Refunding Bonds	11/2/2010	\$ 2,970,000	01/15/18-20	\$ 305,000	4.00%	\$ 1,820,000	\$ 305,000	\$ 1,515,000
			01/15/21-22	300,000	4.00%			
						\$ 1,820,000	\$ 305,000	\$ 1,515,000

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

<u>Item</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance June 30, 2016</u>	<u>Issued</u>	<u>Matured</u>	<u>Balance June 30, 2017</u>
Technology Upgrades	1.85%	\$ 231,491		\$ 231,491	\$ 56,675	\$ 174,816
Computers	2.05%	203,256	\$ 153,607.00		67,396	86,211
Energy Savings	2.12%	2,865,552	<u>2,333,946</u>		<u>190,427</u>	<u>2,143,519</u>
			<u>\$ 2,487,553</u>	<u>\$ 231,491</u>	<u>\$ 314,498</u>	<u>\$ 2,404,546</u>

HANOVER TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 377,792		\$ 377,792	\$ 377,792	
Total Revenue	377,792		377,792	377,792	
EXPENDITURES:					
Regular Debt Service:					
Interest	72,800		72,800	72,800	
Redemption of Principal	305,000		305,000	305,000	
Total Regular Debt Service	377,800		377,800	377,800	
Total Expenditures	377,800		377,800	377,800	
Deficiency of Revenue Under Expenditures	(8)		(8)	(8)	
Fund Balance, July 1	8		8	8	
Fund Balance, June 30	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

STATISTICAL SECTION
(UNAUDITED)

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

Contents

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

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

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

	June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities:										
Net Investment in Capital Assets	\$ 11,408,472	\$ 11,873,264	\$ 12,099,751	\$ 12,430,565	\$ 12,783,499	\$ 11,146,934	\$ 13,346,166	\$ 14,081,901	\$ 14,012,558	\$ 14,096,888
Restricted	1,623,991	1,650,464	1,362,584	908,005	1,174,834	3,077,900	564,241	347,380	448,975	401,835
Unrestricted/(Deficit)	(498,495)	(623,525)	(639,311)	69,543	337,158	372,978	(9,371,663)	(10,192,430)	(10,060,799)	(11,090,460)
Total Governmental Activities Net Position	\$ 12,533,968	\$ 12,900,203	\$ 12,823,024	\$ 13,408,113	\$ 14,293,491	\$ 14,597,812	\$ 4,538,744	\$ 4,236,851	\$ 4,400,734	\$ 3,408,263
Business-Type Activities:										
Unrestricted	\$ 105,209	\$ 114,065	\$ 154,419	\$ 142,992	\$ 217,132	\$ 289,821	\$ 384,435	\$ 477,442	\$ 596,447	\$ 661,507
Total Business-Type Activities Net Position	\$ 105,209	\$ 114,065	\$ 154,419	\$ 142,992	\$ 217,132	\$ 289,821	\$ 384,435	\$ 477,442	\$ 596,447	\$ 661,507
District-Wide:										
Net Investment in Capital Assets	\$ 11,408,472	\$ 11,873,264	\$ 12,099,751	\$ 12,430,565	\$ 12,783,499	\$ 11,146,934	\$ 13,346,166	\$ 14,081,901	\$ 14,012,558	\$ 14,096,888
Restricted	1,623,991	1,650,464	1,362,584	908,005	1,174,834	3,077,900	564,241	347,380	448,975	401,835
Unrestricted/(Deficit)	(393,286)	(509,460)	(484,892)	212,535	554,290	662,799	(8,987,228)	(9,714,988)	(9,464,352)	(10,428,953)
Total District Net Position	\$ 12,639,177	\$ 13,014,268	\$ 12,977,443	\$ 13,551,105	\$ 14,512,623	\$ 14,887,633	\$ 4,923,179	\$ 4,714,293	\$ 4,997,181	\$ 4,069,770

