

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

North Hanover, New Jersey
County of Burlington

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

NORTH HANOVER, NEW JERSEY

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Prepared by

The Business Office of the North Hanover School District

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INTRODUCTORY SECTION

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November 28, 2017

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

Dear Board Members/Citizens:

The Comprehensive Annual Financial Report (CAFR) of the North Hanover Township School 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 North Hanover Township School District. 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, 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 district as of June 30, 2017, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America. All disclosures necessary to enable the reader to gain an understanding of the district's financial activities have been included.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

The Comprehensive Annual Financial Report is presented in four sections as follows:

Introductory Section:

Section contains a Letter of Transmittal, Roster of Officials, Consultants and Advisors, and an Organizational Chart.

Financial Section:

Section contains the Independent Auditors’ Report and includes the Management’s Discussion and Analysis, the Basic Financial Statements, Required Supplementary Information (RSI) and Other Supplementary Information.

Statistical Section:

Section contains selected financial trends, revenue and debt capacity, demographic, economic and other operating information, generally presented on a multi-year basis.

Single Audit Section:

The School District is required to undergo an annual Single Audit in conformity with the provisions 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 OMB’s Circular 15-08 OMB, “*Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*”. Information related to this Single Audit, including the independent auditor’s report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, if any, are included in the Single Audit Section of this report.

REPORTING ENTITY AND ITS SERVICES

The North Hanover Township School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standard Board (GASB) as established by NCGA Statement No. 3. All funds of the School District are included in this report. The School District has no component units.

The School District provides a full range of educational services appropriate to grade levels Pre-K through 6. These include regular and vocational as well as special education for children with special needs. The School District’s enrollment, as of October 15th, for the current and past nine fiscal years are detailed below.

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2016-2017	1,193	-0.08%
2015-2016	1,194	-0.42%
2014-2015	1,199	-7.20%
2013-2014	1,292	0.78%
2012-2013	1,282	2.40%
2011-2012	1,252	5.92%
2010-2011	1,182	3.41%
2009-2010	1,143	0.26%
2008-2009	1,140	-1.47%
2007-2008	1,157	-4.38%

ECONOMIC CONDITION AND OUTLOOK

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

MAJOR INITIATIVES

A new school housing all the fifth and sixth grade students under one roof was completed and opened in September 2007. In January of 2011 a team from the Department of Defense Education Activity (DoDEA) inspected the schools on Base and prepared a report on the condition of those schools. This report was reviewed by Congress and Congress has thus far, appropriated two (2) rounds of funding for the renovations or replacement of schools nationwide identified in the report. In early spring of 2012, the District was invited to apply for funding to the (Federal) Office of Economic Adjustment (OEA). District administrative staff and Board Members attended a meeting which described and outlined the application process. It was made clear by the staff of the OEA that it was a noncompetitive process. After considerable review and in consultation with the entire Board, an application was filed to apply for the funding of the construction of a new school on Base to replace the existing schools thus, a community school for children living on Base. One school, with a capacity for 890 students, will be built for military students from grades Pre-K through grade 4. Architect, engineer and construction managers were hired and have been working on the project. The district completed the grant process and was awarded a \$62 million grant on December 13, 2016. As part of this initiative, the Columbia School was demolished in July 2015, site work preparation and regrading was completed in September 2016, and the school project was put out to bid and awarded in April of 2017. It is anticipated that the new school will open in September of 2019.

INTERNAL ACCOUNTING CONTROLS

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

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

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

BUDGETARY CONTROLS

In addition to internal accounting controls, the School 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 cancelled or included as re-appropriations of fund balance in the subsequent year.

ACCOUNTING SYSTEM AND REPORTS

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

FINANCIAL POLICIES

The intent of the School Board is to ensure that the School District manages its budget and finance in a fiscally prudent and responsible way by establishing financial policies for the Budget, Fund Balance and the maintenance of adequate reserves. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues except for certain grant revenues, are recognized when susceptible to accrual that is when they become measurable and available. Property taxes, interest and certain General Fund revenues are the significant revenue sources considered susceptible to accrual.

OTHER INFORMATION

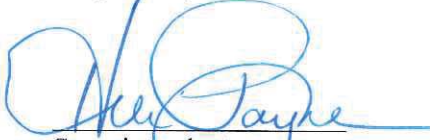
INDEPENDENT AUDIT

State statutes require an annual audit by independent certified public accountants. The accounting firm of Holman Frenia Allison, P.C., Certified Public Accounts, was appointed by the Board of Education. In addition to meeting the requirements set forth in the State statutes, the audit was also designed to meet the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditor's report on the basic financial statements and combining statements and related major fund supporting statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the Single Audit section of this report.

ACKNOWLEDGEMENTS

We would like to express our appreciation to the members of the 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 accomplished without the efficient and dedicated services of our business office staff.

Respectfully submitted,



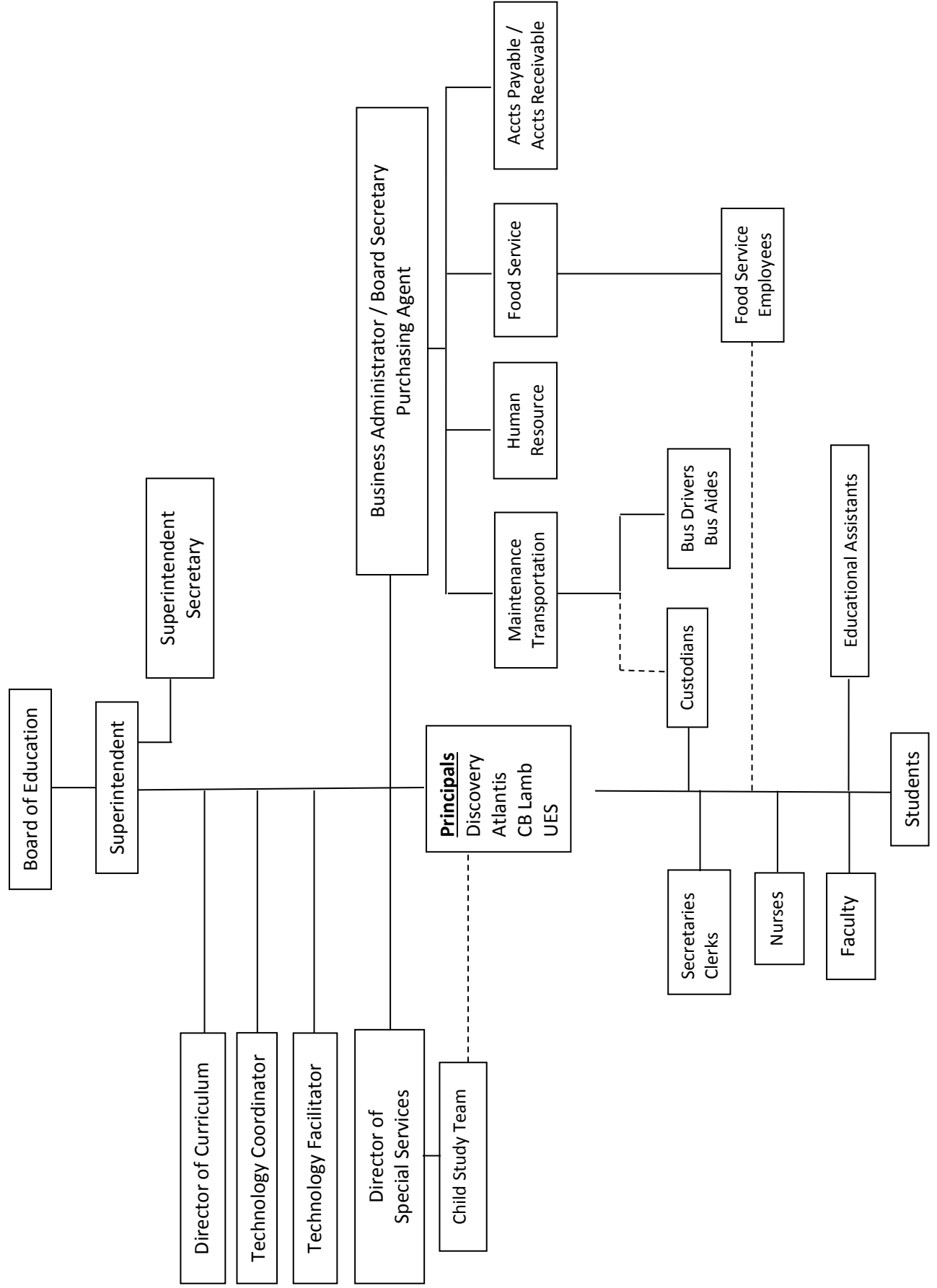
Superintendent



School Business Administrator/Board Secretary

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NORTH HANOVER TOWNSHIP PUBLIC SCHOOLS



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

**ROSTER OF OFFICIALS
JUNE 30, 2017**

MEMBERS OF THE BOARD OF EDUCATION	TERM EXPIRES
Charles M. Schroeder, President	2018
William C. Sullivan, Sr., Vice President	2019
Janet W. Bruder	2019
Nancy Morrow	2017
Noreen West	2017
Major Robin Pacheco, Base Liaison	

OTHER OFFICIALS

Helen E. Payne, Superintendent

Amy S. Lerner, School Business Administrator/Board Secretary

Peggy Ianoale, Treasurer

Bruce W. Padula, Esq., Board Attorney
Clearly, Giacobbe, Alfieri, Jacobs LLC

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NORTH HANOVER BOARD OF EDUCATION
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FINANCIAL SECTION

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HOLMAN | FRENIA
ALLISON, P.C.

Certified Public Accountants & Consultants

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Hanover Township School District's basic financial statements. The introductory section, combining statements and related major fund supporting statements and schedules, and statistical section are presented for purposes of additional analysis, as required by the Division of Administration and Finance, Department of Education, State of New Jersey, and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying combining statements and related major fund supporting statements and schedules, and the schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting other records

used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining statements and related major fund supporting statements and schedules and schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2017 on our consideration of the School 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 School District's internal control over financial reporting and compliance.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Michael Holt
Certified Public Accountant
Public School Accountant, No. 1148

Medford, New Jersey
November 28, 2017

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REQUIRED SUPPLEMENTARY INFORMATION - PART I

Management's Discussion and Analysis

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NORTH HANOVER SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)



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As management of the North Hanover School District, New Jersey (School District), we offer readers of the School District's financial statements this narrative overview and analysis of the School District for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. Comparison to the prior year's activity is provided in this document. The basic financial statements are comprised of three components:

- 1) Government-Wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide the reader with a broad overview of the financial activities in a manner similar to a private-sector business. The government-wide financial statements include the statement of net position and the statement of net activities.

The *statement of net position* presents information about all of the School District's assets and liabilities. The difference between the assets plus deferred outflows or resources and liabilities plus deferred inflows of resources is reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the net position of the School District changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement even though the resulting cash flows may be recorded in a future period.

Both of the government-wide financial statements distinguish functions of the School District that are supported from taxes and intergovernmental revenues (*governmental activities*) and other functions that are intended to recover most of their costs from user fees and charges (*business-type activities*). Governmental activities consolidate governmental funds including the General Fund, Special Revenue Fund, Capital Projects Fund, and Debt Service Fund. Business-type activities reflect the Food Service Fund.

NORTH HANOVER SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited) (Continued)

Overview of the Basic Financial Statements (continued)

Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with financial-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. All of the funds of the School District are divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary funds*.

Governmental funds account for essentially the same information reported in the governmental activities of the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating the financial requirements in the near term.

Since the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, a reconciliation is provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

The School District maintains four individual governmental funds. The major funds are the General Fund, the Special Revenue Fund, the Capital Projects Fund, and the Debt Service Fund. They are presented separately in the fund financial statements.

The School District adopts an annual appropriated budget for the General Fund, Special Revenue Fund and the Debt Service Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with budgetary requirements.

Proprietary funds are used to present the same functions as the business-type activities presented in the government-wide financial statements. The School District maintains one type of proprietary fund – the Enterprise Fund. The fund financial statements of the enterprise fund provides the same information as the government-wide financial statements, only in more detail.

The School District's one enterprise fund (Food Service Fund) is listed individually and is considered to be a major fund.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's programs.

The School District has multiple Fiduciary funds such as the Unemployment Trust, Sick Pay Trust, Graduation Trust, and Payroll Trust funds.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

NORTH HANOVER SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited) (Continued)

Financial Analysis of the School District as a Whole

Table 1 provides a summary of the School Districts net position for the fiscal years 2017 compared to fiscal year 2016.

Table 1
Summary of Net Position

	June 30, <u>2017</u>	June 30, <u>2016</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
Current & Other Assets	\$ 33,852,241	\$ 37,457,765	\$ (3,605,524)	-9.6%
Capital Assets, Net	42,261,517	40,850,996	1,410,521	3.5%
Total Assets	<u>76,113,758</u>	<u>78,308,761</u>	<u>(2,195,003)</u>	-2.8%
Deferred Outflow of Resources	<u>3,143,726</u>	<u>1,431,887</u>	<u>1,711,839</u>	119.6%
Current and other Liabilities	409,873	6,156,273	(5,746,400)	-93.3%
Noncurrent Liabilities	10,265,166	9,316,437	948,729	10.2%
Total Liabilities	<u>10,675,039</u>	<u>15,472,710</u>	<u>(4,797,671)</u>	-31.0%
Deferred Inflow of Resources	<u>1,219,291</u>	<u>323,917</u>	<u>895,374</u>	276.4%
Net Position:				
Net Investment in Capital Assets	42,078,497	40,850,996	1,227,501	3.0%
Restricted	31,110,035	29,930,633	1,179,402	3.9%
Unrestricted (Deficit)	(5,825,378)	(6,837,608)	1,012,230	-14.8%
Total Net Position	<u>\$ 67,363,154</u>	<u>\$ 63,944,021</u>	<u>\$ 3,419,133</u>	5.3%

NORTH HANOVER SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited) (Continued)

Table 2 shows the changes in net position for fiscal year 2017 compared to fiscal year 2016.

Table 2
Summary of Changes in Net Position

	June 30, <u>2017</u>	June 30, <u>2016</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
Revenues:				
Program Revenues:				
Charges for Services	\$ 224,513	\$ 204,779	\$ 19,734	9.6%
Operating Grants & Contributions	3,837,484	3,232,953	604,531	18.7%
General Revenues:				
Property Taxes	2,759,436	2,705,329	54,107	2.0%
Federal & State Aid	21,578,742	22,565,532	(986,790)	-4.4%
Other General Revenues	578,612	331,092	247,520	74.8%
Special Items:				
Cancelled Prior Year Unearned Revenue	29,675	-	29,675	100.0%
Loss on Disposal of Capital Asset	(154,647)	-	(154,647)	100.0%
Total Revenues	28,853,815	29,039,685	(185,870)	-0.6%
Function/Program Expenditures:				
Regular Instruction	5,342,994	5,853,374	(510,380)	-8.7%
Special Education Instruction	2,707,276	2,097,735	609,541	29.1%
Other Instruction	949,918	1,020,152	(70,234)	-6.9%
Tuition	271,090	214,251	56,839	26.5%
Student & Instruction Related Services	2,391,452	2,020,830	370,622	18.3%
General Administrative	390,241	353,889	36,352	10.3%
School Administrative Services	692,488	431,912	260,576	60.3%
Central Services	323,657	417,231	(93,574)	-22.4%
Administrative Info. Technology	33,572	1,063,459	(1,029,887)	-96.8%
Plant Operations & Maintenance	1,783,812	1,616,514	167,298	10.3%
Pupil Transportation	1,305,778	1,270,570	35,208	2.8%
Unallocated Benefits	4,494,876	4,884,521	(389,645)	-8.0%
On Behalf TPAF Pension and Social				
Security Contributions	2,624,941	1,649,343	975,598	59.2%
Unallocated Depreciation	1,339,048	1,325,886	13,162	1.0%
Food Service	783,539	763,311	20,228	2.7%
Total Expenditures	25,434,682	24,982,978	451,704	1.8%
Change In Net Position	3,419,133	4,056,707	(637,574)	-15.7%
Net Position - Beginning	63,944,021	59,887,314	4,056,707	6.8%
Net Position - Ending	\$ 67,363,154	\$ 63,944,021	\$ 3,419,133	5.3%

Governmental Activities

During the fiscal year 2017, the net position of governmental activities increased by \$3,419,133 or 5.35%. The primary reason for the increase was the transfer of funds into the capital reserve and capital projects to fund for future capital outlay expenditures for the construction of the new elementary school.

**NORTH HANOVER SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited) (Continued)**

Governmental Activities (continued)

The assets and deferred outflows of the primary government activities exceeded liabilities and deferred inflows by \$67,363,154 with an unrestricted deficit balance of \$5,846,629. The deficit in unrestricted net position is primarily due to accounting treatment for compensated absences payable, GASB 68 net pension liability, and the last 2 state aid payments. In addition, state statutes prohibit school districts from maintaining more than 2% of its adopted budget as unassigned fund balance.