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses:										
Governmental Activities:										
Instruction:										
Regular	\$ 12,544,129	\$ 11,460,263	\$ 11,794,795	\$ 11,625,678	\$ 11,732,694	\$ 12,338,797	\$ 12,285,458	\$ 13,653,591	\$ 14,777,730	\$ 16,387,022
Special Education	2,111,191	2,262,515	2,417,583	2,356,644	2,383,792	2,242,404	2,861,786	3,915,308	4,143,667	4,520,561
Other Special Instruction	272,269	246,294	279,890	294,577	299,431	350,893	390,574	608,597	725,467	849,600
Other Instruction	162,455	163,436	179,648	126,103	127,635	135,330	144,762	207,807	230,730	268,722
Support Services:										
Tuition	138,459	203,930	187,937	152,135	94,216	280,756	614,542	655,357	624,151	729,894
Student and Instruction Related Services	3,211,500	3,305,155	3,551,065	3,703,937	3,719,667	3,869,769	3,682,481	4,064,379	4,211,188	4,784,042
School Administrative Services	1,027,619	1,068,874	1,132,765	1,163,207	1,202,777	1,236,068	1,227,091	1,614,400	1,699,971	64,632
General Administrative Services	546,952	585,913	554,182	535,400	538,532	537,407	573,787	621,811	556,855	1,750,859
Plant Operations and Maintenance	2,392,670	2,382,636	2,468,355	2,435,686	2,461,558	2,463,388	2,582,194	2,922,902	2,833,742	3,099,103
Pupil Transportation	994,595	1,007,382	1,062,908	1,122,002	1,143,092	1,166,369	1,364,055	1,390,033	1,383,555	1,792,139
Central Services and Admin Info Tech	576,563	603,941	644,568	621,950	638,917	688,411	679,070	771,494	795,474	869,827
Charter Schools	17,906	191,159	20,391	40,748	45,600	51,574	120,605	125,235	142,452	97,287
Capital Outlay								22,330	25,892	22,124
Interest on Long-Term Debt	260,878	234,429	207,404	116,669	122,113	102,513	94,737	86,431	77,676	67,208
Total Governmental Activities Expenses	24,257,186	23,543,927	24,501,491	24,294,736	24,530,024	25,483,679	26,621,142	30,659,675	32,228,550	35,880,020
Business-Type Activities:										
Enterprise Funds	872,013	775,233	802,377	832,740	863,854	890,818	942,290	995,976	948,571	1,092,843
Total Business-Type Activities Expense	872,013	775,233	802,377	832,740	863,854	890,818	942,290	995,976	948,571	1,092,843
Total District Expenses	\$ 25,129,199	\$ 24,319,160	\$ 25,303,868	\$ 25,127,476	\$ 25,393,878	\$ 26,374,497	\$ 27,563,432	\$ 31,655,651	\$ 33,177,121	\$ 36,972,863
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Instruction (tuition)										
Operating Grants and Contributions	\$ 3,922,487	\$ 3,006,953	\$ 3,054,568	\$ 2,389,744	\$ 2,883,780	\$ 3,576,649	\$ 3,284,389	\$ 6,053,224	\$ 7,109,627	\$ 9,379,277
Capital Grants and Contributions			100,333	165,652	119,797					
Total Governmental Activities Program Revenues	3,922,487	3,006,953	3,154,901	2,555,396	3,003,577	3,576,649	3,284,389	6,053,224	7,109,627	9,379,277
Business-Type Activities:										
Charges for Services:										
Enterprise Funds	843,980	766,912	829,067	830,545	922,001	969,161	1,022,570	1,074,636	1,055,402	1,146,457
Operating Grants and Contributions	12,600	15,664	13,255	15,116	15,841	14,150	14,104	14,175	12,102	11,366
Total Business-Type Activities Program Revenues	856,580	782,576	842,322	845,661	937,842	983,311	1,036,674	1,088,811	1,067,504	1,157,823
Total District Program Revenues	\$ 4,779,067	\$ 3,789,529	\$ 3,997,223	\$ 3,401,057	\$ 3,941,419	\$ 4,559,960	\$ 4,321,063	\$ 7,142,035	\$ 8,177,131	\$ 10,537,100

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (Expense)/Revenue:										
Governmental Activities	\$ (20,334,699)	\$ (20,536,974)	\$ (21,346,590)	\$ (21,739,340)	\$ (21,526,447)	\$ (21,907,030)	\$ (23,336,753)	\$ (24,606,451)	\$ (25,118,923)	\$ (26,500,743)
Business-Type Activities	(15,433)	7,343	39,945	12,921	73,988	92,493	94,384	92,835	118,933	64,980
Total District-Wide Net Expense	\$ (20,350,132)	\$ (20,529,631)	\$ (21,306,645)	\$ (21,726,419)	\$ (21,452,459)	\$ (21,814,537)	\$ (23,242,369)	\$ (24,513,616)	\$ (24,999,990)	\$ (26,435,763)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 18,972,792	\$ 19,731,704	\$ 20,130,621	\$ 21,155,846	\$ 21,265,275	\$ 21,415,620	\$ 21,943,932	\$ 23,216,270	\$ 23,973,068	\$ 24,452,529
Taxes Levied for Debt Service	553,036	771,815	735,790	760,708	730,685	325,968	368,450	375,094	381,701	377,792
Federal and State Aid Not Restricted	340,730	169,555	183,564	133,427	206,995	222,668	332,392	371,656	480,397	362,255
Investment Earnings	103,047	44,647	11,760	6,912	6,647	7,419	6,910	4,339	2,821	20
Miscellaneous Income	152,102	185,488	207,676	243,025	204,223	276,637	316,480	337,199	444,818	315,676
Transfers				24,511		20,000				
Total Governmental Activities	20,121,707	20,903,209	21,269,411	22,324,429	22,413,825	22,268,312	22,968,164	24,304,558	25,282,805	25,508,272
Business-Type Activities:										
Investment Earnings	4,561	1,513	409	163	152	196	230	172	72	80
Transfers				(24,511)		(20,000)				
Total Business-Type Activities	4,561	1,513	409	163	152	(19,804)	230	172	72	80
Total District-Wide	\$ 20,126,268	\$ 20,904,722	\$ 21,269,820	\$ 22,324,592	\$ 22,413,977	\$ 22,248,508	\$ 22,968,394	\$ 24,304,730	\$ 25,282,877	\$ 25,508,352
Change in Net Position:										
Governmental Activities	\$ (212,992)	\$ 366,235	\$ (77,179)	\$ 585,089	\$ 887,378	\$ 361,282	\$ (368,589)	\$ (301,893)	\$ 163,882	\$ (992,471)
Business-Type Activities	(10,872)	8,856	40,354	13,084	74,140	72,689	94,614	93,007	119,005	65,060
Total District	\$ (223,864)	\$ 375,091	\$ (36,825)	\$ 598,173	\$ 961,518	\$ 433,971	\$ (273,975)	\$ (208,886)	\$ 282,887	\$ (927,411)