The School District's governmental activities unrestricted net position had GASB 68 pension not been implemented would have been as follows:

**Table 3
GASB 68 Effect on Unrestricted Net Position**

Unrestricted Net Position (With GASB 68)	\$	(5,846,629)
Add back: PERS Pension Liability		9,985,441
Less: Deferred Outflows related to pensions		(3,143,726)
Add back: Deferred Inflows related to pensions		<u>1,219,291</u>
Unrestricted Net Position (Without GASB 68)	\$	<u>2,214,377</u>

Business-type Activities

During the fiscal year 2017, the net position of business-type activities (Food Service) increased by \$103,137. The assets and deferred outflows of the business-type activities exceeded liabilities and deferred inflows by \$204,271.

General Fund Budgeting Highlights

Final budgeted revenues was \$21,125,822 which was equal to the original budget. Excluding nonbudgeted revenues, the School District's actual revenues exceeded budgeted revenues by \$3,807,019.

Final budgeted appropriations was \$28,017,805, which was an increase of \$205,159 from the original budget. The increase is primarily due to prior year reserve for encumbrances, which increase the budget appropriations in the subsequent fiscal year's budget. Excluding nonbudgeted revenues, the School District's budget appropriations exceeded actual expenditures by \$2,249,114.

The School District's general fund balance – budgetary basis (Exhibit C-1) was \$27,443,292 at June 30, 2017, a decrease of \$806,175 from the prior year.

NORTH HANOVER SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited) (Continued)

Governmental Funds

At the end of the current fiscal year, the School District's governmental funds reported a combined ending fund balance of \$33,738,354, an increase of \$2,321,881 from the prior year.

General fund - During the current fiscal year, the fund balance of the School District's general fund decreased by \$822,226 to \$26,304,999 at June 30, 2017, compared to an increase of \$175,283 in fund balance in the prior fiscal year. The primary factor(s) affecting the change in fund balance of the general fund is as follows:

- The district has transferred funds from Capital Reserve – Impact Aid to the Capital Projects Fund for the construction of the new Endeavour Elementary School. The district is liable for 20% of the cost of the new school; the remaining funding is through a grant from the Department of Defense.

Special revenue fund – There was no change in the fund balance for the special revenue fund.

Capital projects fund - During the current fiscal year, the fund balance of the School District's capital projects fund increased by \$3,144,107 to \$7,433,355 at June 30, 2017, compared to an increase of \$4,289,248 in fund balance in the prior fiscal year. The primary factor(s) affecting the change in fund balance of the capital projects fund is as follows:

- The district has transferred funds from Capital Reserve – Impact Aid to the Capital Projects Fund for the construction of the new Endeavour Elementary School. The district is liable for 20% of the cost of the new school; the remaining funding is through a grant from the Department of Defense.

Debt service fund – There was no activity recorded in the debt service funds at June 30, 2017.

Proprietary Funds

Food service fund - During the current fiscal year, the net position of the School District's food service fund increased by \$136,032 to \$237,166 at June 30, 2017, compared to a decrease of \$171,243 in fund balance in the prior fiscal year. The primary factor(s) affecting the change in net position of the food service fund is as follows:

- Increase in cost of staff – custodians and noon hour aides to support the breakfast and lunch programs
- Increase in cost of repairs to equipment in the cafeterias of all buildings

Fiduciary Funds

Sick Pay Benefit Trust - During the current fiscal year, the net position of the School District's Sick Pay Benefit Trust fund decreased by \$19,625 to \$204,090 at June 30, 2017, compared to a decrease of \$1,402 in fund balance in the prior fiscal year. The primary factor(s) affecting the change in net position is as follows:

- The district had several staff member retire, receiving sick time payouts with new staff not being eligible for sick pay benefits.

NORTH HANOVER SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited) (Continued)

Fiduciary Funds (continued)

Ernandes Graduation Trust - During the current fiscal year, the net position of the School District's Ernandes Graduation Trust fund decreased by \$196 to \$1,009 at June 30, 2017, compared to an increase of \$1,205 in fund balance in the prior fiscal year. The primary factor(s) affecting the change in net position is as follows:

- Mr. & Mrs. Ernandes donated additional funds to the trust in the previous school year. The district awards two grants annually that total \$200 to current 6th grade students.

Unemployment Trust - During the current fiscal year, the net position of the School District's Unemployment Trust fund increased by \$15,234 to \$199,997 at June 30, 2017, compared a decrease of \$1,299 in fund balance in the prior fiscal year. The primary factor(s) affecting the change in net position is as follows:

- The district had a decrease in the number of claimants eligible for and collecting unemployment benefits.

Capital Assets

The School District's capital assets for its governmental and business-type activities as of June 30, 2017, totaled \$42,261,517 (net of accumulated depreciation). Capital assets includes land, land improvements, buildings and improvements and equipment. The School Districts "Net Investment in Capital Assets" component of net position represents capital assets, net of accumulated depreciation less any outstanding debt associated with the capital assets. There was a net increase in the School District's investment in capital assets for the current fiscal year in the amount of \$1,410,521. This increase is primarily due to current year construction cost in the amount of \$2,624,095 for the new elementary school reported as "Construction in Progress" in Note 5 of the financial statements. Table 4 shows fiscal 2017 balances compared to 2016.

Table 4
Summary of Capital Assets

<u>Capital Asset (Net of Depreciation):</u>	June 30, <u>2017</u>	June 30, <u>2016</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
Land	\$ 98,818	\$ 98,818	\$ -	0.0%
Construction in Progress	3,673,320	1,049,225	2,624,095	250.1%
Building and Improvements	36,779,204	37,602,955	(823,751)	-2.2%
Equipment	1,710,175	2,099,998	(389,823)	-18.6%
	<u>\$ 42,261,517</u>	<u>\$ 40,850,996</u>	<u>\$ 1,410,521</u>	3.5%

Depreciation expense for the year was \$1,339,048. Additional information on the School District's capital assets can be found in the notes to the basic financial statements (Note 5) of this report.

NORTH HANOVER SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited) (Continued)

Debt Administration

The School District had no bonded debt at June 30, 2017

Factors on the School District's Future

The local community of North Hanover Township is not experiencing any major development or expansion. The student population is on a slight downswing, possibly due to reduction in preschool students at the JB-MDL. In addition to the local community students, the District has the responsibility of educating the students of families assigned to Joint Base MDL: the Department of Defense's first joint base and the only joint base that consolidated Air Force, Army and Navy installations.

Revenues received by the District are primarily Impact Aid from the Federal government, as well as State Aid and a local tax levy. The District did receive an increase in state aid funding during the 2017-2018 school year and anticipates that the approved 2017-2018 budget will be adequate to satisfy all 2017-2018 financial needs.

Contacting the School Districts Financial Management

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Administrator/Board Secretary at the Upper Elementary School, Located at 331 Monmouth Road, in North Hanover Township with a post office address of Wrightstown, New Jersey 08562.

BASIC FINANCIAL STATEMENTS

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A. Government-Wide Financial Statements

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

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
ASSETS:			
Cash & Cash Equivalents	\$ 10,149,023	\$ 18,670	\$ 10,167,693
Receivables, Net (Note 4)	175,319	-	175,319
Inventory	-	15,569	15,569
Restricted Cash & Cash Equivalents	23,493,660	-	23,493,660
Capital Assets, Net (Note 5)			
Non-depreciable	3,772,138	-	3,772,138
Depreciable	38,306,359	183,020	38,489,379
	<hr/>	<hr/>	<hr/>
Total Assets	75,896,499	217,259	76,113,758
DEFERRED OUTFLOWS OF RESOURCES:			
Related to Pensions (Note 8)	3,143,726	-	3,143,726
	<hr/>	<hr/>	<hr/>
Total Deferred Outflow of Resources	3,143,726	-	3,143,726
LIABILITIES:			
Accounts Payable	77,649	-	77,649
Due to Other Governments	317,637	-	317,637
Unearned Revenue	1,599	12,988	14,587
Noncurrent Liabilities (Note 7):			
Due in more than one year	10,265,166	-	10,265,166
	<hr/>	<hr/>	<hr/>
Total Liabilities	10,662,051	12,988	10,675,039
DEFERRED INFLOWS OF RESOURCES:			
Related to Pensions (Note 8)	1,219,291	-	1,219,291
	<hr/>	<hr/>	<hr/>
Total Deferred Inflow of Resources	1,219,291	-	1,219,291
NET POSITION:			
Net Investment in Capital Assets	42,078,497	183,020	42,261,517
Restricted for:			
Capital Projects	9,478,811	-	9,478,811
Impact Aid	21,448,204	-	21,448,204
Unrestricted (Deficit)	(5,846,629)	21,251	(5,825,378)
	<hr/>	<hr/>	<hr/>
Total Net Position	\$ 67,158,883	\$ 204,271	\$ 67,363,154

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

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental Activities:						
Instruction:						
Regular Instruction	\$ 5,342,994	\$ -	\$ -	(5,342,994)	\$ -	(5,342,994)
Special Education Instruction	2,707,276	-	404,033	(2,303,243)	-	(2,303,243)
Other Instruction	949,918	-	-	(949,918)	-	(949,918)
Support Services:						
Tuition	271,090	-	135,328	(135,762)	-	(135,762)
Student & Instruction Related Services	2,391,452	-	-	(2,391,452)	-	(2,391,452)
General Administrative	390,241	-	-	(390,241)	-	(390,241)
School Administrative Services	692,488	-	-	(692,488)	-	(692,488)
Central Services	323,657	-	-	(323,657)	-	(323,657)
Administrative Info. Technology	33,572	-	-	(33,572)	-	(33,572)
Plant Operations & Maintenance	1,783,812	-	-	(1,783,812)	-	(1,783,812)
Pupil Transportation	1,305,778	-	-	(1,305,778)	-	(1,305,778)
Unallocated Benefits	4,494,876	-	10,566	(4,484,310)	-	(4,484,310)
On Behalf TPAF Pension and Social Security Contributions	2,624,941	-	2,624,941	-	-	-
Unallocated Depreciation	1,339,048	-	-	(1,339,048)	-	(1,339,048)
Total Governmental Activities	24,651,143	-	3,174,868	(21,476,275)	-	(21,476,275)
Business-Type Activities:						
Food Service	783,539	224,513	662,616	-	103,590	103,590
Total Business-Type Activities	783,539	224,513	662,616	-	103,590	103,590
Total Primary Government	\$ 25,434,682	\$ 224,513	\$ 3,837,484	(21,476,275)	103,590	(21,372,685)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes				2,759,436		2,759,436
Federal & State Aid Not Restricted				21,578,742		21,578,742
Tuition Charges				174,002		174,002
Miscellaneous				404,610		404,610
Special Items:						
Cancelled Prior Year Unearned Revenue				29,675	-	29,675
Loss on Disposal of Capital Assets				(154,194)	(453)	(154,647)
Total General Revenues, Special Items and Transfers				24,792,271	(453)	24,791,818
Change In Net Position				3,315,996	103,137	3,419,133
Net Position - Beginning				63,842,887	101,134	63,944,021
Net Position - Ending				\$ 67,158,883	\$ 204,271	\$ 67,363,154

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

B. Fund Financial Statements

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

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS:				
Cash & Cash Equivalents	\$ 2,736,682	\$ -	\$ 7,434,197	\$ 10,170,879
Receivables, Net:				
Interfund Receivable	842	-	-	842
Due from Other Governments:				
State	139,145	-	-	139,145
Federal	-	36,174	-	36,174
Restricted Cash & Cash Equivalents	23,493,660	-	-	23,493,660
Total Assets	\$ 26,370,329	\$ 36,174	\$ 7,434,197	\$ 33,840,700
LIABILITIES & FUND BALANCES:				
Liabilities:				
Cash Deficit	\$ -	\$ 21,856	\$ -	\$ 21,856
Accounts Payable	65,330	12,319	-	77,649
Due to Other Governments	-	400	-	400
Interfund Payable	-	-	842	842
Unearned Revenue	-	1,599	-	1,599
Total Liabilities	65,330	36,174	842	102,346
Fund Balances:				
Restricted for:				
Capital Reserve	2,045,456	-	-	2,045,456
Impact Aid - General	21,144,851	-	-	21,144,851
Impact Aid - Capital Fund	303,353	-	-	303,353
Capital Projects	-	-	7,433,355	7,433,355
Assigned to:				
Other Purposes	228,553	-	-	228,553
Unassigned	2,582,786	-	-	2,582,786
Total Fund Balances	26,304,999	-	7,433,355	33,738,354
Total Liabilities & Fund Balances	\$ 26,370,329	\$ 36,174	\$ 7,434,197	

Amounts reported for *governmental activities* in the statement of net position (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$54,063,964 and the accumulated depreciation is \$11,985,467.	42,078,497
Deferred outflows and inflows of resources related to pensions and deferred charges or credits on debt refunding are applicable to future reporting periods and therefore are not reported in the funds.	
Deferred Outflows related to pensions	3,143,726
Deferred Inflows related to pensions	(1,219,291)
Accrued pension contributions for the June 30, 2017 plan year are not paid with current economic resources and are therefore not reported as a liability in the funds, but are included in accounts payable in the government-wide statement of net position.	(317,237)
Long-term liabilities, including net pension liability on bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(10,265,166)
Net Position of Governmental Activities	\$ 67,158,883

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

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUES, 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>TOTAL GOVERNMENTAL FUNDS</u>
Revenues:				
Local Sources:				
Local Tax Levy	\$ 2,759,436	\$ -	\$ -	\$ 2,759,436
Tuition Charges	174,002	-	-	174,002
Miscellaneous	404,610	2,960	-	407,570
Total Local Sources	<u>3,338,048</u>	<u>2,960</u>	<u>-</u>	<u>3,341,008</u>
State Sources	14,279,594	-	-	14,279,594
Federal Sources	9,924,089	546,967	-	10,471,056
Total Revenues	<u>27,541,731</u>	<u>549,927</u>	<u>-</u>	<u>28,091,658</u>
Expenditures:				
Instruction:				
Regular Instruction	5,342,994	-	-	5,342,994
Special Education Instruction	2,303,243	404,033	-	2,707,276
Other Instruction	949,918	-	-	949,918
Support Services:				
Tuition	135,762	135,328	-	271,090
Student & Instruction Related Services	2,391,452	-	-	2,391,452
General Administrative	390,241	-	-	390,241
School Administrative Services	692,488	-	-	692,488
Central Services	323,657	-	-	323,657
Administrative Info. Technology	33,572	-	-	33,572
Plant Operations & Maintenance	1,783,812	-	-	1,783,812
Pupil Transportation	1,305,778	-	-	1,305,778
Unallocated Benefits	4,034,809	10,566	-	4,045,375
On Behalf TPAF Pension and Social Security Contributions	2,624,941	-	-	2,624,941
Capital Outlay	312,763	-	2,624,095	2,936,858
Total Expenditures	<u>22,625,430</u>	<u>549,927</u>	<u>2,624,095</u>	<u>25,799,452</u>
Excess/(Deficiency) of Revenues over Expenditures	<u>4,916,301</u>	<u>-</u>	<u>(2,624,095)</u>	<u>2,292,206</u>
Other Financing Sources (Uses):				
Transfers in	-	-	5,768,202	5,768,202
Transfers out	(5,768,202)	-	-	(5,768,202)
Cancelled Prior Year Unearned Revenue	29,675	-	-	29,675
Total Other Financing Sources (Uses)	<u>(5,738,527)</u>	<u>-</u>	<u>5,768,202</u>	<u>29,675</u>
Net changes in fund balances	(822,226)	-	3,144,107	2,321,881
Fund Balance, July 1	<u>27,127,225</u>	<u>-</u>	<u>4,289,248</u>	<u>31,416,473</u>
Fund Balance, June 30	<u>\$ 26,304,999</u>	<u>\$ -</u>	<u>\$ 7,433,355</u>	<u>\$ 33,738,354</u>

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

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

Total Net Changes in Fund Balances - Governmental Funds (B-2) \$ 2,321,881

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

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

Depreciation Expense	\$ (1,339,048)	
Loss on Disposal of Capital Assets	(154,194)	
Capital Outlays	<u>2,936,858</u>	

1,443,616

Governmental funds report School District pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned is reported as pension expense. This is the amount by which pension benefits earned exceeded the School District's pension contributions in the current period.

(428,598)

Repayment of annual other postemployment benefits is an expenditure in the governmental funds, but the repayment of benefits decreases long-term liabilities in the statement of net position and is not reported in the statement of activities.

35,107

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 (+).