Source: School District Financial Reports

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

	June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund:										
Restricted/Reserved	\$ 748,965	\$ 934,407	\$ 1,064,857	\$ 703,967	\$ 1,144,852	\$ 763,891	\$ 563,886	\$ 347,273	\$ 441,050	\$ 401,835
Unreserved	1,210,135	1,029,097	645,055							
Assigned			495,943	459,189	660,608	751,703	846,666	442,492	576,774	569,697
Unassigned					500,527	512,168	418,896	425,728	430,612	440,929
Total General Fund	\$ 1,959,100	\$ 1,963,504	\$ 1,709,912	\$ 1,659,099	\$ 2,305,987	\$ 2,027,762	\$ 1,829,448	\$ 1,215,493	\$ 1,448,436	\$ 1,412,461
All Other Governmental Funds:										
Reserved/Restricted for:										
Capital Projects Fund	\$ 52,364		\$ 12,735							
Debt Service Fund	6,723	\$ 16,057	7,162	\$ 30,087	\$ 29,982	\$ 256	\$ 355	\$ 107	\$ 8	
Committed for:										
Capital Projects Fund				289,920		2,313,753				
Unassigned for/(Deficit):				(115,969)				(125,469)	7,917	
Capital Projects Fund										
Total All Other Governmental Funds	\$ 59,087	\$ 16,057	\$ 19,897	\$ 204,038	\$ 29,982	\$ 2,314,009	\$ 355	\$ (125,362)	\$ 7,925	\$ -0-

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
Tax Levy	\$ 19,525,828	\$ 20,503,519	\$ 20,866,411	\$ 21,916,554	\$ 21,995,960	\$ 21,741,588	\$ 22,312,382	\$ 23,591,364	\$ 24,354,769	\$ 24,830,321
Tuition Charges	81,628	37,192	10,114	6,303	6,315	6,999	6,548	4,251	2,805	20
Interest Earned on Investments	21,419	7,455	1,541	609	332	420	362	88	16	315,676
Interest Earned on Capital Reserve Funds	152,102	185,488	207,781	243,025	204,223	276,637	328,938	337,241	444,818	4,306,060
Miscellaneous	3,946,569	2,816,400	2,719,399	2,249,970	2,835,511	3,415,498	3,237,489	3,516,719	4,032,232	359,861
State Sources	316,648	360,108	619,066	438,853	375,061	383,819	366,834	361,282	352,837	29,187,477
Federal Sources	24,044,194	23,910,162	24,424,312	24,855,314	25,417,402	25,824,961	26,252,553	27,810,945	29,187,477	29,811,938
Total Revenue										
	7,648,062	7,737,186	7,853,678	7,617,349	7,360,487	7,477,493	7,569,926	7,714,690	7,966,561	7,870,668
Expenditures:										
Instruction:	1,755,635	1,908,052	2,018,533	1,928,497	1,959,809	1,819,485	2,400,176	2,608,191	2,660,979	2,695,772
Regular Instruction	218,693	199,681	223,518	233,231	238,117	276,104	307,438	344,732	390,087	406,425
Special Education Instruction	126,258	126,848	138,017	92,864	95,343	101,032	104,405	112,784	121,112	126,226
Other Special Instruction										
Other Instruction	138,459	203,930	187,937	152,135	94,216	280,756	614,542	655,357	624,151	729,894
Support Services:	2,645,888	2,765,207	2,915,777	3,017,996	3,059,956	3,240,573	2,970,649	3,094,123	3,175,946	3,351,768
Tuition	489,398	512,112	473,054	473,656	490,708	466,590	500,365	509,210	501,060	497,920
Student and Instruction Related Services	859,263	860,861	904,012	912,185	951,970	963,973	951,456	1,004,475	1,019,700	967,669
General Administrative Services	391,082	381,602	403,119	382,365	383,523	399,650	397,930	405,274	434,803	427,289
School Administrative Services	89,977	114,902	119,663	123,566	128,776	144,391	147,741	157,146	161,860	167,525
Central Services	2,118,543	2,140,680	2,159,140	2,091,263	2,073,443	2,109,201	2,361,958	2,527,468	2,447,138	2,620,524
Administrative Information Technology Services	955,005	952,573	1,013,728	1,077,072	1,096,727	1,106,603	1,294,064	1,308,861	1,277,644	1,001,170
Plant Operations and Maintenance	5,906,322	4,652,040	5,102,162	5,407,400	5,773,954	6,334,308	6,110,250	6,528,885	7,138,111	8,035,817
Pupil Transportation	17,906	19,159	20,391	40,748	45,600	51,574	120,605	125,235	142,452	97,287
Unallocated Benefits										
Charter Schools										
Debt Service:	500,000	525,000	525,000	595,000	595,000	250,000	270,000	285,000	300,000	305,000
Principal	272,778	246,815	219,790	142,783	135,790	103,950	98,450	90,350	81,800	72,800
Interest and Other Charges	913,994	602,140	396,545	552,089	530,020	1,577,028	2,544,566	1,078,836	581,099	713,575
Capital Outlay	25,047,263	23,948,788	24,674,064	24,840,199	25,013,439	26,704,711	28,764,521	28,550,617	29,024,503	30,087,329
Total Expenditures										