(56,010)

Change in Net Position of Governmental Activities

\$ 3,315,996

**NORTH HANOVER TOWNSHIP SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2017**

ASSETS	FOOD SERVICE <u>FUND</u>
Current Assets:	
Cash	\$ 18,670
Inventories	<u>15,569</u>
Total Current Assets	<u>34,239</u>
Noncurrent Assets:	
Capital Assets:	
Equipment	564,750
Less: Accumulated Depreciation	<u>(381,730)</u>
Total Noncurrent Assets	<u>183,020</u>
Total Assets	<u>217,259</u>
LIABILITIES	
Current Liabilities:	
Unearned Revenue	<u>12,988</u>
Total Liabilities	<u>12,988</u>
NET POSITION	
Net Investment in Capital Assets	183,020
Unrestricted	<u>21,251</u>
Total Net Position	<u><u>\$ 204,271</u></u>

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

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

	<u>FOOD SERVICE FUND</u>
Operating Revenues:	
Local Sources:	
Daily Sales-Reimbursable Programs	\$ 157,160
Daily Sales - Nonreimbursable Program	54,615
Miscellaneous Revenue	<u>12,738</u>
Total Operating Revenue	<u>224,513</u>
Operating Expenses:	
Salaries & Benefits	490,818
Cost of Sales - Reimbursable	158,796
Cost of Sales - Non-Reimbursable	34,858
Supplies & Materials	20,841
Management Fee	32,825
Depreciation	32,642
Miscellaneous	<u>12,759</u>
Total Operating Expenses	<u>783,539</u>
Operating Income/(Loss)	<u>(559,026)</u>
Nonoperating Revenues (Expenses):	
State Sources:	
State School Lunch Program	4,731
Federal Sources:	
National School Lunch Program	158,020
Healthy Hunger-Free Kids Act	6,014
National School Breakfast Program	29,654
Food Distribution Program	39,197
Impact Aid	425,000
Loss on Disposal of Capital Asset	<u>(453)</u>
Total Nonoperating Revenue/(Expenses)	<u>662,163</u>
Change in Net Position	103,137
Total Net Position - Beginning	<u>101,134</u>
Total Net Position - Ending	<u><u>\$ 204,271</u></u>

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

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

	<u>FOOD SERVICE FUND</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 227,967
Payments to Employees	(490,818)
Payments to Suppliers	<u>(227,245)</u>
Net Cash Provided/(Used) by Operating Activities	<u>(490,096)</u>
Cash Flows From Noncapital Financing Activities:	
Cash Received From State & Federal Programs	<u>623,419</u>
Net Cash Provided by Noncapital Financing Activities	<u>623,419</u>
Net Increase/(Decrease) in Cash & Cash Equivalents	133,323
Balances - Beginning of Year	<u>(114,653)</u>
Balances - Ending of Year	<u><u>\$ 18,670</u></u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:	
Operating Income (Loss)	\$ (559,026)
Adjustments to Reconcile Operating Income (Loss) to Cash Provided by (Used in) Operating Activities:	
Depreciation & Net Amortization	32,642
Food Distribution Program	39,197
Change in Assets & Liabilities:	
Increase/(Decrease) in Unearned Revenue	3,454
(Increase)/Decrease in Inventory	<u>(6,363)</u>
Net Cash Provided/(Used) by Operating Activities	<u><u>\$ (490,096)</u></u>

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

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

ASSETS	PRIVATE PURPOSE TRUST FUNDS			TOTAL
	<u>SICK PAY BENEFITS</u>	<u>ERNANDES GRADUATION FUND</u>	<u>UNEMPLOYMENT COMPENSATION</u>	
Cash & Cash Equivalents	\$ 204,090	\$ 1,009	\$ 199,997	\$ 405,096
Total Assets	204,090	1,009	199,997	405,096
NET POSITION				
Held in Trust for:				
Sick Pay Benefits	204,090	-	-	204,090
Scholarships	-	1,009	-	1,009
Unemployment Compensation	-	-	199,997	199,997
Total Net Position	\$ 204,090	\$ 1,009	\$ 199,997	\$ 405,096

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

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

ADDITIONS	PRIVATE PURPOSE TRUST FUNDS			TOTAL
	SICK PAY BENEFITS	ERNANDES GRADUATION FUND	UNEMPLOYMENT COMPENSATION	
Additions:				
Interest	\$ 620	\$ 4	\$ 773	\$ 1,397
Employee Contributions	-	-	22,829	22,829
Total Additions	620	4	23,602	24,226
DEDUCTIONS				
Unemployment Claims	-	-	8,368	8,368
Scholarship Awards	-	200	-	200
Sick Time Payouts	20,245	-	-	20,245
Total Deductions	20,245	200	8,368	28,813
Change in Net Position	(19,625)	(196)	15,234	(4,587)
Net Position - Beginning of the Year	223,715	1,205	184,763	409,683
Net Position - End of the Year	\$ 204,090	\$ 1,009	\$ 199,997	\$ 405,096

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

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NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the North Hanover School District (hereafter referred to as the “School District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

Reporting Entity

The North Hanover School District is a Type II School District located in the County of Burlington, State of New Jersey. As a Type II School District, the School District functions independently through a Board of Education. The operations of the District include five elementary schools located in North Hanover Township and on the Joint Base McGuire-Dix-Lakehurst. The Board is comprised of five members elected to three-year terms. These terms are staggered so that three members’ terms expire each year. The purpose of the School District is to educate students in grades kindergarten through sixth at its five schools. These include regular, vocational, as well as special education for handicapped students. The School District has an approximate enrollment at June 30, 2017 of 1,193 students.

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

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

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

Component Units

GASB Statement No.14, *The Financial Reporting Entity*, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB 61, *The Financial Reporting Entity: Omnis – an Amendment of GASB Statements No. 14 and No. 34*. The School District had no component units as of for the year ended June 30, 2017.

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 1. Summary of Significant Accounting Policies (continued)

Basis of Accounting, Measurement Focus and Financial Statement Presentation

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

A. Government-Wide Financial Statements

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

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

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

B. Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. The School District has presented all major funds that met those qualifications.

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

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

Note 1. Summary of Significant Accounting Policies (continued)

B. Governmental Fund Financial Statements

fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific purposes or projects are recognized in the period in which the expenditures are recorded. All other revenue items are considered to be measurable and available only when cash is received by the School District. Transfers between governmental funds are recorded when the related liability is incurred. These transfers do not represent revenues (expenditures) to the School District and are, therefore, reported as other financing sources (uses) in the governmental fund financial statements.

Since the fund level statements are presented using a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented on the page following each fund level statement that summarizes the adjustments necessary to convert the fund level statements into the government-wide presentations.

The School District funds outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed. In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted fund balance to have been depleted before any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

The School District reports the following major governmental funds:

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

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

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

Note 1. Summary of Significant Accounting Policies (continued)

B. Governmental Fund Financial Statements

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

Special Revenue Fund - The special revenue fund is used to account for the proceeds of specific revenue from state and federal government, other than major capital projects, debt service or proprietary funds, and local appropriations that are restricted or committed to expenditures for specified purposes.

Capital Projects Fund - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for the acquisition of construction of major capital facilities, other than those financed by proprietary funds. The financial resources are derived from New Jersey School Development Authority grants, temporary notes, capital leases, or serial bonds that are specially authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

C. Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and for the non-major funds aggregated.

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

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

The School District reports the following major proprietary funds:

Food Service Fund – The food service fund accounts for the financial transactions related to the food service operations of the School District.

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

Note 1. Summary of Significant Accounting Policies (continued)

D. Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position. The School District's fiduciary funds include Agency and Private-Purpose Trust Funds. Private Purpose Trust and Agency Funds are used to account for and report assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, and other governments. Private Purpose Trust and Agency Funds are accounted for on a spending or "economic resources" measurement focus and the accrual basis of accounting as are the proprietary funds explained above.

The School District reports the following fiduciary funds:

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

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

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

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

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

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

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

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 1. Summary of Significant Accounting Policies (continued)

Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the county office. In accordance with P.L.2011 c.202, which became effective January 17, 2012, the School District eliminated the April annual voter referendum on budgets which met the statutory tax levy cap limitations and the board of education members are elected at the November general election. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2-2(f)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23-2-11.

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

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

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

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

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 1. Summary of Significant Accounting Policies (continued)

Encumbrances

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

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

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

Cash, Cash Equivalents and Investments

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

Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB). New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

N.J.S.A.17:9-41 et. Seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

For purposes of the statement of cash flows, the School District considers all highly liquid investments (including restricted assets) with a maturity when purchased of twelve months or less and all local government investment pools to be cash equivalents

Tuition Receivable/Payable

Tuition rates were established by the receiving School District based on estimated costs. The charges are subject to adjustment when the actual costs are determined.

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 1. Summary of Significant Accounting Policies (continued)

Inventories

Inventories are valued at cost, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when consumed rather than when purchased.

Prepaid Expenses

Prepaid expenses, which benefit future periods, are only recorded in the government-wide financial statements and in the proprietary fund statements. Prepaid expenses in the proprietary fund represent payments made to vendors for services that will benefit periods beyond June 30, 2017. They are recorded as expenditure during the year of purchase.

Interfund Receivables/Payables

Interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the School District and that are due within one year. As previously mentioned, these amounts are eliminated in the governmental and business-type columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are presented as Internal Balances in the Statement of Net Position.

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair market value at the date of donation. All reported capital assets except land and construction in progress are depreciated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The School District does not possess any infrastructure. The School District has established a threshold of \$2,000 for capitalization of depreciable assets.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land Improvements	10-20 Years	N/A
Buildings and Improvements	10-50 Years	N/A
Furniture and Equipment	5-20 Years	5-12 Years
Vehicles	5-10 Years	4-6 Years

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

Note 1. Summary of Significant Accounting Policies (continued)

Compensated Absences

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

The entire compensated absences liability is reported on the government-wide financial statements and proprietary fund financial statements. Compensated absences liability is not recorded in the governmental funds. Instead expenditures are recognized in the governmental funds as payments come due each period, for example, as a result of resignations or retirements.

Unearned Revenue

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

Accrued Liabilities and Long-Term Obligations

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

Accounting Estimates

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

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 1. Summary of Significant Accounting Policies (continued)

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. 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 non-operating revenues/expenses in proprietary funds. Reimbursements from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred Loss on Refunding Debt

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

Bond Premiums, Discounts and Issuance Costs

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

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

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

Note 1. Summary of Significant Accounting Policies (continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position of the Public Employees' Retirement System (PERS) and Teacher's Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balance

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances in the governmental funds financial statements are classified into the following five categories, as defined below:

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

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

Note 1. Summary of Significant Accounting Policies (continued)

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

Net Position

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

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

Impact of Recently Issued Accounting Principles

Adopted Accounting Pronouncements

The following GASB Statements became effective for the fiscal year ended June 30, 2017:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The adoption of this Statement had no impact on the School District's financial statements

Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose information about those agreements. The adoption of this Statement had no impact on the School District's financial statements.

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

Note 1. Summary of Significant Accounting Policies (continued)

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The adoption of this Statement had no impact on the School District's financial statements.

Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The adoption of this Statement had no impact on the School District's financial statements.

Recently Issued Accounting Pronouncements

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

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

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

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

Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the School District's financial statements.

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

Note 1. Summary of Significant Accounting Policies (continued)

Statement No. 83, *Certain Asset Retirement Obligations*. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement No. 83 establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management does not expect this Statement to have a material impact on the School District's financial statements.

Statement No. 84, *Fiduciary Activities*. The Statement intends to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. To that end, Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. Statement No. 84 is effective for reporting periods beginning after December 15, 2018. Management does not expect this Statement to have a material impact on the School District's financial statements.

Statement No. 85, *Omnibus 2017*. This Statement provides guidance that addresses several different accounting and financial reporting issues identified during the implementation and application of other GASB pronouncements. The guidance in Statement No. 85 is effective for periods beginning after June 15, 2017. Management does not expect this Statement to have a material impact on the School District's financial statements.

Statement No. 86, *Accounting for Certain Debt Extinguishment*. Statement No. 86 provides guidance for transactions in which cash and other monetary assets acquired with only existing resources, that is, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. Statement No. 86 is effective for reporting periods beginning after June 15, 2017. Management does not expect this Statement to have a material impact on the School District's financial statements.

Statement No. 87, *Leases*. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. The GASB based the new standard on the principle that leases are financing of the right to use an underlying asset. Statement No. 87 is effective for reporting periods beginning after December 15, 2019. Management does not expect this Statement to have a material impact on the School District's financial statements.

Note 2. Deposits and Investments

Deposits

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Board's deposits may not be recovered. Although the Board does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 et seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of GUDPA. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by FDIC. Public fund owned by the Board in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, student activity fund or other funds that may pass to the Board relative to the happening of a future condition.

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 2. Deposits and Investments

Such funds are shown as Uninsured and Uncollateralized in the schedule below. As of June 30, 2017, the School District's bank balance of \$34,270,390 was exposed to custodial credit risk as follows:

Insured under FDIC and GUDPA	34,119,275
Uninsured and Uncollateralized	<u>151,115</u>
	<u>\$ 34,270,390</u>

Investments

The School District had no investments at June 30, 2017.

Note 3. Reserve Accounts

Capital Reserve

A capital reserve account was established by the 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 School District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a School 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 (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A School 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 *N.J.S.A.19:60-2*. Pursuant to *N.J.A.C.6:23A-14.1(g)*, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

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

Beginning Balance, July 1, 2016	\$ 2,038,009
Increased by:	
Interest Earnings	<u>7,447</u>
Ending Balance, June 30, 2017	<u>\$ 2,045,456</u>

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 3. Reserve Accounts (continued):

Federal Impact Aid Reserve

General Fund

The School District receives a large portion of its annual operating revenue from Federal Impact Aid. As permitted by P.L.2015, c.46 which amended N.J.S.A. 18A:7F-41 a federal impact reserve account was established by the Board of Education by board resolution for the amount of federal impact aid funds received during the current fiscal year for use as general fund expenditures in subsequent fiscal years. The federal impact aid general reserve account is maintained in the general fund and its activity is included in the general fund annual budget. Transfers to the impact aid reserves shall not exceed the total amount of federal impact aid received, by federally designated category, i.e. general fund or capital, in the fiscal year. The board, at its discretion, may use the funds in the reserve accounts to finance the School District's general fund, in a manner consistent with federal law. The total amount of funds on deposit in the reserve account shall not be limited.

The activity of the federal impact aid reserve - operating for the July 1, 2016 to June 30, 2017 fiscal year is as follows:

Beginning Balance, July 1, 2016	\$ 17,700,804
Increased by:	
Deposits approved by Board	<u>3,444,047</u>
Ending Balance, June 30, 2017	<u>\$ 21,144,851</u>

Capital Fund

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

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

Beginning Balance, July 1, 2016	\$ 5,902,572
Increased by:	
Deposits approved by Board	<u>168,983</u>
	6,071,555
Decreased by:	
Budget Withdrawals	<u>(5,768,202)</u>
Ending Balance, June 30, 2017	<u>\$ 303,353</u>

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 4. Accounts Receivable

Accounts receivable at June 30, 2017 consisted of accounts and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of state and federal programs, the current fiscal year guarantee of federal funds and the budgetary control of New Jersey governmental entities. Accounts receivable in the School District's governmental and business-type activities as of June 30, 2017, consisted of the following:

<u>Description</u>	<u>Governmental Funds</u>		<u>Total Governmental Activities</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	
Federal Awards	\$ -	\$ 36,174	\$ 36,174
State Awards	139,145	-	139,145
Total	\$ 139,145	\$ 36,174	\$ 175,319

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2017 was as follows:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Balance June 30, 2017</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 98,818	\$ -	\$ -	\$ 98,818
Construction in Progress	1,049,225	2,624,095	-	3,673,320
Total Capital Assets not being depreciated	1,148,043	2,624,095	-	3,772,138
Capital Assets being depreciated:				
Buildings and Improvements	46,611,956	44,010	150,134	46,806,100
Equipment	3,598,854	268,753	(381,881)	3,485,726
Total Capital Assets being depreciated	50,210,810	312,763	(231,747)	50,291,826
Less: Accumulated Depreciation:				
Buildings and Improvements	(9,009,001)	(1,017,895)	-	(10,026,896)
Equipment	(1,714,971)	(321,153)	77,553	(1,958,571)
Total Accumulated Depreciation	(10,723,972)	(1,339,048)	77,553	(11,985,467)
Total Capital Assets being depreciated, net	39,486,838	(1,026,285)	(154,194)	38,306,359
Total Governmental Activities Capital Assets, net	\$ 40,634,881	\$ 1,597,810	\$ (154,194)	\$ 42,078,497

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 5. Capital Assets (continued):

	Balance July 1, <u>2016</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	Balance June 30, <u>2017</u>
Business-Type Activities:				
Equipment	\$ 564,300	\$ -	\$ 450	\$ 564,750
	564,300	-	450	564,750
 Less: Accumulated Depreciation:				
Equipment	(348,185)	(32,642)	(903)	(381,730)
	(348,185)	(32,642)	(903)	(381,730)
 Total Business-Type Activities Capital Assets, net	 \$ 216,115	 \$ (32,642)	 \$ (453)	 \$ 183,020

Depreciation expense was not allocated among the various functions/programs of the School District.

Note 6. Interfund Receivables, Payables and Transfers

Individual fund receivables/payables balances at June 30, 2017 are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 842	\$ -
Capital Projects Fund	-	842
	\$ 842	\$ 842

The interfund receivables and payables above predominately resulted from interest earned in the capital projects fund was not turned over. All interfund balances are expected to be repaid within one year.

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 6. Interfund Receivables, Payables and Transfers (continued):

A summary of interfund transfers is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 5,768,202
Capital Projects Fund	<u>5,768,202</u>	<u>-</u>
	<u>\$ 5,768,202</u>	<u>\$ 5,768,202</u>

The purpose of the interfund transfer from the general fund to capital project fund was for the School District's local match portion of capital project of new joint base elementary school.