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (1,003,069)	\$ (38,626)	\$ (249,752)	\$ 15,115	\$ 403,963	\$ (879,750)	\$ (2,511,968)	\$ (739,672)	\$ 162,974	\$ (275,391)
Other Financing Sources (Uses)						2,865,552				
Lease Purchase Proceeds				93,702	68,869					
Capital Leases (Non-budgeted)				422,431	5,741	739,031	77,701	310,998	203,256	231,491
Transfers In	923,920	299,022	150,605	(397,920)	(5,741)	(719,031)	(77,701)	(310,998)		7,917
Transfers Out	(923,920)	(299,022)	(150,605)	118,213	68,869	2,883,552			203,256	(7,917)
Total Other Financing Sources (Uses)										
Net Change in Fund Balances	\$ (1,003,069)	\$ (38,626)	\$ (249,752)	\$ 133,328	\$ 472,832	\$ 2,005,802	\$ (2,511,968)	\$ (739,672)	\$ 366,230	\$ (43,900)
Debt Service as a Percentage of Noncapital Expenditures	3.20%	3.31%	3.07%	3.04%	2.98%	1.42%	1.41%	1.37%	1.34%	1.29%

Source: School District Financial Reports

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

Fiscal Year Ending June 30,	Interest on Investments	Rentals - Use of Facilities	Prior Year Refunds	Miscellaneous	Total
2006	\$ 162,275		\$ 66,339	\$ 162,808	\$ 391,422
2007	103,047	\$ 100	17,388	134,614	255,149
2008	44,647		3,084	179,689	227,420
2009	11,655		2,507	205,274	219,436
2010	6,912	50	73,705	169,270	249,937
2011	6,647		52,083	152,140	210,870
2012	7,060		58,790	162,847	228,697
2013	6,811		146,921	157,559	311,291
2014	4,331		132,867	204,332	341,530
2015	2,821		155,279	286,718	444,818
2016	2,496		14,407	298,793	315,696

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

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Tax-Exempt Property	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2007	\$ 75,065,500	\$ 1,123,936,422	\$ 9,100	\$ 3,800	\$ 546,826,011	\$ 244,676,100	\$ 28,868,800	\$ 2,019,385,733	\$ 269,329,200	\$ 12,068,528	\$ 2,031,454,261	\$ 0.94	\$ 3,949,502,848
2008	74,908,200	1,139,038,922	9,100	3,800	573,242,511	212,569,800	28,868,800	2,028,641,133	269,514,700	11,274,582	2,039,915,715	0.97	4,196,257,833
2009	72,641,900	1,148,171,700	368,300	7,600	538,942,500	213,530,700	28,868,800	2,002,531,500	271,431,000	11,255,992	2,013,787,492	1.02	4,139,864,889
2010	65,676,800	1,153,279,300	368,300	7,600	524,527,300	214,138,200	28,868,800	1,986,866,300	271,947,500	11,175,509	1,998,041,809	1.06	4,166,464,286
2011	47,974,300	1,176,198,450	368,300	7,600	489,126,600	221,082,600	28,868,800	1,963,626,650	271,672,800	10,542,510	1,974,169,160	1.63	4,115,149,057
2012 ^c	78,048,900	2,054,726,800	433,000	5,900	871,536,400	412,981,600	56,721,600	3,474,454,200	376,741,000	21,415,187	3,495,869,387	0.63	3,957,980,829
2013	94,503,500	2,055,323,600	433,000	5,900	873,200,300	408,758,900	56,721,600	3,488,946,800	366,341,800	-	3,488,946,800	0.64	3,889,698,033
2014	80,697,600	2,080,627,400	433,000	5,900	996,669,100	433,662,200	57,634,600	3,649,729,800	375,167,100	-	3,649,729,800	0.64	3,841,012,208
2015	73,645,700	2,101,021,300	433,000	5,900	1,016,994,300	429,302,700	75,960,100	3,697,363,000	375,229,600	-	3,697,363,000	0.65	3,891,141,865
2016	75,035,800	2,106,119,300	433,000	5,900	983,192,400	425,684,100	84,700,100	3,675,170,600	372,465,700	-	3,675,170,600	0.64	4,093,380,765

Source: Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

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

^c Represents a Revaluation Year

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

Year Ended December 31,	Hanover Township School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Hanover Township	Hanover Park Regional High School	Morris County	
2007	\$ 0.91	\$ 0.03	\$ 0.94	\$ 0.61	\$ 0.44	\$ 0.47	\$ 2.46
2008	0.93	0.04	0.97	0.64	0.45	0.48	2.54
2009	0.98	0.04	1.02	0.67	0.48	0.47	2.64
2010	1.02	0.04	1.06	0.72	0.50	0.48	2.76
2011	1.58	0.05	1.63	0.75	0.52	0.49	3.39
2012 ^c	0.62	0.01	0.63	0.43	0.30	0.27	1.63
2013	0.63	0.01	0.64	0.44	0.30	0.28	1.66
2014	0.63	0.01	0.64	0.43	0.30	0.26	1.63
2015	0.63	0.02	0.65	0.44	0.32	0.26	1.67
2016	0.63	0.01	0.64	0.43	0.37	0.44	1.88

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

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

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

^c Represents a Revaluation Year

Source: Municipal Tax Collector and School Business Administrator

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

<u>Taxpayer</u>	<u>2017</u>	
	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
Bayer Healthcare LLC	\$ 155,670,300	4.16%
SFP ML I LLC (Metlife)	60,000,000	1.60%
Sterling Apartments LLC	55,101,100	1.47%
Interstate Realty Company LLc	50,290,300	1.34%
LSAC Morris Count LP	42,954,600	1.15%
115 SJ Investors	36,424,400	0.97%
ISBI Hanover Hotel LLC	35,950,500	0.96%
Ravine Development Company LLC	34,824,000	0.93%
DCT IND Realty Inc	32,000,000	0.88%
Kraft Foods Global Inc.	32,000,000	0.86%
Total	<u>\$ 535,215,200</u>	<u>14.32%</u>
	<u>2008</u>	
<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
LTI NJ Finance LLC	\$ 100,966,300	4.98%
Bear Stearn & Company	62,229,800	3.07%
Hartz Mountain Industries	39,351,100	1.94%
Marriot Corporation	29,658,000	1.46%
Sterling Apartments LLC	27,587,300	1.36%
Fan Pier Land Company	27,228,000	1.34%
Interstate Realty Company	26,338,800	1.30%
CLF Parsippany-Cadbury Adams	24,607,500	1.21%
River Park Business Center LLC	23,355,600	1.15%
Lynton Jet/ Signature Flight	19,200,000	0.95%
Total	<u>\$ 380,522,400</u>	<u>18.76%</u>

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2008	\$ 19,525,828	\$ 19,525,828	100.00%	-0-
2009	20,503,519	20,503,519	100.00%	-0-
2010	20,866,411	20,866,411	100.00%	-0-
2011	21,916,554	21,916,554	100.00%	-0-
2012	21,995,960	21,995,960	100.00%	-0-
2013	21,741,588	21,741,588	100.00%	-0-
2014	22,312,382	22,312,382	100.00%	-0-
2015	23,591,364	23,591,364	100.00%	-0-
2016	24,354,769	24,354,769	100.00%	-0-
2017	24,830,321	24,830,321	100.00%	-0-

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

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

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

Fiscal Year Ended June 30,	Governmental Activities			Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases				
2008	\$ 5,120,000			\$ 5,120,000	0.51%	\$ 379
2009	4,595,000			4,595,000	0.48%	338
2010	4,070,000			4,070,000	0.41%	296
2011	3,520,000	\$ 72,896		3,592,896	0.34%	257
2012	2,925,000	86,750		3,011,750	0.27%	215
2013	2,675,000	2,897,409		5,572,409	0.81%	395
2014	2,405,000	2,702,911		5,107,911	0.43%	356
2015	2,120,000	2,520,382		4,640,382	0.37%	322
2016	1,820,000	2,487,553		4,307,553	0.35%	299
2017	1,515,000	2,404,546		3,919,546	0.31%	267

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

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

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

<u>General Bonded Debt Outstanding</u>						
Fiscal Year Ended June 30,	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b	
2008	\$ 5,120,000	\$ -0-	\$ 5,120,000	0.25%	\$ 379	
2009	4,595,000	-0-	4,595,000	0.23%	338	
2010	4,070,000	-0-	4,070,000	0.20%	296	
2011	3,520,000	-0-	3,520,000	0.18%	252	
2012	2,925,000	-0-	2,925,000	0.15%	208	
2013	2,675,000	-0-	2,675,000	0.08%	190	
2014	2,405,000	-0-	2,405,000	0.07%	168	
2015	2,120,000	-0-	2,120,000	0.06%	147	
2016	1,820,000	-0-	1,820,000	0.05%	126	
2017	1,515,000	-0-	1,515,000	0.04%	103	

Source: School District Financial Reports

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

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2016
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes			
Hanover Township	\$ -0-	100.00%	\$ -0-
County of Morris General Obligation Debt	221,180,986	4.35%	<u>9,865,371</u>
Subtotal, Overlapping Debt			9,865,371
Hanover Township School District Direct Debt			<u>3,919,546</u>
Total Direct and Overlapping Debt			<u><u>\$ 13,784,917</u></u>

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

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

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

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

<u>Legal Debt Margin Calculation for Fiscal Year 2017</u>	
Equalized Valuation Basis	
2016	\$ 4,152,265,959
2015	4,060,359,104
2014	3,841,012,208
	<u>\$ 12,053,637,271</u>
Average Equalized Valuation of Taxable Property	\$ 4,017,879,090
Debt Limit (3% of Average Equalization Value) ^a	120,536,373
Net Bonded School Debt as of June 30, 2017	<u>1,515,000</u>
Legal Debt Margin	<u>\$ 119,021,373</u>

	Fiscal Year.									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	\$ 114,889,815	\$ 120,633,344	\$ 123,222,361	\$ 123,117,899	\$ 120,650,991	\$ 117,590,042	\$ 111,547,573	\$ 111,334,039	\$ 112,127,474	\$ 120,536,373
Total Net Debt Applicable to Limit	<u>5,120,000</u>	<u>4,595,000</u>	<u>4,070,000</u>	<u>3,520,000</u>	<u>2,925,000</u>	<u>2,675,000</u>	<u>2,405,000</u>	<u>2,120,000</u>	<u>1,820,000</u>	<u>1,515,000</u>
Legal Debt Margin	<u>\$ 109,769,815</u>	<u>\$ 116,038,344</u>	<u>\$ 119,152,361</u>	<u>\$ 119,597,899</u>	<u>\$ 117,725,991</u>	<u>\$ 114,915,042</u>	<u>\$ 109,142,573</u>	<u>\$ 109,214,039</u>	<u>\$ 110,307,474</u>	<u>\$ 119,021,373</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	4.46%	3.81%	3.30%	2.86%	2.42%	2.27%	2.16%	1.90%	1.62%	1.26%

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

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

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

<u>Year</u>	<u>Population^a</u>	<u>Personal Income^b</u>	<u>Morris County Per Capita Personal Income^c</u>	<u>Unemployment Rate^d</u>
2008	13,522	\$ 1,009,227,992	\$ 74,636	1.70%
2009	13,609	959,652,244	70,516	3.90%
2010	13,764	1,001,743,920	72,780	3.90%
2011	13,975	1,064,811,150	76,194	3.80%
2012	14,031	1,104,141,483	78,693	3.90%
2013	14,098	692,127,212	49,094	5.20%
2014	14,344	1,187,826,640	82,810	5.20%
2015	14,409	1,247,560,038	86,582	4.70%
2016	14,686	1,271,543,252	86,582 *	3.50%
2017	14,686 **	1,271,543,252 ***	86,582 *	N/A

* - Latest Morris County per capita personal income available (2015) was used for calculation purposes.