Note 7. Long-Term Obligations

During the fiscal year-ended June 30, 2017 the following changes occurred in long-term obligations for the governmental and business-type activities:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2017</u>	<u>Balance Due Within One Year</u>
Governmental Activities:					
Compensated Absences	\$ 223,715	\$ 56,010	\$ -	\$ 279,725	\$ -
Net Pension Liability	9,057,615	3,878,524	2,950,698	9,985,441	-
OPEB Liability	35,107	-	35,107	-	-
	<u>\$ 9,316,437</u>	<u>\$ 3,934,534</u>	<u>\$ 2,985,805</u>	<u>\$ 10,265,166</u>	<u>\$ -</u>

Compensated absences, OPEB liability, and net pension liability are liquidated by the general fund.

Bonds Authorized but not Issued

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

Note 8. Pension Plans

A. Public Employees' Retirement System (PERS)

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

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 8. Pension Plans (continued)

A. Public Employees' Retirement System (PERS) (continued)

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

The following represents the membership tiers for PERS:

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

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

Contributions - The contribution policy for PERS is set by *N.J.S.A. 15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2016, the State's pension contribution was less than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 8. Pension Plans (continued)

A. Public Employees' Retirement System (PERS) (continued)

Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources - At June 30, 2017, the School District reported a liability of \$9,985,441 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2015, to the measurement date of June 30, 2016. The School District's proportion of the net pension liability was based on the School District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The School District's proportion measured as of June 30, 2016, was .03372%, which was a decrease of .0066% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the School District recognized full accrual pension expense of \$728,101 in the government-wide financial statements. This pension expense was based on the pension plans June 30, 2016 measurement date. At June 30, 2017 the School District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 185,699	\$ -
Changes of Assumptions	2,068,450	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	380,754	-
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	191,586	1,219,291
School District contributions subsequent to measurement date	317,237	
	\$ 3,143,726	\$ 1,219,291

\$317,237 reported as deferred outflows of resources resulting from school district contributions subsequent to the measurement date is due April 1, 2018 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 8. Pension Plans (continued)

A. Public Employees' Retirement System (PERS) (continued)

Year Ending June 30,		
2018	\$	403,030
2019		403,030
2020		511,311
2021		388,823
2022		(98,996)
		\$ 1,607,198

The amortization of the above other deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	5.00	-
June 30, 2015	5.00	-
June 30, 2016	5.00	-

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 8. Pension Plans (continued)

A. Public Employees' Retirement System (PERS) (continued)

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.57, 5.72 and 6.44 years for the 2016, 2015, and 2014 amounts, respectively.

Actuarial Assumptions – The collective 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 assumptions:

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 Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. 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 rate were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the 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 scales. 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 1 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.

In accordance with State statute, the long-term expected rate of return on 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 rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 8. Pension Plans (continued)

A. Public Employees' Retirement System (PERS) (continued)

<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	0.50%	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. The single blended discount rate was based on 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 municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and 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 School District's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the School District's proportionate share of the net pension liability as of June 30, 2016, calculated using the discount rate of 3.98% as well as what the School 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:

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 8. Pension Plans (continued)

A. Public Employees' Retirement System (PERS) (continued)

	At 1% Decrease <u>(2.98%)</u>	At Current Discount Rate <u>(3.98%)</u>	At 1% Increase <u>(4.98%)</u>
School District's Proportionate Share of the Net Pension Liability	\$ 12,235,993	\$ 9,985,441	\$ 8,127,416

Additional Information - The following is a summary of the collective balances of the local group at June 30, 2017 and 2016:

	<u>6/30/2017</u>	<u>6/30/2016</u>
Collective Deferred Outflows of Resources	\$ 7,815,204,785	\$ 2,946,265,815
Collective Deferred Inflows of Resources	\$ -	\$ 360,920,604
Collective Net Pension Liability	\$ 29,617,131,759	\$ 22,447,996,119
 School District's portion	 0.03372%	 0.04035%

B. Teachers' Pension and Annuity Fund (TPAF)

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

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

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 8. Pension Plans (continued)

B. Teachers' Pension and Annuity Fund (TPAF) (continued)

The following represents the membership tiers for TPAF:

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

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

Contributions - The contribution policy for TPAF is set by *N.J.S.A 18A:66* and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.2% in State fiscal year 2017. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2016, the State's pension contribution was less than the actuarial determined amount.

As mentioned previously, 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, the School District is 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 School District does 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.

Pension Liability and Pension Expense - The State's proportionate share of the TPAF net pension liability, attributable to the School District as of June 30, 2016 was \$73,973,461. The School District's proportionate share was \$0.

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 State's proportionate share of the net pension liability associated with the District was based on projection of the State's long-term contributions to the pension plan associated with the District relative to the projected contributions by the State associated with all participating school districts, actuarially determined. At June 30, 2016, the State proportionate share of

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 8. Pension Plans (continued)

B. Teachers' Pension and Annuity Fund (TPAF) (continued)

the TPAF net pension liability attributable to the School District was .09403%, which was a decrease of .00633% from its proportion measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the State of New Jersey recognized a pension expense in the amount of \$5,558,076 for the State's proportionate share of the TPAF pension expense attributable to the School District. This pension expense was based on the pension plans June 30, 2016 measurement date.

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 generational basis based on a 60-year 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.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on 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's target asset allocation as of June 30, 2016 are summarized in the following table:

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 8. Pension Plans (continued)

B. Teachers' Pension and Annuity Fund (TPAF) (continued)

<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	0.50%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%

Discount Rate - The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. The single blended discount rate was based on 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 municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 30% of the 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 2029. Therefore, the long-term expected rate of return on 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 School District's proportionate share of the Net Pension Liability to Changes in the Discount Rate – As previously mentioned, TPAF has a special funding situation where the State pays 100% of the School District's annual required contribution. The following represents the State's proportionate share of the net pension liability, attributable to the School District calculated using the discount rate of 3.22% as well as what the State's proportionate share of the net pension liability, attributable to the School District's 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:

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 8. Pension Plans (continued)

B. Teachers' Pension and Annuity Fund (TPAF) (continued)

	At 1% Decrease <u>(2.22%)</u>	At Current Discount Rate <u>(3.22%)</u>	At 1% Increase <u>(4.22%)</u>
State of New Jersey's Proportionate Share of Net Pension Liability associated with the School District	\$ 88,340,844	\$ 73,973,461	\$ 62,240,639
	\$ 88,340,844	\$ 73,973,461	\$ 62,240,639

Pension Plan Fiduciary Net Position - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

C. Defined Contribution Plan (DCRP)

Plan Description - The Defined Contribution Retirement Program (DCRP) was established July 1, 2007, under the provisions of N.J.S.A. 43:15C-1 et seq. The DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage

Individuals eligible for membership in the DCRP include:

- State or local officials who are elected or appointed on or after July 1, 2007;
- Employees enrolled in the Public Employees' Retirement System (PERS) or Teachers' Pension and Annuity Fund (TPAF) on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits;
- Employees enrolled in the Police and Firemen's Retirement System (PFRS) or State Police Retirement System (SPRS) after May 21, 2010, who earn salary in excess of established "maximum compensation" limits;
- Employees otherwise eligible to enroll in the PERS or TPAF on or after November 2, 2008, who do not earn the minimum annual salary for PERS or TPAF Tier 3 enrollment but who earn salary of at least \$5,000 annually. The minimum salary in 2017 is \$8,300 and is subject to adjustment in future years.
- Employees otherwise eligible to enroll in the PERS or TPAF after May 21, 2010, who do not work the minimum number of hours per week required for PERS or TPAF Tier 4 or Tier 5

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

Note 8. Pension Plans (continued)

C. Defined Contribution Plan (DCRP) (continued)

- enrollment but who earn salary of at least \$5,000 annually. The minimum number is 35 hours per week for State employees, or 32 hours per week for local government or local education employees

Contributions - The contribution policy is set by N.J.S.A. 43:15C-3 and requires active members and contribution employers. When enrolled in the DCRP, members are required to contribute 5.5% of their base salary to a tax-deferred investment account established with Prudential Financial, which jointly administers the DCRP investments with the Division of Pension and Benefits. Member contributions are matched by a 3% contribution from the School District.

For the year ended June 30, 2017, employee contributions totaled \$18,556 and the School District recognized an expense for payments made to the Defined Contribution Retirement program in the amount of \$10,121.

Note 9. State Post-Retirement Medical Benefits

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 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 benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program (APB) 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 Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at: <http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf>

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 10. On-Behalf Payments for Fringe Benefits and Salaries

As previously mentioned, the School District receives on-behalf payments from the State of New Jersey for normal costs and post-retirement medical costs related to the Teachers’ Pension and Annuity Fund (TPAF) pension plan. The School District is not legally responsible for these contributions. The on-behalf payments are recorded as revenues and expenditures in the government-wide and general fund financial statements. For the fiscal year ended June 30, 2017, the on-behalf payments for normal costs, post-retirement medical costs, and long-term disability were \$1,055,322, \$879,323 and \$2,262, respectively.

Note 11. Risk Management

The School 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.

New Jersey Unemployment Compensation Insurance – The School District has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan the School 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 School District is billed quarterly for amounts due to the State. The following is a summary of School District contributions, reimbursements to the State for benefits paid and the ending balance of the School District’s trust fund for the current and previous two years:

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>Interest Earnings</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016-2017	\$ 22,829	\$ 773	\$ 8,368	\$ 199,997
2015-2016	-	730	2,029	184,763
2014-2015	-	615	114,156	186,062

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

Joint Insurance Pool – The School District also participates in the School Pool for Excess Liability Limits Joint Insurance Fund (SPELL JIF). The Pool provides its members with the following coverage:

Property – Blanket Building & Grounds Environmental Impairment Liability School Board Legal Liability Employers Liability	General & Automobile Liability Workers’ Compensation Excess Liability Comprehensive Crime Coverage
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NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 12. Contingencies

State and Federal Grantor Agencies - The School District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the School District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2017 may be impaired. In the opinion of the School District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying combined financial statements for such contingencies.

Litigation – The School District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the School Districts’ attorney that resolution of these matters will not have a material adverse effect on the financial condition of the School District.

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

Note 13. Deferred Compensation

The School District offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans, which are administered by the entities listed below, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

Prudential
UNUM
AXA Equitable
Met Life
Lincoln Investment
Valic Investments

Note 14. Compensated Absences

The School 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.

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

Note 14. Compensated Absences (continued):

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

The liability for vested compensated absences of the governmental fund types is recorded in the Statement of Net Position. At June 30, 2017, the liability for compensated absences reported on the government-wide and on the proprietary fund Statement of Net Position was \$279,725 and \$0, respectively.

Note 15. Commitments

The School District has contractual commitments at June 30, 2017 to various vendors, which are recorded in the general fund as assigned to other purposes in the amount of \$228,553.

Note 16. Tax Abatements

As defined by the Governmental Accounting Standards Board (GASB) Statement No. 77, a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

For a local school district board of education or board of school estimate that has elected to raise their minimum tax levy using the required local share provisions at N.J.S.A. 18A:7F-5(b), the loss of revenue resulting from the municipality or county having entered into a tax abatement agreement is indeterminate due to the complex nature of the calculation of required local share performed by the New Jersey Department of Education based upon district property value and wealth.

Note 17. Calculation of Excess Surplus

The designation for Restricted Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A.18A:7F-7. New Jersey school districts are required to reserve 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 years' budget. The excess fund balance at June 30, 2017 was \$0.

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017 (continued)**

Note 18. Fund Balances

General Fund – Of the \$26,304,999 General Fund balance at June 30, 2017, \$2,045,456 has been restricted for the Capital Reserve Account; \$21,144,851 has been restricted for Impact Aid General; \$303,353 has been restricted for Impact Aid Capital; \$228,553 has been assigned to other purposes; and \$2,582,786 has been unassigned.

Capital Projects Fund – Of the \$7,433,355 Capital Projects Fund balance at June 30, 2017, \$7,433,355 is restricted for current capital projects approved by the School District.

Note 19. Deficit in Net Position

Unrestricted Net Position – The School District governmental activities had a deficit in unrestricted net position in the amount of \$5,846,629 at June 30, 2017. The primary causes of this deficit is the School District not recognizing the receivable for the last two state aid payments and the recording of the net pension liability for the Public Employee's Retirement System (PERS) as of June 30, 2017. This deficit in unrestricted net position for governmental activities does not indicate that the School District is facing financial difficulties.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

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C. Budgetary Comparison Schedules

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

	ACCOUNT NUMBER	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
Revenues:						
Local Sources:						
Local Tax Levy	10-1210	\$ 2,759,436	\$ -	\$ 2,759,436	\$ 2,759,436	\$ -
Tuition from Individuals	10-1310	10,000	-	10,000	15,475	5,475
Tuition from LEA's	10-1320	60,466	-	60,466	158,527	98,061
Transportation Fees from LEA's	10-1420	125,216	-	125,216	4,241	(120,975)
Interest Earned on Capital Reserve Funds	10-1XXX	4,000	-	4,000	4,000	-
Unrestricted Miscellaneous Revenues	10-1XXX	259,592	-	259,592	396,369	136,777
Total Local Sources		3,218,710	-	3,218,710	3,338,048	119,338
State Sources:						
Categorical Transportation Aid	10-3121	427,515	-	427,515	427,515	-
Categorical Special Education Aid	10-3132	599,422	-	599,422	599,422	-
Equalization Aid	10-3176	9,729,390	-	9,729,390	9,729,390	-
Adjustment Aid	10-3178	403,273	-	403,273	403,273	-
Security Aid	10-3177	192,147	-	192,147	192,147	-
PARCC Readiness Aid	10-3190	11,980	-	11,980	11,980	-
Per Pupil Growth Aid	10-3190	11,980	-	11,980	11,980	-
Under Adequacy Aid	10-3190	145,182	-	145,182	145,182	-
Professional Learning Community Aid	10-3183	10,670	-	10,670	10,670	-
Extraordinary Aid	10-3131	84,000	-	84,000	136,883	52,883
Nonpublic Transportation Reimbursement	10-3198	-	-	-	2,262	2,262
On-behalf TPAF Pension Contributions (Non-budgeted)	10-3901	-	-	-	1,055,322	1,055,322
On-behalf TPAF Post-Retirement (Non-budgeted)	10-3902	-	-	-	879,323	879,323
On-behalf TPAF Long-Term Disability (Non-budgeted)	10-3903	-	-	-	2,262	2,262
Reimbursed TPAF Social Security Contributions (Non-budgeted)	10-3903	-	-	-	688,034	688,034
Total State Sources		11,615,559	-	11,615,559	14,295,645	2,680,086
Federal Sources:						
Impact Aid - 8003(b)	10-4101	6,291,553	-	6,291,553	9,372,963	3,081,410
Impact Aid - 8007(a)	10-4101	-	-	-	168,983	168,983
Impact Aid - Department of Defense (DoD)	10-4101	-	-	-	247,821	247,821
Impact Aid - Severe Disability	10-4101	-	-	-	114,816	114,816
Medicaid Reimbursement	10-4200	-	-	-	19,506	19,506
Total Federal Sources		6,291,553	-	6,291,553	9,924,089	3,632,536
Total Revenues		21,125,822	-	21,125,822	27,557,782	6,431,960
Expenditures:						
Current Expense:						
Instruction - Regular Programs:						
Salaries of Teachers:						
Preschool	11-105-100-101	187,522	-	187,522	185,129	2,393
Kindergarten	11-110-100-101	621,396	78,431	699,827	695,772	4,055
Grades 1 - 5	11-120-100-101	3,479,927	(123,451)	3,356,476	3,162,383	194,093
Grades 6 - 8	11-130-100-101	658,076	-	658,076	629,328	28,748
Regular Programs - Home Instruction:						
Salaries of Teachers	11-150-100-101	5,000	(1,276)	3,724	-	3,724
Purchased Professional/Educational Services	11-150-100-320	-	1,500	1,500	1,240	260
Regular Programs - Undistributed Instruction:						
Other Salaries for Instruction	11-190-100-106	83,637	(14)	83,623	74,280	9,343
Purchased Professional/Educational Services	11-190-100-320	103,300	33,532	136,832	126,301	10,531
Purchased Professional/Technical Services	11-190-100-340	172,000	1,227	173,227	169,807	3,420
Other Purchased Services	11-190-100-500	500	-	500	430	70
General Supplies	11-190-100-610	429,330	3,225	432,555	272,196	160,359
Textbooks	11-190-100-640	2,540	1,979	4,519	4,519	-
Other Objects	11-190-100-890	14,700	7,645	22,345	21,609	736
Total Regular Programs		5,757,928	2,798	5,760,726	5,342,994	417,732