** - Latest population data available (2016) was used for calculation purposes.

*** - Latest available population data (2016) and latest available Morris County per capita personal income (2015) was used for calculation purposes.

Sources:

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

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

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

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

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

Employer	2016		2007	
	Employees	Percentage of Total Employment	Employees	Percentage of Total Employment
U.S. Army Armament Research and Development	5,841	N/A		
Novartis Corporation	5,035	N/A		
Atlantic Health System	4,463	N/A		
Automatic Data Processing, Inc.	2,060	N/A		
Bayer Healthcare, LLC	1,900	N/A		
County of Morris	1,674	N/A		
Wyndham Worldwide Coporation	1,653	N/A		
St. Clare's	1,642	N/A		
BASF Corporation	1,500	N/A		
Accenture	1,480	N/A		
Total	27,248	N/A		

Information is Not Available

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

Note - Information is for Morris County

Source: Morris County Economic Development Corporation

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

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Instruction	121.90	119.91	103.20	98.76	99.10	97.78	100.32	100.72	102.28	102.24
Regular	28.60	32.51	32.65	32.35	33.76	28.90	30.69	33.86	34.85	36.22
Special education										
Support Services:										
Student & instruction related services	43.50	42.15	43.28	42.78	43.19	42.29	43.51	43.91	45.14	47.19
School administrative services	11.03	11.25	11.58	11.58	11.68	11.79	11.79	12.03	12.23	12.23
General and business administrative services	10.67	9.67	9.67	8.67	8.67	8.85	8.85	8.85	8.85	8.85
Plant operations and maintenance	21.75	21.75	29.83	29.00	29.01	29.01	30.51	31.29	31.92	32.53
Pupil transportation	14.30	14.80	14.80	15.37	15.37	16.27	17.27	16.74	17.27	16.67
Total	251.75	252.04	245.01	238.51	240.78	234.89	242.94	247.40	252.54	255.93

Source: District Personnel Records

HANOVER TOWNSHIP SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle				
2008	1,575	\$ 23,360,491	\$ 14,832	2.44%	161	1:18	1:19	1,575	1,519	1.16%	96.44%
2009	1,574	22,574,833	14,342	-3.30%	163	1:19	1:20	1,574	1,511	-0.06%	96.00%
2010	1,543	23,532,729	15,251	6.34%	162	1:18	1:20	1,543	1,488	-1.97%	96.44%
2011	1,517	23,550,327	15,524	1.79%	162	1:18	1:19	1,517	1,460	-1.69%	96.24%
2012	1,500	23,752,629	15,835	2.00%	160	1:18	1:19	1,500	1,450	-1.12%	96.67%
2013	1,476	24,771,733	16,783	5.99%	160	1:18	1:19	1,476	1,415	-1.60%	95.87%
2014	1,483	25,851,505	17,432	3.87%	160	1:18	1:19	1,483	1,428	2.03%	96.29%
2015	1,464	27,096,431	18,508	6.18%	160	1:18	1:19	1,464	1,411	2.03%	96.38%
2016	1,464	27,096,431	18,508	6.18%	160	1:18	1:19	1,464	1,411	2.03%	96.38%
2017	1,458	28,995,954	19,887	7.45%	160	1:18	1:19	1,458	1,451	2.83%	99.52%

Source: Hanover Township School District records

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).
- d The Cost Per Pupil calculated above is the sum of the operating expenditures divided by enrollment. This Cost Per Pupil may be different from other Cost Per Pupil calculations.

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

<u>District Buildings</u>	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Bee Meadow School	65,467	65,467	65,467	65,467	65,467	65,467	65,467	65,467	65,467	65,467
Square Feet	603	603	603	603	603	603	603	603	603	603
Capacity (students)	419	380	382	362	352	344	333	333	333	328
Enrollment										
Salem Drive School	45,707	45,707	45,707	45,707	45,707	45,707	45,707	45,707	45,707	45,707
Square Feet	499	499	499	499	499	499	499	499	499	499
Capacity (students)	327	323	312	299	280	273	277	277	277	344
Enrollment										
Mountview Road School	46,679	46,679	46,679	46,679	46,679	46,679	46,679	46,679	46,679	46,679
Square Feet	439	439	439	439	439	439	439	439	439	439
Capacity (students)	332	317	314	295	308	312	333	333	333	269
Enrollment										
Memorial Junior School	113,950	113,950	113,950	113,950	113,950	113,950	113,950	113,950	113,950	113,950
Square Feet	617	617	617	617	617	617	617	617	617	617
Capacity (students)	497	544	535	557	560	547	540	540	540	503
Enrollment										

Number of Schools at June 30, 2017

 Elementary = 3

 Middle School = 1

Source: Hanover Township School District Facilities Office

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

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

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

School Facilities	Project #	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Bee Meadow School	N/A	\$ 102,667	\$ 107,037	\$ 79,992	\$ 83,473	\$ 92,109	\$ 108,085	\$ 100,560	\$ 128,091	\$ 113,802	\$ 134,656
Salem Drive School	N/A	71,679	58,641	55,848	58,278	64,308	74,548	60,812	77,461	68,820	94,013
Mountview School	N/A	73,203	75,375	57,036	59,517	65,675	83,169	75,877	96,650	85,869	96,012
Memorial Junior School	N/A	178,700	166,003	139,232	145,290	160,322	212,040	158,973	202,495	179,906	234,378
		<u>\$ 426,250</u>	<u>\$ 407,056</u>	<u>\$ 332,108</u>	<u>\$ 346,558</u>	<u>\$ 382,414</u>	<u>\$ 477,842</u>	<u>\$ 396,222</u>	<u>\$ 504,697</u>	<u>\$ 448,397</u>	<u>\$ 559,059</u>

Source: Hanover Township School District records.

HANOVER TOWNSHIP SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2017
UNAUDITED

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

Source: School District records.

SINGLE AUDIT SECTION

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hanover Township School District, in the County of Morris (the "District") as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 8, 2017.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

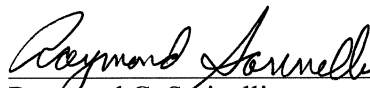
As part of obtaining reasonable assurance about whether the District’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Purpose of this Report

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

August 8, 2017
Mount Arlington, New Jersey

NISIVOCCIA LLP



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

Report on Compliance For Each Major State Program;
Report on Internal Control Over Compliance

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

We have audited the Board of Education of the Hanover Township's (the "District's") compliance with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2017. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, the Uniform Guidance and New Jersey's OMB 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 state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2017.

Report on Internal Control Over Compliance

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

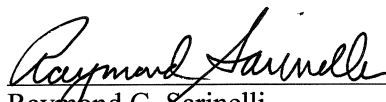
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

August 8, 2017
Mount Arlington, New Jersey

NISIVOCIA LLP



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

HANOVER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance Due to Grantor/ (Accounts Receivable) June 30, 2016	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2017			MEMO		
								GAAP (Accounts Receivable)	Unearned Revenue	Due to Grantor	Budgetary (Account Receivable)	Cumulative Total Expenditures	
State Department of Education:													
Transportation Aid	16-495-034-5120-014	7/1/15-6/30/16	\$ 58,257	\$ (5,677)	\$ 5,677	\$ (66,112)				\$ (6,446)	\$ 58,257		
Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	58,257	(73,470)	73,470	(746,954)				(72,823)	753,986		
Special Education Aid	16-495-034-5120-089	7/1/15-6/30/16	753,986	(2,185)	674,131	(25,667)				(2,502)	746,954		
Special Education Aid	17-495-034-5120-089	7/1/16-6/30/17	746,954	(1,450)	23,165	(14,880)				(1,451)	22,423		
Security Aid	16-495-034-5120-084	7/1/15-6/30/16	22,423	(1,450)	1,450	(14,880)				(1,451)	25,667		
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	25,667	(1,450)	1,450	(14,880)				(1,451)	14,880		
Per Pupil Growth Aid	16-495-034-5120-096	7/1/15-6/30/16	14,880	(1,450)	13,429	(14,880)				(1,451)	14,880		
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	14,880	(1,450)	1,450	(14,880)				(1,451)	14,880		
PARCC Readiness Aid	16-495-034-5120-097	7/1/15-6/30/16	14,880	(1,450)	13,429	(14,880)				(1,451)	14,880		
PARCC Readiness Aid	17-495-034-5120-098	7/1/16-6/30/17	14,880	(1,450)	13,429	(14,880)				(1,451)	14,880		
Professional Learning Community Aid	17-495-035-5120-101	7/1/16-6/30/17	14,630	(241,558)	13,204	(14,630)				(1,426)	14,630		
District Reimbursement for Extraordinary Costs	16-495-034-5120-044	7/1/15-6/30/16	305,347	(241,558)	241,558	(285,300)				(285,300)	305,347		
District Reimbursement for Extraordinary Costs	17-100-034-5120-473	7/1/16-6/30/17	308,234	(8,880)	8,880	(7,308)				(7,308)	308,234		
Nonpublic School Transportation Costs	16-495-034-5120-014	7/1/15-6/30/16	8,880	(8,880)	8,880	(7,308)				(7,308)	8,880		
Nonpublic School Transportation Costs	17-495-034-5120-014	7/1/16-6/30/17	10,800	(38,968)	38,968	(808,478)				(120,819)	809,447		
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	7/1/15-6/30/16	809,447	(38,968)	687,659	(1,008,045)				(1,008,045)	808,478		
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	7/1/16-6/30/17	808,478	(38,968)	1,008,045	(1,167,507)				(1,167,507)	1,008,045		
On-Behalf TPAF Post Retirement Contribution	17-495-034-5094-001	7/1/16-6/30/17	1,008,045	(1,167,507)	1,167,507	(42,301)				(42,301)	1,167,507		
On-Behalf TPAF Pension Contribution	17-495-034-5094-002	7/1/16-6/30/17	1,167,507	(42,301)	42,301	(2,428)				(2,428)	42,301		
On-Behalf TPAF Non-Contributory Insurance	17-495-034-5094-004	7/1/16-6/30/17	42,301	(373,638)	2,428	(4,204,490)				(413,427)	42,301		
On-Behalf TPAF Long-Term Disability Insurance	17-495-034-5094-004	7/1/16-6/30/17	2,428	(373,638)	4,078,602	(4,204,490)				(499,526)	2,428		
Total General Fund State Aid													6,211,161
N.J. Nonpublic Aid:													
Textbook Aid	16-100-034-5120-064	9/1/15-6/30/16	9,422	1,599									7,823
Security Aid	16-100-034-5120-509	9/1/15-6/30/16	4,800	775									4,025
Nursing Aid	16-100-034-5120-070	9/1/15-6/30/16	14,850	2,520									12,330
Technology Initiative Aid	16-100-034-5120-373	9/1/15-6/30/16	4,290	728									5,562
Textbook Aid	17-100-034-5120-064	9/1/16-6/30/17	8,473		8,473	(8,090)							8,090
Security Aid	17-100-034-5120-509	9/1/16-6/30/17	8,000		8,000	(7,696)							7,696
Nursing Aid	17-100-034-5120-070	9/1/16-6/30/17	13,230		13,230	(13,230)							13,230
Technology Initiative Aid	17-100-034-5120-373	9/1/16-6/30/17	3,822		3,822	(3,822)							3,822