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

	<u>ACCOUNT NUMBER</u>	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE) FINAL TO ACTUAL</u>
Preschool Disabilities - Full Time:						
Salaries of Teachers	11-216-100-101	215,360	22,594	237,954	207,742	30,212
Other Salaries for Instruction	11-216-100-106	123,575	56,226	179,801	134,581	45,220
Purchased Professional/Technical Services	11-216-100-320	5,000	6,289	11,289	11,189	100
General Supplies	11-216-100-610	4,500	(1,040)	3,460	3,436	24
Total Preschool Disabilities		348,435	84,069	432,504	356,948	75,556
Multiple Disabilities						
Salaries of Teachers	11-212-100-101	288,488	508	288,996	282,413	6,583
Other Salaries for Instruction	11-212-100-106	48,760	83,140	131,900	131,900	-
Purchased Professional/Technical Services	11-212-100-320	15,000	5,750	20,750	20,461	289
General Supplies	11-212-100-610	4,500	(3,750)	750	687	63
Total Multiple Disabilities		356,748	85,648	442,396	435,461	6,935
Resource Room/ Resource Center:						
Salaries of Teachers	11-213-100-101	1,251,534	40,679	1,292,213	1,286,816	5,397
Other Salaries for Instruction	11-213-100-106	190,551	(45,192)	145,359	128,824	16,535
Purchased Professional/Technical Services	11-213-100-320	25,000	12,500	37,500	37,329	171
General Supplies	11-213-100-610	13,500	25,751	39,251	39,251	-
Total Resource Room		1,480,585	33,738	1,514,323	1,492,220	22,103
Home Instruction:						
Purchased Professional - Educational Services	11-219-100-320	-	22,985	22,985	18,614	4,371
Total Home Instruction		-	22,985	22,985	18,614	4,371
Total Special Education		2,185,768	226,440	2,412,208	2,303,243	108,965
Basic Skills/Remedial:						
Salaries of Teachers	11-230-100-101	943,649	(105,000)	838,649	835,324	3,325
Purchased Professional Educational Services	11-230-100-320	5,000	(5,000)	-	-	-
Other Purchased Services	11-230-100-500	400	-	400	-	400
General Supplies	11-230-100-610	-	1,057	1,057	1,039	18
Total Basic Skills/Remedial		949,049	(108,943)	840,106	836,363	3,743
Bilingual Education:						
Salaries of Teachers	11-240-100-101	51,538	5,021	56,559	56,259	300
Purchased Services	11-240-100-500	500	-	500	-	500
General Supplies	11-240-100-610	350	-	350	322	28
Total Bilingual Education		52,388	5,021	57,409	56,581	828
School Sponsored Cocurricular Activities:						
Salaries of Teachers	11-401-100-100	10,200	-	10,200	9,354	846
Purchased Services	11-401-100-500	35,300	(200)	35,100	21,556	13,544
Other Objects	11-401-100-800	35,700	200	35,900	26,064	9,836
Total School Sponsored Cocurricular Activities		81,200	-	81,200	56,974	24,226
Total - Instruction		9,026,333	125,316	9,151,649	8,596,155	555,494
Undistributed Expenditures:						
Instruction:						
Tuition to Other LEAs Within State - Regular	11-000-100-561	-	2,655	2,655	1,893	762
Tuition to Other LEAs Within State - Special	11-000-100-562	58,097	(7,181)	50,916	-	50,916
Tuition to County Special Services						
School Districts & Regular Day Schools	11-000-100-565	224,114	(44,127)	179,987	100,531	79,456
Tuition to Private Schools for the Handicapped - State	11-000-100-566	50,929	15,340	66,269	33,338	32,931
Total Instruction (Undistributed Expenditures)		333,140	(33,313)	299,827	135,762	164,065

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

	<u>ACCOUNT NUMBER</u>	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE) FINAL TO ACTUAL</u>
Health Services:						
Salaries	11-000-213-100	341,646	13,430	355,076	354,467	609
Purchased Professional/Technical Services	11-000-213-300	16,438	2,468	18,906	17,692	1,214
Supplies & Materials	11-000-213-600	6,601	(1,562)	5,039	3,953	1,086
Total Health Services		364,685	14,336	379,021	376,112	2,909
Other Support Services - Students - Related Services:						
Salaries	11-000-216-100	468,922	(4,638)	464,284	453,144	11,140
Purchased Professional/Educational Services	11-000-216-320	-	108,778	108,778	94,568	14,210
Supplies & Materials	11-000-216-600	1,500	-	1,500	1,372	128
Other Objects	11-000-216-800	400	-	400	193	207
Total Other Support Services-Students-Related Services		470,822	104,140	574,962	549,277	25,685
Other Support Services - Students - Extra Services:						
Salaries	11-000-217-100	179,284	(25,264)	154,020	124,154	29,866
Purchased Professional/Educational Services	11-000-217-320	-	47,645	47,645	38,859	8,786
Total Other Support Services-Students-Related Services		179,284	22,381	201,665	163,013	38,652
Other Support Services - Students - Regular:						
Salaries of Other Professional Staff	11-000-218-104	258,459	(23,299)	235,160	235,160	-
Other Salaries	11-000-218-110	17,940	(115)	17,825	10,089	7,736
Supplies and Materials	11-000-218-600	-	173	173	173	-
Total Other Support Services-Students-Regular Services		276,399	(23,241)	253,158	245,422	7,736
Other Support Services - Students - Special Services:						
Salaries of Other Professional Staff	11-000-219-104	465,279	(40,828)	424,451	398,298	26,153
Salaries of Secretarial & Clerical Assitants	11-000-219-105	43,968	2,452	46,420	46,420	-
Purchased Professional/Educational Services	11-000-219-320	75,000	(61,575)	13,425	12,030	1,395
Other Purchased Professional & Technical Services	11-000-219-390	21,000	(1,215)	19,785	13,796	5,989
Other Purchased Services	11-000-219-500	1,000	995	1,995	1,221	774
Supplies & Materials	11-000-219-600	10,000	-	10,000	3,932	6,068
Other Objects	11-000-219-800	2,700	-	2,700	2,038	662
Total Other Support Services-Students-Special Services		618,947	(100,171)	518,776	477,735	41,041
Improvement of Instruction Services/Other Support Services - Instructional Staff:						
Salaries of Supervisors of Instruction	11-000-221-102	202,894	(300)	202,594	117,660	84,934
Salaries of Other Professional Staff	11-000-221-104	60,770	-	60,770	60,700	70
Other Salaries	11-000-221-110	51,500	(12,701)	38,799	-	38,799
Salaries of Facil, Math, Lit Coaches	11-000-221-176	133,337	(15,000)	118,337	60,202	58,135
Purchased Professional/Educational Services	11-000-221-320	30,000	(1,000)	29,000	11,248	17,752
Other Objects	11-000-221-800	-	245	245	220	25
Supplies & Materials	11-000-221-600	3,000	1,841	4,841	4,351	490
Other Purchased Services	11-000-221-500	26,600	(309)	26,291	12,133	14,158
Total Improvement of Instruction Services/Other Support Services - Instructional Staff		508,101	(27,224)	480,877	266,514	214,363
Educational Media Services/School Library:						
Salaries	11-000-222-100	230,581	(59,074)	171,507	145,505	26,002
Salaries of Technology Coordinator	11-000-222-177	123,456	(825)	122,631	122,410	221
Other Purchased Professional & Technical Services	11-000-222-300	8,705	-	8,705	8,534	171
Supplies & Materials	11-000-222-600	48,000	1,902	49,902	36,205	13,697
Total Educational Media Services/School Library		410,742	(57,997)	352,745	312,654	40,091

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

	ACCOUNT NUMBER	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
Instructional Staff Training Services						
Other Salaries	11-000-223-110	-	3,000	3,000	540	2,460
Other Objects	11-000-223-800	-	300	300	185	115
Total Instructional Staff Training Services		-	3,300	3,300	725	2,575
Support Services General Administration:						
Salaries	11-000-230-100	212,791	-	212,791	208,402	4,389
General Admin. Salaries - Governance Staff	11-000-230-109	8,000	-	8,000	8,000	-
Legal Services	11-000-230-331	26,500	20,000	46,500	20,369	26,131
Audit Fees	11-000-230-332	35,000	(3,000)	32,000	30,115	1,885
Other Purchased Professional Services	11-000-230-339	10,000	2,500	12,500	11,803	697
Purchase of Technical Services	11-000-230-340	16,000	(1,500)	14,500	11,540	2,960
Communications/Telephone	11-000-230-530	42,000	(3,399)	38,601	4,396	34,205
BOE Other Purchased Services	11-000-230-585	28,800	392	29,192	23,618	5,574
Other Purchased Services	11-000-230-590	33,725	21	33,746	33,746	-
Supplies & Materials	11-000-230-610	4,000	(500)	3,500	348	3,152
Miscellaneous Expenditures	11-000-230-890	6,500	5,510	12,010	11,489	521
BOE Membership Dues & Fees	11-000-230-895	27,500	-	27,500	26,415	1,085
Total Support Services General Administration		450,816	20,024	470,840	390,241	80,599
Support Services School Administration:						
Salaries of Principals & Assistant Principals	11-000-240-103	444,321	2,044	446,365	445,596	769
Salaries of Secretarial & Clerical Assistants	11-000-240-105	233,161	5,138	238,299	237,494	805
Unused Vacation Payment Retire/Term	11-000-240-199	-	1,381	1,381	1,381	-
Other Salaries	11-000-240-110	2,500	(2,500)	-	-	-
Other Purchased Services	11-000-240-500	1,500	1,875	3,375	2,733	642
Supplies & Materials	11-000-240-600	9,900	(611)	9,289	5,139	4,150
Other Objects	11-000-240-800	1,000	-	1,000	145	855
Total Support Services School Administration		692,382	7,327	699,709	692,488	7,221
Central Services:						
Salaries	11-000-251-100	284,517	(1,000)	283,517	283,510	7
Purchased Technical Services	11-000-251-340	20,000	(1,713)	18,287	18,287	-
Misc. Purchased Services	11-000-251-592	5,500	4,761	10,261	10,261	-
Supplies and Materials	11-000-251-600	5,500	(2,048)	3,452	2,442	1,010
Miscellaneous Expenditures	11-000-251-890	6,700	2,500	9,200	9,157	43
Total Central Services		322,217	2,500	324,717	323,657	1,060
Administration Information Technology:						
Salaries	11-000-252-100	30,838	-	30,838	30,390	448
Purchased Professional Services	11-000-252-330	3,000	-	3,000	460	2,540
Purchased Technical Services	11-000-252-340	1,200	(1,000)	200	-	200
Other Purchased Services	11-000-252-500	3,600	(586)	3,014	1,320	1,694
Other Objects	11-000-252-800	2,000	-	2,000	1,402	598
Total Administration Information Technology		40,638	(1,586)	39,052	33,572	5,480
Allowable Maintenance for School Facilities:						
Salaries	11-000-261-100	290,118	2,446	292,564	289,518	3,046
Cleaning, Repair & Maintenance Services	11-000-261-420	279,669	48,811	328,480	322,805	5,675
General Supplies	11-000-261-610	10,000	1,535	11,535	11,535	-
Total Maintenance for School Facilities		579,787	52,792	632,579	623,858	8,721

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

	<u>ACCOUNT NUMBER</u>	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE) FINAL TO ACTUAL</u>
Other Operation & Maintenance of Plant Services:						
Salaries	11-000-262-100	470,718	1,723	472,441	440,264	32,177
Salaries for Noninstructional Aides	11-000-262-107	126,000	(98,454)	27,546	-	27,546
Purchased Professional/Technical Services	11-000-262-300	15,857	-	15,857	15,450	407
Cleaning, Repair & Maintenance Services	11-000-262-420	31,000	1,435	32,435	30,624	1,811
Other Purchased Property Services	11-000-262-490	50,000	1,500	51,500	36,584	14,916
Insurance	11-000-262-520	118,789	(5,506)	113,283	112,796	487
General Supplies	11-000-262-610	70,150	(1,226)	68,924	63,039	5,885
Energy (Heat & Electricity)	11-000-262-622	409,400	(5,000)	404,400	382,742	21,658
Energy (Gasoline)	11-000-262-626	8,500	-	8,500	-	8,500
Other Objects	11-000-262-800	5,000	-	5,000	3,134	1,866
Energy (Natural Gas)	11-000-262-621	51,257	20,000	71,257	64,192	7,065
Total Operation & Maintenance of Plant Services		1,356,671	(85,528)	1,271,143	1,148,825	122,318
Undistributed Expenditures - Care & Upkeep of Grounds:						
Services	11-000-263-420	29,000	(12,064)	16,936	5,252	11,684
General Supplies	11-000-263-610	5,250	-	5,250	941	4,309
Total Undistributed Expenditures - Care & Upkeep of Grounds		34,250	(12,064)	22,186	6,193	15,993
Undistributed Expenditures - Security						
Cleaning, Repair & Maintenance Services	11-000-266-420	500	4,436	4,936	4,936	-
Total Undistributed Expenditures - Security		500	4,436	4,936	4,936	-
Student Transportation Services:						
Salaries for Noninstructional Aides	11-000-270-107	36,474	2,376	38,850	38,850	-
Salaries for Pupil Transportation (Between Home & School) - Regular	11-000-270-160	72,031	8,240	80,271	79,917	354
Salaries for Pupil Transportation (Between Home & School) - Special	11-000-270-161	102,908	(7,452)	95,456	71,280	24,176
Other Purchased Technical Services	11-000-270-390	10,000	-	10,000	6,849	3,151
Cleaning, Repair, & Maint. Services	11-000-270-420	9,000	(1,300)	7,700	1,933	5,767
Contracted Services (Between Home & School) - Vendors	11-000-270-511	1,046,207	(115,375)	930,832	901,270	29,562
Contracted Services (Special Education Students) - Vendor	11-000-270-514	122,555	7,976	130,531	130,531	-
Contracted Services (Special Education Students) - ESCS	11-000-270-518	-	26,560	26,560	26,560	-
Contract Service Aid In Lieu of Payments	11-000-270-503	21,337	(4,033)	17,304	11,934	5,370
Contract Service Aid In Lieu of Payments - Charter School	11-000-270-504	2,667	(2,667)	-	-	-
Contract Service Aid In Lieu of Payments - Choice School	11-000-270-505	-	3,536	3,536	1,768	1,768
Miscellaneous Purchased Services	11-000-270-593	5,000	-	5,000	4,763	237
Transportation Supplies	11-000-270-615	65,000	1,300	66,300	28,491	37,809
Miscellaneous Expenditures	11-000-270-800	3,000	-	3,000	1,632	1,368
Total Student Transportation Services		1,496,179	(80,839)	1,415,340	1,305,778	109,562

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

	<u>ACCOUNT NUMBER</u>	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE) FINAL TO ACTUAL</u>
Unallocated Benefits - Employee Benefits:						
Group Insurance	11-000-291-210	2,500	68	2,568	2,568	-
Social Security Contributions	11-000-291-220	295,000	-	295,000	263,709	31,291
Other Retirement Contribution - PERS	11-000-291-241	360,000	(59,229)	300,771	300,771	-
Other Retirement Contribution - Regular	11-000-291-249	10,000	3,576	13,576	12,860	716
Unemployment Contributions	11-000-291-250	-	473	473	473	-
Workmen's Compensation	11-000-291-260	181,757	(19,145)	162,612	162,612	-
Health Benefits	11-000-291-270	3,472,666	249,080	3,721,746	3,290,339	431,407
Other Health Benefits	11-000-291-290	1,314	180	1,494	1,477	17
Total Unallocated Benefits		4,323,237	175,003	4,498,240	4,034,809	463,431
Nonbudgeted:						
On-Behalf TPAF Pension Contributions		-	-	-	1,055,322	(1,055,322)
On-Behalf TPAF Post-Retirement Medical		-	-	-	879,323	(879,323)
On-behalf TPAF Long-Term Disability		-	-	-	2,262	(2,262)
Reimbursed TPAF Social Security Contributions		-	-	-	688,034	(688,034)
Total Nonbudgeted		-	-	-	2,624,941	(2,624,941)
Total Undistributed Expenditures		12,458,797	(15,724)	12,443,073	13,716,512	(1,273,439)
Total Expenditures - Current Expense		21,485,130	109,592	21,594,722	22,312,667	(717,945)
Capital Outlay:						
Interest Deposit to Capital Reserve	10-604-000-000	4,000	-	4,000	-	4,000
Regular Programs - Instruction:						
Grades 1-5	12-120-100-730	-	165,313	165,313	165,313	-
Total Regular Programs		-	165,313	165,313	165,313	-
Undistributed Expenditures:						
Instruction	12-000-100-730	364,814	(80,131)	284,683	113,993	170,690
Required Maintenance School Facilities	12-000-261-730	-	30,385	30,385	23,868	6,517
Equipment	12-000-300-730	10,500	-	10,500	9,589	911
Total Undistributed Expenditures		375,314	(49,746)	325,568	147,450	178,118
Facilities Acquisition & Construction Services:						
Other Objects	12-000-400-800	180,000	(20,000)	160,000	-	160,000
Total Facilities Acquisition & Construction Services		180,000	(20,000)	160,000	-	160,000

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

ACCOUNT NUMBER	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
Total Capital Outlay	559,314	95,567	654,881	312,763	342,118
Total Expenditures	22,044,444	205,159	22,249,603	22,625,430	(375,827)
Excess/(Deficiency) of Revenues Over/(Under) Expenditures Before Other Financing Uses/(Sources)	(918,622)	(205,159)	(1,123,781)	4,932,352	6,056,133
Other Financing Sources/(Uses):					
Transfer Out - Capital Projects	(5,768,202)	-	(5,768,202)	(5,768,202)	-
Cancelled Prior Year Unearned Revenue	-	-	-	29,675	(29,675)
Total Other Financing Surces/(Uses)	(5,768,202)	-	(5,768,202)	(5,738,527)	(29,675)
Excess/(Deficiency) of Revenues Over/(Under) Expenditures After Other Financing Uses/(Sources)	(6,686,824)	(205,159)	(6,891,983)	(806,175)	6,085,808
Fund Balances, July 1	28,249,467	-	28,249,467	28,249,467	-
Fund Balances, June 30	<u>\$ 21,562,643</u>	<u>\$ (205,159)</u>	<u>\$ 21,357,484</u>	<u>\$ 27,443,292</u>	<u>\$ 6,085,808</u>
Prior Year Reserve for Encumbrances		205,159			
Total Budget Transfers		<u>\$ 205,159</u>			

RECAPITULATION OF FUND BALANCE:

Restricted Fund Balance:		
Capital Reserve	\$ 2,045,456	
Impact Aid - Operating	21,144,851	
Impact Aid - Capital Fund	303,353	
Assigned Fund Balance:		
Year-end Encumbrances	228,553	
Unassigned Fund Balance	<u>3,721,079</u>	
Subtotal	27,443,292	
Reconciliation to Governmental Fund Statements (GAAP):		
Last Two State Aid Payments Not Recognized on GAAP Basis	<u>(1,138,293)</u>	
Fund Balance Per Governmental Funds (GAAP)	<u>\$ 26,304,999</u>	

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

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
REVENUES					
Federal Sources	\$ 409,688	\$ 152,160	\$ 561,848	\$ 535,365	\$ (26,483)
Local Sources	-	3,000	3,000	2,960	(40)
Total Revenues	409,688	155,160	564,848	538,325	(26,523)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	103,858	144,248	248,106	246,506	1,600
Purchased Professional & Educational Services	-	75,673	75,673	74,823	850
Tuition	261,671	(126,342)	135,329	135,328	1
General Supplies	4,727	26,821	31,548	23,095	8,453
Miscellaneous	-	1,500	1,500	777	723
Total Instruction	370,256	121,900	492,156	480,529	11,627
Support Services:					
Salaries of Teachers	-	30,000	30,000	26,557	3,443
Benefits	-	13,716	13,716	13,716	-
Purchased Professional & Technical Services	39,432	(25,963)	13,469	9,249	4,220
Other Purchased Services (400-500 Series)	-	13,507	13,507	8,103	5,404
Miscellaneous Expense	-	2,000	2,000	171	1,829
Total Support Services	39,432	33,260	72,692	57,796	14,896
Total Expenditures	409,688	155,160	564,848	538,325	26,523
Total Outflows	409,688	155,160	564,848	538,325	26,523
Excess/(Deficiency) of Revenues Over/(Under) Expenditures & Other Financing Sources/(Uses)	\$ -	\$ -	\$ -	\$ -	\$ -

**NORTH HANOVER TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - PART II
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI - PART II
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

	GENERAL FUND	SPECIAL REVENUE FUND
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
From the Budgetary Comparison Schedule (C-Series)	\$ 27,557,782	\$ 538,325
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year	-	32,722
Current Year	-	(21,120)
 State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	 1,122,242	 -
 The last State aid payments are recognized as revenue for budgetary purposes, and differs from GAAP, which does not recognize this revenue until the subsequent year when the State recognizes the related expense.	 <u>(1,138,293)</u>	 <u>-</u>
 Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds. (B-2)	 <u>\$ 27,541,731</u>	 <u>\$ 549,927</u>
 Uses/Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	<u>\$ 22,625,430</u>	<u>\$ 538,325</u>
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.	 <u>-</u>	 <u>11,602</u>
 Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	 <u>\$ 22,625,430</u>	 <u>\$ 549,927</u>

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REQUIRED SUPPLEMENTARY INFORMATION - PART III

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L. Schedules Related to Accounting and Reporting for Pensions (GASB 68)

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NORTH HANOVER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)
LAST TEN FISCAL YEARS*

	2017	2016	2015	2014
School District's proportion of the net pension liability	0.03372%	0.04035%	0.03882%	0.04017%
School District's proportionate share of the net pension liability	\$ 9,985,441	\$ 9,057,615	\$ 7,267,973	\$ 7,677,672
School District's covered Payroll	\$ 2,545,109	\$ 2,335,112	2,660,645	unavailable
School District's proportionate share of the net pension liability as a percentage of its covered payroll	392.34%	387.89%	311.25%	288.56%
Plan fiduciary net position as a percentage of the total pension liability	40.14%	47.93%	52.08%	48.72%

*The amounts presented for each fiscal year were determined as of the previous fiscal year end (the measurement date).

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

**NORTH HANOVER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)
LAST TEN FISCAL YEARS***

	2017	2016	2015	2014
School District's Contractually required contribution	\$ 317,237	\$ 299,520	\$ 346,896	320,018
Contributions in relation to the contractually required contribution	(317,237)	(299,520)	(346,896)	(320,018)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 2,391,703	\$ 2,545,109	\$ 2,335,112	2,660,645
Contributions as a percentage of covered payroll	13.26%	11.77%	14.86%	12.03%

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

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' PENSION AND ANNUITY FUND (TPAF)
LAST TEN FISCAL YEARS*

	2017	2016	2015	2014
School District's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%
School District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the School District	73,973,461	63,436,261	51,281,684	48,034,622
	<u>\$ 73,973,461</u>	<u>\$ 63,436,261</u>	<u>\$ 51,281,684</u>	<u>\$ 48,034,622</u>
School District's covered payroll	\$ 9,512,345	\$ 9,512,345	\$ 9,408,557	9,552,805
School District's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	22.33%	28.71%	33.64%	33.76%

*The amounts presented for each fiscal year were determined as of the previous fiscal year end (the measurement date).

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

**NORTH HANOVER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS
TEACHERS' PENSION AND ANNUITY FUND (TPAF)
LAST TEN FISCAL YEARS**

This schedule is not applicable. There is a special funding situation where the State of New Jersey pays 100% of the required contributions associated with the School District.

**NORTH HANOVER TOWNSHIP SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PART III
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Teachers Pension and Annuity Fund (TPAF)

Changes in Benefit Terms - None.

Changes in Assumptions - The discount rate changed from 4.13% as of June 30, 2015, to 3.22% as of June 30, 2016

Public Employee's Retirement System (PERS)

Changes in Benefit Terms - None.

Changes in Assumptions - The discount rate changed from 4.90% as of June 30, 2015, to 3.98% as of June 30, 2016

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OTHER SUPPLEMENTARY INFORMATION

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D. School Based Budget Schedules

Not Applicable

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E. Special Revenue Fund

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

	I.D.E.A PART B BASIC REGULAR PROGRAM	I.D.E.A PART B PRESCHOOL PROGRAM	N.C.L.B. TITLE I, PART A	N.C.L.B. TITLE II, PART A	N.C.L.B. TITLE III, PART A	SWAG GRANT	TOTAL
Revenues:							
Federal Sources	\$ 324,491	\$ 21,031	\$ 140,007	\$ 45,557	\$ 4,279	\$ -	\$ 535,365
Local Sources	-	-	-	-	-	2,960	2,960
Total Revenues	324,491	21,031	140,007	45,557	4,279	2,960	538,325
Expenditures:							
Instruction:							
Salaries of Teachers	119,720	5,655	121,131	-	-	-	246,506
Professional Educational Services	61,194	9,376	-	4,253	-	-	74,823
Tuition	135,328	-	-	-	-	-	135,328
General Supplies	8,249	6,000	2,725	-	3,161	2,960	23,095
Miscellaneous	-	-	777	-	-	-	777
Total Instruction	324,491	21,031	124,633	4,253	3,161	2,960	480,529
Support Services:							
Salaries of Teachers	-	-	-	26,557	-	-	26,557
Benefits	-	-	13,716	-	-	-	13,716
Purchased Professional Educational Services	-	-	-	-	-	-	-
Purchased Professional Technical Services	-	-	1,658	6,644	947	-	9,249
Other Purchased Services	-	-	-	8,103	-	-	8,103
General Supplies	-	-	-	-	-	-	-
Miscellaneous Expense	-	-	-	-	171	-	171
Total Support Services	-	-	15,374	41,304	1,118	-	57,796
Total Expenditures	\$ 324,491	\$ 21,031	\$ 140,007	\$ 45,557	\$ 4,279	\$ 2,960	\$ 538,325

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F. Capital Projects Fund

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**NORTH HANOVER TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR FISCAL YEAR ENDED JUNE 30, 2017**

<u>PROJECT TITLE</u>	<u>ORIGINAL DATE</u>	<u>APPROPRIATIONS</u>	<u>LESS: UNFUNDED LOCAL PORTION</u>	<u>EXPENDITURES</u>		<u>UNEXPENDED BALANCE</u>
				<u>PRIOR YEAR</u>	<u>CURRENT YEAR</u>	
Construction of New Joint Base Elementary School	6/30/2016	\$ 73,216,751	\$ 152,054	\$ 1,049,225	\$ 2,624,095	\$ 69,391,377
Total		<u>\$ 73,216,751</u>	<u>\$ 152,054</u>	<u>\$ 1,049,225</u>	<u>\$ 2,624,095</u>	<u>\$ 69,391,377</u>
Less: Unexpended Federal Sources (revenue not recognized until expended)						<u>(61,958,022)</u>
Total Fund Balance (GAAP Basis) - June 30, 2017						<u><u>\$ 7,433,355</u></u>

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

Revenues and Other Financing Sources:	
Transfers - Local Grant Matching Funds	\$ 5,768,202
Total Revenues and Other Financing Sources	<u>5,768,202</u>
Expenditures and Other Financing Uses:	
Purchased Professional & Technical Services	659,999
Land & Improvements	1,911,865
General Supplies	49,976
Miscellaneous	2,255
Total Expenditures and Other Financing Uses	<u>2,624,095</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>3,144,107</u>
Net Change in Fund Balance	3,144,107
Fund Balance - July 1	<u>66,247,270</u>
Fund Balance - June 30	<u><u>\$ 69,391,377</u></u>

**NORTH HANOVER TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, PROJECT BALANCE AND
PROJECT STATUS - BUDGETARY BASIS
CONSTRUCTION OF NEW JOINT BASE ELEMENTARY SCHOOL
FOR THE YEAR ENDED JUNE 30, 2017**

	PRIOR PERIODS	CURRENT YEAR	TOTALS	REVISED AUTHORIZED COST
Revenues and Other Financing Sources:				
Federal Sources	\$ 61,958,022		\$ 61,958,022	\$ 61,958,022
Transfers - Local Grant Matching Funds	5,338,473	5,768,202	11,106,675	11,258,729
Total Revenues and Other Financing Sources	67,296,495	5,768,202	73,064,697	73,216,751
Expenditures and Other Financing Uses:				
Federal Portion:				
Purchased Professional & Technical Services	-	-	-	55,000
Construction Services	-	-	-	60,986,951
General Supplies	-	-	-	916,071
Miscellaneous	-	-	-	-
	-	-	-	61,958,022
Local Portion:				
Purchased Professional & Technical Services	921,661	659,999	1,581,660	3,112,100
Land & Improvements	-	1,911,865	1,911,865	5,200,000
Construction Services	124,940	-	124,940	198,400
General Supplies	-	49,976	49,976	2,728,229
Miscellaneous	2,624	2,255	4,879	20,000
	1,049,225	2,624,095	3,673,320	11,258,729
Total Expenditures and Other Financing Uses	1,049,225	2,624,095	3,673,320	73,216,751
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	\$ 66,247,270	\$ 3,144,107	\$ 69,391,377	\$ -

Additional Project Information:

Project Unique Entity Identifier	71,454,581
Project OEA Award Number	SP1545-17-01
Project Federal Award Identification Number	HQ0005171001
Federal Grant Award	61,958,022
Grant Date (Period of Performance)	03/01/2012-12/31/2019
Original Authorized Cost	75,308,423
Less: Operating Fund Costs	(2,091,672)
Additional Authorized Cost	-
Revised Authorized Cost	73,216,751
Percentage Increase Over Original Cost	-
Percentage Completion	5.02%
Original Target Completion Date	12/31/2018
Revised Target Completion Date	12/31/2018

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G. Proprietary Funds

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

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H. Fiduciary Fund

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

ASSETS	PRIVATE PURPOSE TRUST FUNDS			TOTAL
	<u>SICK PAY BENEFITS</u>	<u>ERNANDES GRADUATION FUND</u>	<u>UNEMPLOYMENT COMPENSATION</u>	
Assets:				
Cash & Cash Equivalents	\$ 204,090	\$ 1,009	\$ 199,997	\$ 405,096
Total Assets	204,090	1,009	199,997	405,096
NET POSITION				
Held in Trust For:				
Sick Pay Benefits	204,090	-	-	204,090
Scholarships	-	1,009	-	1,009
Unemployment Compensation	-	-	199,997	199,997
Total Net Position	\$ 204,090	\$ 1,009	\$ 199,997	\$ 405,096

**NORTH HANOVER TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
JUNE 30, 2017**

	<u>PRIVATE PURPOSE TRUST FUNDS</u>			<u>TOTAL</u>
	<u>SICK PAY BENEFITS</u>	<u>ERNANDES GRADUATION FUND</u>	<u>UNEMPLOYMENT COMPENSATION</u>	
Additions:				
Interest	\$ 620	\$ 4	\$ 773	\$ 1,397
Employee Contributions	-	-	22,829	22,829
Total Additions	620	4	23,602	24,226
Deductions:				
Unemployment Claims	-	-	8,368	8,368
Scholarship Awards	-	200	-	200
Sick Time Payouts	20,245	-	-	20,245
Total Deductions	20,245	200	8,368	28,813
Change in Net Position	(19,625)	(196)	15,234	(4,587)
Net Position, July 1	223,715	1,205	184,763	409,683
Net Position, June 30	\$ 204,090	\$ 1,009	\$ 199,997	\$ 405,096

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

ASSETS	BALANCE JULY 1, <u>2016</u>	<u>ADDITIONS</u>	<u>DISBURSEMENTS</u>	BALANCE JUNE 30, <u>2017</u>
Cash & Cash Equivalents	\$ -	\$ 7,690,753	\$ 7,690,753	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 7,690,753</u>	<u>\$ 7,690,753</u>	<u>\$ -</u>
LIABILITIES				
Net Payroll	\$ -	\$ 7,690,753	\$ 7,690,753	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ 7,690,753</u>	<u>\$ 7,690,753</u>	<u>\$ -</u>

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I. Long-Term Debt

Not Applicable

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STATISTICAL SECTION (Unaudited)

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Financial Trends Information

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

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NORTH HANOVER TOWNSHIP SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

	FISCAL YEAR ENDING JUNE 30.									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental Activities:										
Net Investment in Capital Assets	\$ 42,078,497	\$ 40,634,881	\$ 37,009,812	\$ 44,218,748	\$ 45,752,172	\$ 46,854,184	\$ 47,717,045	\$ 46,176,592	\$ 44,162,815	\$ 41,114,230
Restricted	30,927,015	29,930,633	24,314,218	25,303,917	26,556,134	26,945,211	26,509,908	27,648,824	27,409,841	27,746,229
Unrestricted	(5,846,629)	(6,722,627)	(2,153,779)	(254,617)	(262,822)	(262,963)	(308,986)	(781,831)	(46,170)	149,426
Total Governmental Activities	\$ 67,158,883	\$ 63,842,887	\$ 59,170,251	\$ 69,268,048	\$ 72,045,484	\$ 73,536,432	\$ 73,917,967	\$ 73,043,585	\$ 71,526,486	\$ 69,009,885
Business-Type Activities:										
Net Investment in Capital Assets	\$ 183,020	\$ 216,115	\$ 216,313	\$ 198	\$ 897	\$ 1,596	\$ 2,295	\$ 2,994	\$ 4,395	\$ 5,796
Unrestricted	21,251	(114,981)	297,861	30,382	37,671	344,467	288,838	432,452	319,448	303,533
Total Business-Type Activities	\$ 204,271	\$ 101,134	\$ 514,174	\$ 30,580	\$ 38,568	\$ 346,063	\$ 291,133	\$ 435,446	\$ 323,843	\$ 309,329
District-Wide:										
Net Investment in Capital Assets	\$ 42,261,517	\$ 40,850,996	\$ 37,226,125	\$ 44,218,946	\$ 44,218,946	\$ 45,753,069	\$ 46,855,780	\$ 47,719,340	\$ 46,179,586	\$ 44,167,210
Restricted	30,927,015	29,930,633	24,314,218	25,303,917	25,303,917	26,556,134	26,945,211	26,509,908	27,648,824	27,409,841
Unrestricted	(5,825,378)	(6,837,608)	(1,855,918)	(224,235)	(224,235)	(225,151)	81,504	(20,148)	(349,379)	273,278
Total District Net Position	\$ 67,363,154	\$ 63,944,021	\$ 59,684,425	\$ 69,298,628	\$ 69,298,628	\$ 72,084,052	\$ 73,882,495	\$ 74,209,100	\$ 73,479,031	\$ 71,850,329