HANOVER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance Due to Grantor/ (Accounts Receivable) June 30, 2016	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2017		MEMO	
								GAAP (Accounts Receivable)	Unearned Revenue	Budgetary (Account Receivable)	Cumulative Total Expenditures
Auxiliary Services:											
English as a Second Language	17-100-034-5120-067	9/1/15-6/30/17	1,096	2,588	1,096	(548)	\$ (2,588)		548		548
English as a Second Language	16-100-034-5120-067	9/1/15-6/30/16	2,588	2,588							38,340
Compensatory Education	17-100-034-5120-067	9/1/16-6/30/17	38,967	3,639	38,967	(38,340)	(3,639)		627		21,742
Compensatory Education	16-100-034-5120-067	9/1/15-6/30/16	25,381								
Handicapped Services:											
Supplemental Instruction	16-100-034-5120-066	9/1/15-6/30/16	17,079	9,505			(9,505)				7,574
Supplemental Instruction	17-100-034-5120-066	9/1/16-6/30/17	9,416		9,416	(9,264)			152		9,264
Examination and Classification	16-100-034-5120-066	9/1/15-6/30/16	17,898	3,075			(3,075)				14,823
Examination and Classification	17-100-034-5120-066	9/1/16-6/30/17	16,024		16,024	(11,169)			4,855		11,169
Corrective Speech	16-100-034-5120-066	9/1/15-6/30/16	16,805	7,024			(7,024)				9,781
Corrective Speech	17-100-034-5120-066	9/1/16-6/30/17	13,253		13,253	(11,278)			1,975		11,278
Total Special Revenue Fund			31,453		112,281	(103,437)	(31,453)		8,844		183,097
Schools Development Authority:											
Educational Facilities Construction and Financing	2000-050-14-1003	N/A	48,840	(23,463)	23,463						47,401
Educational Facilities Construction and Financing	2000-060-14-1004	N/A	73,400	(35,000)	35,000						69,562
Educational Facilities Construction and Financing	2000-040-14-1002	N/A	61,080	(30,235)	30,235						61,080
Total Capital Projects Fund			183,320	(88,698)	88,698						178,043
Total State Awards Subject to Single Audit Determination			\$ (430,883)	\$ 4,279,581	\$ (4,307,927)	\$ (31,453)	\$ (413,427)	\$ -	\$ 8,844	\$ (499,526)	\$ 6,574,301
Less: State Awards Not Subject to Single Audit Major Program Determination											
On-Behalf TPAF Post Retirement Contribution	17-495-034-5094-001	7/1/16-6/30/17	1,008,045			1,008,045					
On-Behalf TPAF Pension Contribution	17-495-034-5094-002	7/1/16-6/30/17	1,167,507			1,167,507					
On-Behalf TPAF Non-Contributory Insurance	17-495-034-5094-004	7/1/16-6/30/17	42,301			42,301					
On-Behalf TPAF Long-Term Disability Insurance	17-495-034-5094-004	7/1/16-6/30/17	2,428			2,428					
Subtotal - On-Behalf TPAF Contributions			2,220,281			2,220,281					
Total State Awards Subject to Single Audit Major Program Determination			(2,087,646)			(2,087,646)					

N/A - Not Available/Applicable

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

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the "Schedules") include the federal and state grant activity of the Hanover Township School District under programs of the federal and state governments for the fiscal year ended June 30, 2017. The information in these schedules is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented on the accrual basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3. INDIRECT COST RATE

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

NOTE 4. RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$1,867). See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 4,202,623	\$ 4,202,623
Special Revenue Fund	\$ 359,861	103,437	463,298
Enterprise Fund	<u>11,366</u>		<u>11,366</u>
Total Awards	<u>\$ 371,227</u>	<u>\$ 4,306,060</u>	<u>\$ 4,677,287</u>

NOTE 5. 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 6. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2017.

HANOVER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for each of the major state programs for the District expresses an unmodified opinion on each of the major state programs.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2017 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District's programs tested as major state programs for the current fiscal year consisted of the following awards:

	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
State:				
Special Education Aid	17-495-034-5120-089	7/1/16-6/30/17	\$ 746,954	\$ 746,954
PARCC Readiness Aid	17-495-034-5120-098	7/1/16-6/30/17	14,880	14,880
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	14,880	14,880
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	25,667	25,667
Professional Learning				
Community Aid	17-495-035-5120-101	7/1/16-6/30/17	14,630	14,630

- The threshold used for distinguishing between State Type A and Type B programs was \$750,000.
- The District was determined to be a "low-risk" auditee for state programs.

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

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

HANOVER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in CFR 200.516(a) of the Uniform Guidance and New Jersey's OMB Circular 15-08.

HANOVER TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Status of Prior Year Findings:

The District had no prior year audit findings.