**NORTH HANOVER TOWNSHIP SCHOOL DISTRICT
CHANGES IN NET POSITION - (ACCURAL BASIS OF ACCOUNTING)
LAST TEN FISCAL YEARS**

	FISCAL YEAR ENDING JUNE 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses:										
Governmental Activities										
Instruction:										
Regular Instruction	\$ (5,342,994)	\$ (5,853,374)	\$ (5,695,480)	\$ (6,113,015)	\$ (6,421,001)	\$ (7,013,168)	\$ (6,771,798)	\$ (7,118,161)	\$ (6,873,898)	\$ (6,414,424)
Special Education Instruction	(2,707,276)	(2,097,735)	(2,233,963)	(2,204,707)	(2,183,568)	(2,070,232)	(1,963,098)	(1,760,867)	(1,643,708)	(1,327,616)
Other Special Education	-	-	-	(1,163,761)	(1,071,512)	(255,718)	(228,216)	(66,904)	(63,312)	(315,954)
Other Instrucion	(949,918)	(1,020,152)	(1,024,079)	(389,342)	(61,063)	(200,252)	(268,948)	(101,415)	(192,159)	(46,131)
Support Services:										
Tuition	(271,090)	(214,251)	(369,555)	(19,000)	(38,000)	(38,000)	-	-	(338,171)	(116,034)
Attendance & Social Work	-	(19,000)	(38,000)	(426,049)	(361,140)	(347,895)	(333,259)	(367,859)	(338,171)	(319,507)
Health Services	-	(334,889)	(364,743)	(1,547,122)	(1,516,955)	(1,327,828)	(1,298,917)	(1,220,721)	(1,244,622)	(1,218,384)
Student & Instruction Related Services	(2,391,452)	(2,020,830)	(1,570,191)	(318,433)	(390,869)	(387,050)	(390,144)	(384,771)	(318,120)	-
General Administrative	(390,241)	-	(286,092)	(443,504)	(393,897)	(392,663)	(373,557)	(412,238)	(432,794)	(301,386)
Educational Media Services/School Library	-	(417,231)	(286,092)	(443,504)	(393,897)	(392,663)	(373,557)	(412,238)	(432,794)	(396,209)
School Administrative Services	(692,488)	(431,912)	(455,255)	-	-	-	-	-	-	-
Central Services	(323,657)	-	-	-	-	-	-	-	-	-
Administrative Info. Technology	(35,572)	-	-	-	-	-	-	-	-	-
Other Administrative Services	-	(1,063,459)	(1,213,853)	(1,231,848)	(1,237,097)	(1,239,986)	(1,179,431)	(1,297,424)	(1,241,412)	(1,220,656)
Plant Operations & Maintenance	(1,783,812)	(1,616,514)	(2,479,855)	(1,991,487)	(2,015,310)	(2,080,173)	(2,110,902)	(2,140,442)	(2,240,983)	(1,888,768)
Pupil Transportation	(1,305,778)	(1,270,570)	(1,497,840)	(1,520,839)	(1,478,126)	(1,486,320)	(1,471,455)	(1,364,226)	(1,454,284)	(1,226,308)
Transfer of Funds to Charter School	-	-	(16,087)	-	(16,087)	(87,421)	(41,257)	-	-	-
Unallocated/Allocated Benefits	(4,438,866)	(9,654,343)	(8,775,963)	(6,749,543)	(6,288,177)	(5,769,425)	(5,502,522)	(5,230,236)	(4,659,078)	(5,232,897)
On Behalf TPAF Pension and Social Security Contributions	(2,624,941)	-	-	-	-	-	-	-	-	-
Decrease in Compensated Absences - Unallocated	(56,010)	1,461	(5,666)	8,205	141	25,834	24,955	(50,405)	(4,625)	(34,137)
Unallocated Depreciation	(1,339,048)	(1,327,347)	(1,327,347)	(1,857,654)	(1,857,654)	(1,817,519)	(1,767,813)	(1,618,575)	(1,538,713)	(1,448,443)
Total Governmental Activities	(24,651,143)	(27,340,146)	(25,987,099)	(25,987,099)	(25,330,315)	(24,487,816)	(23,676,362)	(23,134,244)	(22,245,879)	(21,506,854)
Business-Type Activities:										
Food Service	(783,539)	(763,311)	(768,884)	(750,449)	(781,096)	(844,454)	(826,828)	(853,874)	(881,710)	(849,734)
Total Business-Type Activities Expense	(783,539)	(763,311)	(768,884)	(750,449)	(781,096)	(844,454)	(826,828)	(853,874)	(881,710)	(849,734)
Total District Expenses	\$ (25,434,682)	\$ (28,103,457)	\$ (28,503,324)	\$ (26,737,548)	\$ (26,111,411)	\$ (25,332,270)	\$ (24,503,190)	\$ (23,988,118)	\$ (23,127,589)	\$ (22,356,588)

**NORTH HANOVER TOWNSHIP SCHOOL DISTRICT
CHANGES IN NET POSITION - (ACCURAL BASIS OF ACCOUNTING)
LAST TEN FISCAL YEARS**

	FISCAL YEAR ENDING JUNE 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Program Revenues:										
Governmental Activities										
Operating Grants & Contributions	\$ 3,174,868	\$ 5,970,302	\$ 4,798,744	\$ 373,670	\$ 294,449	\$ 307,766	\$ 361,464	\$ 408,654	\$ 279,876	\$ 669,337
Total Governmental Activities	3,174,868	5,970,302	4,798,744	373,670	294,449	307,766	361,464	408,654	279,876	669,337
Business-Type Activities:										
Charges for Services:										
Food Service	224,513	201,154	190,766	203,781	226,409	217,184	231,262	233,642	235,175	220,713
Operating Grants	662,616	386,755	600,440	536,133	244,603	678,183	447,880	729,407	656,229	709,521
Total Business Type Activities	887,129	587,909	791,206	739,914	471,012	895,367	679,142	963,049	891,404	930,234
Program Revenues	887,129	587,909	791,206	739,914	471,012	895,367	679,142	963,049	891,404	930,234
Total District Program Revenues	\$ 4,061,997	\$ 6,558,211	\$ 5,599,950	\$ 1,113,584	\$ 765,461	\$ 1,203,133	\$ 1,040,606	\$ 1,371,703	\$ 1,171,280	\$ 1,599,571
Net/(Expense)/Revenue:										
Governmental Activities	(21,476,275)	(21,369,844)	(22,520,138)	(25,613,429)	(25,035,866)	(24,180,050)	(23,314,898)	(22,725,590)	(21,966,003)	(20,837,517)
Business-Type Activities	103,590	(175,402)	22,322	(10,555)	(310,084)	50,913	(147,686)	109,175	9,694	80,500
Total District-Wide Net Expense	\$ (21,372,685)	\$ (21,545,246)	\$ (22,497,816)	\$ (25,623,984)	\$ (25,345,950)	\$ (24,129,137)	\$ (23,462,584)	\$ (22,616,415)	\$ (21,956,309)	\$ (20,757,017)
General Revenues & Other Changes in Net Assets:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 2,759,436	\$ 2,705,329	\$ 2,520,776	\$ 2,292,048	\$ 2,203,893	\$ 2,114,955	\$ 2,029,264	\$ 1,951,412	\$ 1,892,543	\$ 1,819,753
Federal & State Aid Not Restricted	21,578,742	22,565,532	20,113,960	20,178,578	21,004,509	21,353,403	21,746,977	21,275,006	21,653,343	22,424,448
Transportation	-	28,300	106,545	175,939	152,382	153,303	150,015	151,458	144,618	135,528
Tuition	174,002	25,733	25,197	13,107	4,875	5,350	5,057	72,054	48,393	62,132
Investment Earnings	-	4,916	127,333	7,628	4,040	8,199	8,230	31,204	82,285	1,391,828
Miscellaneous Income	404,610	267,984	152,560	168,693	175,219	163,876	249,737	379,188	752,865	1,391,828
Cancelled Prior Year Unearned Revenue	29,675	-	-	-	-	-	-	-	-	-
Cancel Prior Year Payables	-	-	-	-	-	-	-	-	-	-
Loss on Disposal of Capital Asset	(154,194)	-	-	-	-	-	-	405,372.00	-	-
Total Governmental Activities	24,792,271	25,597,794	23,046,371	22,835,993	23,544,918	23,798,515	24,189,280	24,242,689	24,522,966	26,002,499
Business-type Activities	-	4,159	3,162	2,547	2,589	4,017	3,373	2,428	4,820	6,201
Investment Earnings	(453)	-	-	-	-	-	-	-	-	0
Loss on Disposal of Capital Asset	(453)	-	-	-	-	-	-	-	-	0
Total Business-Type Activities	(453)	4,159	3,162	2,547	2,589	4,017	3,373	2,428	4,820	6,201
Total District-Wide	\$ 24,791,818	\$ 25,601,953	\$ 23,046,371	\$ 22,838,540	\$ 23,547,507	\$ 23,802,532	\$ 24,192,653	\$ 24,245,117	\$ 24,527,786	\$ 26,008,700
Change in Net Position:										
Governmental Activities	\$ 3,315,996	\$ 4,227,950	\$ 526,233	\$ (2,777,436)	\$ (1,490,948)	\$ (381,535)	\$ 874,382	\$ 1,517,099	\$ 2,556,963	\$ 5,164,982
Business-Type Activities	103,137	(171,243)	25,484	(7,988)	(307,495)	54,930	(144,313)	111,603	14,514	86,701
Total District	\$ 3,419,133	\$ 4,056,707	\$ 551,717	\$ (2,785,424)	\$ (1,798,443)	\$ (326,605)	\$ 730,069	\$ 1,628,702	\$ 2,571,477	\$ 5,251,683

JUNE 30, 2017
FUND BALANCES AND GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	FISCAL YEAR ENDING JUNE 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund:										
Restricted	\$ 23,493,660	\$ 25,641,385	\$ 24,314,218	\$ 2,032,606	\$ 2,024,977	\$ 2,020,938	\$ 2,013,310	\$ 2,005,080	\$ -	\$ -
Committed	205,159	2,299,790	2,299,790	22,594,722	20,711,394	20,672,224	20,531,376	18,927,552	-	-
Assigned	228,553	1,280,681	337,934	876,589	3,819,763	4,252,049	3,965,222	6,263,324	25,414,297	26,766,253
Unassigned	2,582,786	-	-	-	-	-	-	-	2,222,954	1,363,131
Total General Fund	\$ 26,304,999	\$ 27,127,225	\$ 26,951,942	\$ 25,303,917	\$ 26,556,134	\$ 26,945,211	\$ 26,509,908	\$ 27,195,956	\$ 27,637,251	\$ 28,129,384
All Other Governmental Funds:										
Restricted, Reported in:										
Capital Projects Fund	\$ 7,433,355	\$ 4,289,248	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned, Reported in:										
Special Revenue Fund	-	-	-	-	-	-	-	-	(10,114)	(1,839)
Total All Other Governmental Funds	\$ 7,433,355	\$ 4,289,248	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (10,114)	\$ (1,839)

**NORTH HANOVER TOWNSHIP SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)**

	FISCAL YEAR ENDING JUNE 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues										
Tax Levy	\$ 2,759,456	\$ 2,705,329	\$ 2,520,776	\$ 2,292,048	\$ 2,203,893	\$ 2,114,955	\$ 2,029,264	\$ 1,951,412	\$ 1,892,543	\$ 1,819,753
Tuition Charges	174,002	25,733	25,197	13,107	4,875	5,350	5,057	72,054	48,393	62,132
Interest Earned	-	4,916	127,333	7,628	4,040	7,628	8,230	8,199	31,204	82,285
Reserve Funds	-	28,300	106,545	175,939	152,382	153,303	150,015	151,458	144,618	135,228
Transportation	407,570	267,984	152,560	168,693	175,219	163,876	249,737	379,188	752,865	1,391,828
Miscellaneous	14,279,594	13,929,458	13,617,625	13,382,663	13,282,544	12,258,690	11,721,993	10,426,595	12,032,472	13,151,196
State Sources	10,471,056	11,485,897	9,049,136	7,169,585	8,016,414	9,402,479	10,386,448	11,257,065	9,900,747	9,942,589
Federal Sources	-	-	-	-	-	-	-	-	-	-
Total Revenue	28,091,658	28,447,617	25,599,172	23,209,663	23,839,367	24,106,281	24,550,744	24,245,971	24,802,842	26,585,311
Expenditures										
Instruction:										
Regular Instructor	5,342,994	5,853,374	5,666,352	6,113,015	6,421,001	7,013,168	6,771,798	7,118,161	6,873,898	6,414,424
Special Education Instructor	2,707,276	2,097,735	2,233,963	2,204,707	2,183,568	2,070,232	1,963,098	1,760,867	1,643,708	1,327,616
Other Special Instructor	-	-	-	-	-	-	-	-	-	315,954
Other Instruction	949,918	1,020,152	1,024,079	1,163,761	1,071,512	255,718	228,216	66,904	63,312	46,131
Support Services:										
Tuition	271,090	214,251	369,555	389,342	61,063	200,252	268,948	101,415	192,159	116,034
Attendance & Social Work	19,000	19,000	19,000	38,000,000	38,000,000	38,000,000	-	-	-	-
Health Services	-	334,889	364,743	426,049	361,140	347,895	333,259	367,859	338,171	319,507
Student & Instruction Related Services	2,391,452	2,020,830	1,570,191	1,547,122	1,516,955	1,327,828	1,298,917	1,220,721	1,244,622	1,218,384
General Administrative	390,241	-	-	-	-	-	-	-	-	-
Educational Media Services	-	-	-	-	-	-	-	-	-	-
School Library	417,231	417,231	286,092	318,433	390,869	387,050	390,144	384,771	318,120	301,386
School Administrative Service:	692,488	431,912	455,255	443,504	393,897	392,663	373,557	412,238	432,794	396,209
Central Services	323,657	323,678	361,546	387,863	371,826	334,382	321,859	313,676	301,783	294,367
Administration Information										
Technology	33,572	38,124	31,318	32,327	32,885	31,650	31,399	29,733	28,947	61,769
Other Administrative Services	-	701,657	820,989	811,658	832,386	873,954	826,193	954,015	910,682	864,520
Plant Operations & Maintenance	1,783,812	1,616,514	1,877,948	1,991,487	2,015,310	2,080,173	2,110,902	2,140,442	2,240,983	1,888,768
Pupil Transportation	1,305,778	1,270,570	1,497,840	1,520,839	1,478,126	1,486,320	1,471,455	1,364,226	1,454,284	1,226,308
On-Benefit TPAP Pension and Social Security Contribution:										
Allocated Benefits	2,624,941	-	-	-	-	-	-	-	-	-
Unallocated Benefits	4,045,375	6,275,221	6,545,818	6,749,543	6,288,177	5,789,614	5,497,544	5,225,258	4,654,100	5,232,897
Capital Outlay	2,936,858	1,347,948	826,458	324,230	755,642	954,658	3,308,266	3,632,352	4,587,298	3,021,153
Total Expenditures	25,799,452	23,983,086	23,951,147	24,461,880	24,212,357	23,583,557	25,195,535	25,092,638	25,284,861	23,045,427
Excess (Deficiency) of Revenue Over/(Under) Expenditures	2,292,206	4,464,531	1,648,025	(1,252,217)	(372,990)	522,724	(644,791)	(846,667)	(482,019)	3,539,884
Other Financing Sources/(Uses):										
Cancellation of Prior Year Account Payable	-	-	-	-	-	-	-	405,372.00	-	-
Transfer of Funds to Charter School	-	-	-	-	(16,087)	(87,421.00)	(41,257.00)	-	-	-
Transfers in	5,768,202	5,338,473.00	-	-	-	-	-	-	-	86,525.00
Transfers Out	(5,768,202)	(5,338,473.00)	-	-	-	-	-	-	-	-
Cancelled Prior Year Unearned Revenue	29,675	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	29,675	-	-	-	(16,087)	(87,421)	(41,257.00)	405,372	-	86,525
Net Change in Fund Balances:	\$ 2,321,881	\$ 4,464,531	\$ 1,648,025	\$ (1,252,217)	\$ (389,077)	\$ 435,303	\$ (686,048)	\$ (441,295)	\$ (482,019)	\$ 3,626,409
Debt Service as a Percentage of Noncapital Expenditures:	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

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

NORTH HANOVER TOWNSHIP SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

FISCAL YEAR ENDING <u>JUNE 30,</u>	INTEREST ON <u>INVESTMENTS</u>	<u>MISCELLANEOUS</u>	<u>TRANSPORTATION</u>	<u>TUITION</u>	<u>TOTAL</u>
2017	\$ 108,252	\$ 292,117	\$ 4,241	\$ 174,002	\$ 578,612
2016	142,979	125,005	28,300	25,733	322,017
2015	127,333	233,908	-	25,197	386,438
2014	115,573	53,120	-	-	168,693
2013	99,188	76,031	-	-	175,219
2012	110,014	53,862	-	-	163,876
2011	150,480	99,257	-	-	249,737
2010	210,839	168,349	-	-	379,188
2009	560,353	192,512	-	-	752,865
2008	1,302,234	89,594	-	-	1,391,828

Source: District records

Revenue Capacity Information

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

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

FISCAL YEAR ENDED JUNE 30,	VACANT LAND	RESIDENTIAL	FARM REG.	QFARM	COMMERCIAL	INDUSTRIAL	APARTMENT	TOTAL ASSESSED VALUE	TAX EXEMPT PROPERTY	PUBLIC UTILITIES (a)	NET VALUATION TAXABLE	LOCAL SCHOOL TAX RATE (b)	EQUALIZED VALUE
2017	\$ 7,798,300	\$ 295,368,500	\$ 42,793,500	\$ 3,938,900	\$ 62,579,950	\$ 327,800	\$ 13,273,400	\$ 426,080,350	\$ 194,224,420	\$ 945,717	427,026,067	0.659	\$ 423,302,121
2016	7,865,100	294,839,000	43,285,000	3,999,453	60,868,050	327,800	13,184,900	424,369,303	193,164,520	941,379	425,310,682	-	420,863,296
2015	8,112,300	297,721,500	43,346,300	4,030,644	52,680,900	327,800	13,060,100	419,279,544	192,231,020	924,253	420,203,797	0.600	410,445,398
2014	8,135,900	297,498,400	43,305,900	3,999,062	52,406,450	327,800	13,060,100	418,733,612	191,867,720	1,144,222	419,877,834	0.546	429,187,138
2013	7,626,700	299,041,200	47,208,400	3,817,000	55,552,750	327,800	14,068,500	427,642,350	186,808,500	1,130,610	428,772,960	0.514	440,784,678
2012	7,469,300	300,264,900	42,790,000	3,828,800	58,829,650	-	14,139,900	427,322,550	191,648,300	1,130,610	428,453,160	0.494	438,272,038
2011	4,201,200	171,210,250	22,355,150	2,855,777	26,918,100	-	7,127,300	234,667,777	83,757,550	473,019	235,140,796	0.863	496,725,277
2010	4,534,700	171,085,100	21,676,400	2,643,127	29,645,700	-	7,127,300	236,712,327	82,811,700	473,019	237,185,346	0.823	556,802,474
2009	4,701,550	169,389,600	21,988,750	2,691,627	29,309,650	-	7,120,300	235,201,477	82,701,800	507,590	235,709,067	0.803	461,269,812
2008	5,054,100	165,948,150	21,257,600	2,871,377	29,440,250	-	7,346,300	231,917,777	77,878,200	490,186	232,407,963	0.783	455,320,108

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

FISCAL YEAR ENDED JUNE 30,	SCHOOL DISTRICT DIRECT RATE			OVERLAPPING RATES		TOTAL DIRECT & OVERLAPPING TAX RATE
	LOCAL	REGIONAL	TOTAL	TOWNSHIP	BURLINGTON	
	SCHOOL	SCHOOL	DIRECT	OF NORTH HANOVER	COUNTY	
2017	0.659	0.695	1.354	0.401	0.324	2.079
2016	0.641	0.682	1.323	0.354	0.396	2.073
2015	0.600	0.672	1.272	0.315	0.365	1.952
2014	0.546	0.653	1.199	0.293	0.381	1.873
2013	0.514	0.617	1.131	0.277	0.388	1.796
2012	0.494	0.603	1.097	0.273	0.406	1.776
2011	0.863	1.106	1.969	0.457	0.794	3.220
2010	0.823	1.179	2.002	0.406	0.897	3.305
2009	0.803	1.039	1.842	0.381	0.761	2.984
2008	0.783	1.047	1.830	0.297	0.802	2.929

Source: Municipal Tax Collector

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

Taxpayer	2017			2008		
	TAXABLE ASSESSED VALUE	RANK	% OF TOTAL DISTRICT NET ASSESSED VALUE	TAXABLE ASSESSED VALUE	RANK	% OF TOTAL DISTRICT NET ASSESSED VALUE
Spartan Village	\$ 6,936,800	1	1.62%			
Crosnest @ Park Farm	4,210,900	2	0.99%			
Hanover Partners - RiteAid	3,241,600	3	0.76%			
Hanover Village Assoc., LLC	3,139,100	4	0.74%		NOT AVAILABLE	
Matrix Hanover Golf, LLC	3,124,000	5	0.73%			
California Village	3,063,400	6	0.72%			
North Mill Associates	2,786,700	7	0.65%			
South Mill Apartments	2,711,100	8	0.63%			
Store and Lock Self Storage	2,589,000	9	0.61%			
Maplewood Apartments	2,322,200	10	0.54%			
Total	<u>\$ 34,124,800</u>		<u>7.99%</u>	<u>\$0</u>		<u>0.00%</u>

Source: Municipal Tax Assessor

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

FISCAL YEAR ENDED <u>JUNE 30,</u>	TAXES LEVIED FOR THE FISCAL <u>YEAR</u>	COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY		COLLECTIONS IN SUBSEQUENT <u>YEARS</u>
		<u>AMOUNT</u>	PERCENTAGE <u>OF LEVY</u>	
2017	\$ 8,915,831	\$ 8,743,769	98.07%	\$ 172,062
2016	8,839,494	8,680,053	98.20%	159,441
2015	8,391,571	8,227,574	98.05%	163,997
2014	7,893,876	7,681,550	97.31%	212,326
2013	7,625,093	7,395,314	96.99%	229,779
2012	7,659,117	7,440,241	97.14%	218,876
2011	7,607,626	7,433,685	97.71%	173,941
2010	7,884,085	7,572,199	96.04%	311,886
2009	7,091,963	6,920,525	97.58%	171,438
2008	7,022,724	6,795,851	96.77%	226,873

Source: Municipal records

Collections PY and CY plus Due from State plus overpayments

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Debt Capacity Information

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

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

There is no Outstanding Debt as of June 30, 2017

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

There is no Outstanding Debt as of June 30, 2017

**RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2017**

<u>GOVERNMENTAL UNIT</u>	<u>DEBT OUTSTANDING</u>	<u>ESTIMATED PERCENTAGE APPLICABLE</u>	<u>SHARE OF OVERLAPPING DEBT</u>
Debt Repaid With Property Taxes:			
North Hanover Township	\$ 7,056,570	100.00%	\$ 7,056,570
Northern Burlington County Regional	12,304,707	15.00%	1,845,706
Burlington County	314,942,084	0.98%	<u>3,098,810</u>
Subtotal, Overlapping Debt			12,001,086
North Hanover School District Direct Debt			<u>-</u>
Total Direct & Overlapping Debt			<u>\$ 12,001,086</u>

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

NOTE:

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

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

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

	FISCAL YEAR ENDING JUNE 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Debt Limit	\$ 14,260,153	\$ 14,493,238	\$ 14,493,238	\$ 14,953,108	\$ 16,240,715	\$ 17,620,705	\$ 17,586,066	\$ 16,755,516	\$ 14,455,298	\$ 9,021,059
Legal Debt Margin	\$ 14,260,153	\$ 14,493,238	\$ 14,493,238	\$ 14,953,108	\$ 16,240,715	\$ 17,620,705	\$ 17,586,066	\$ 16,755,516	\$ 14,455,298	\$ 9,021,059
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Legal Debt Margin Calculation for Fiscal Year 2015

	Equalized Valuation Basis
Average Equalized Valuation of Taxable Property	2016 \$ 415,901,820
	2015 \$ 398,592,589
	2014 407,804,453
	<u>\$ 407,432,954</u>
Debt Limit (3.5% of Average Equalization Value)	<u>\$ 14,260,153</u>
Legal Debt Margin	<u>\$ 14,260,153</u>

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

Demographic and Economic Information

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

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

<u>YEAR</u>	<u>POPULATION</u>	<u>PER CAPITA PERSONAL INCOME</u>	<u>UNEMPLOYMENT RATE</u>
2017	7,659	23,346	3.8%
2016	7,609	N/A	6.2%
2015	7,647	53,747	7.1%
2014	7,661	51,638	10.4%
2013	7,725	51,079	11.5%
2012	* 7,692	48,318	11.1%
2011	7,685	47,391	11.4%
2010	7,368	46,496	10.7%
2009	7,371	47,673	6.3%
2008	7,401	45,420	4.6%

Source:

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

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

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

* 2010 Census

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

	2017		
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL EMPLOYMENT
Twin Oaks Moving Co.	40-50	1	N/A
Thermal Piping	30-50	2	N/A
Specialty Fabricators	38	3	N/A
United Communities	30	4	N/A
Herman's Trucking	30	5	N/A
Matrix Hanover Golf	21	6	N/A
Maranatha	18	7	N/A
Tara's Tavern	18	8	N/A
Rite Aid	16	9	N/A
G.W Tire	12	10	N/A
Total	<u>183</u>		

2006 NOT AVAILABLE

Source: Municipal Records

Operating Information

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

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

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Instruction:										
Regular	84	96	96	95	94	107	107	107	108	109
Special Education	58	52	52	59	57	33	33	33	32	32
Other Special Education	6	6	6	12	12	7	7	7	7	7
Support Services:										
Student & Instruction Related Services	18	12	12	24	27	46	46	53	48	58
School Administrative Services	12	13	13	15	15	5	5	5	5	5
General & Business Administrative Services	2	2	2	2	2	2	2	2	2	2
Plant Operations & Maintenance	18	19	19	30	31	23	23	23	24	25
Pupil Transportation	5	4	4	11	11	5	5	5	5	5
Business & Other Support Services	8	7	7	7	6	5	5	5	5	5
Food Service	7	6	6	6	6	8	8	8	8	8
Total	218	217	217	261	261	241	241	248	244	256

Source: District Personnel Records

**NORTH HANOVER TOWNSHIP SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS**

FISCAL YEAR	ENROLLMENT	OPERATING EXPENDITURES (a)	COST PER PUPIL	PERCENTAGE CHANGE	TEACHING STAFF (b)	PUPIL/TEACHER RATIO ELEMENTARY	AVERAGE DAILY ENROLLMENT (ADE) (c)	AVERAGE DAILY ATTENDANCE (ADA) (c)	% CHANGE IN AVERAGE DAILY ENROLLMENT	STUDENT ATTENDANCE PERCENTAGE
2017	1,193	\$ 22,862,594	19,164	3.44%	148	8	1,172	1,106	-1.76%	94.37%
2016	1,194	22,120,129	18,526	-2.06%	148	8	1,193	1,126	-1.32%	94.38%
2015	1,199	22,679,396	18,915	11.77%	148	8	1,209	1,141	-4.58%	94.38%
2014	1,292	21,864,964	16,923	-2.04%	134	10	1,267	1,199	14.66%	94.63%
2013	1,282	22,146,870	17,275	-3.10%	136	9	1,105	1,047	-10.38%	94.75%
2012	1,252	22,321,133	17,828	-2.10%	140	9	1,233	1,172	4.14%	95.05%
2011	1,182	21,525,805	18,211	-1.12%	140	8	1,184	1,123	3.59%	94.85%
2010	1,143	21,051,632	18,418	2.83%	140	8	1,143	1,082	0.26%	94.66%
2009	1,140	20,417,687	17,910	7.06%	140	8	1,140	1,052	-1.81%	92.28%
2,008.00	1,157	19,354,937	16,729	10.16%	140	8	1,161	1,078	-4.05%	92.85%

Sources: District records

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

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

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

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

DISTRICT BUILDINGS	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Elementary Schools:										
Columbia School:										
Square Feet	N/A	N/A	38,007	38,007	38,007	38,007	38,007	38,007	38,007	38,007
Capacity (Students)	N/A	N/A	273	273	273	273	273	273	273	273
Enrollment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	161	167	160
Discovery School:										
Square Feet	36,154	36,154	36,154	36,154	36,154	36,154	36,154	36,154	36,154	36,154
Capacity (Students)	244	244	244	244	244	244	244	244	244	244
Enrollment	295	282	282	337	330	342	299	321	307	320
Atlantis School:										
Square Feet	39,855	39,855	39,855	39,855	39,855	39,855	39,855	39,855	39,855	39,855
Capacity (Students)	283	283	283	283	283	283	283	283	283	283
Enrollment	209	228	228	234	234	219	197	180	202	181
C.B. Lamb Elementary School:										
Square Feet	65,861	65,861	65,861	65,861	65,861	65,861	65,861	65,861	65,861	65,861
Capacity (Students)	446	446	446	446	446	446	446	446	472	472
Enrollment	403	419	419	419	408	431	416	216	224	224
Upper Elementary School:										
Square Feet	125,729	125,729	125,729	125,729	125,729	125,729	125,729	125,729	125,729	N/A
Capacity (Students)	487	487	487	487	487	487	487	500	500	N/A
Enrollment	286	291	291	291	304	269	265	240	272	N/A

Number of Schools at June 30, 2017
Elementary = 4

Source: District Facilities Office

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

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Columbia School	\$ -	\$ -	\$ 6,000	\$ 6,000	\$ -	\$ 19,244	\$ -	\$ 60,168	\$ 90,399	\$ 65,611
Discovery School	69,179	70,765	151,520	70,005	65,000	85,016	90,794	56,305	77,231	66,580
Atlantis School	91,592	95,162	158,720	69,694	70,000	71,150	63,911	63,338	77,169	68,802
Challenger School	-	-	-	-	-	-	-	-	-	146
C.B. Lamb School	162,548	168,835	264,551	98,870	79,000	107,162	114,704	82,107	68,751	73,669
Upper Elementary School	300,539	211,862	216,866	76,950	136,000	141,360	134,452	127,725	109,270	85,250
Total School Facilities	\$ 623,858	\$ 546,624	\$ 797,657	\$ 321,519	\$ 350,000	\$ 423,932	\$ 403,861	\$ 389,643	\$ 422,820	\$ 360,058

Source: District records

**NORTH HANOVER TOWNSHIP SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2017**

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

Source: District records

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SINGLE AUDIT SECTION

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EXHIBIT K-1

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the North Hanover Township School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the North Hanover Township School District's basic financial statements, and have issued our report thereon dated November 28, 2017.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, and federal and state awarding agencies and pass-through entities, in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Michael Holt
Certified Public Accountant
Public School Accountant, No. 1148

Medford, New Jersey
November 28, 2017



EXHIBIT K-2

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

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

Report on Compliance for Each Major Federal and State Program

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

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the North Hanover Township School District’s major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); New Jersey OMB’s Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*; and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards, the Uniform Guidance and New Jersey OMB’s Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the School 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 federal and state program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the North Hanover Township School 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 federal and state programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the North Hanover Township School 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 School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal or state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey OMB's Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School 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 and New Jersey OMB's Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Michael Holt
Certified Public Accountant
Public School Accountant, No. 1148

Medford, New Jersey
November 28, 2017

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

FEDERAL AWARD NUMBER	FEDERAL IDENTIFICATION NUMBER	FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE OR CLUSTER	PASS THROUGH ENTITY IDENTIFYING NUMBER	PROGRAM OR AMOUNT	GRANT PERIOD	BALANCE JUNE 30, 2016	CARRYOVER (UNAPPORTIONED) AMOUNT	CASH RECEIVED	BUDGETARY EXPENDITURES	PASSED TO SUBRECIPIENTS	ADJUSTMENTS	ACCOUNTS RECEIVABLE	BALANCE JUNE 30, 2017			
													GRANTOR	UNEXPENDED REVENUE		
93.778	1606N5MAP		100-084-75402-11	19,806	7/1/16-6/30/17	-	-	19,806	(19,506)	-	-	-	-	-	-	
Total U.S. Department of Health and Human Services																
10.553	171N304N1099		100-010-33500-28	29,654	7/1/16-6/30/17	-	-	29,654	(29,654)	-	-	-	-	-	-	
10.555	171N304N1099	National School Lunch Program	100-010-33500-26	158,020	7/1/16-6/30/17	-	-	158,020	(158,020)	-	-	-	-	-	-	
10.555	171N304N1099	Healthy Hunger Free Kids Act	100-010-33500-26	6,014	7/1/16-6/30/17	-	-	6,014	(6,014)	-	-	-	-	-	-	
10.555	171N304N1099	Food Distribution Program (Noncash Assistance)	Unavailable	39,439	7/1/16-6/30/17	-	-	39,197	(30,796)	-	-	-	-	-	8,421	
10.555	1616N304N1099	Food Distribution Program (Noncash Assistance)	Unavailable	28,740	7/1/15-6/30/16	3,625	-	203,331	(198,435)	-	-	-	-	-	8,421	
Total U.S. Department of Health and Human Services																
84.027	H027A160100		100-044-5065-016	324,543	7/1/16-6/30/17	-	-	299,175	(324,491)	-	-	(25,316)	-	-	-	
84.027	H027A150100		100-044-5065-016	311,744	7/1/15-6/30/16	692,573	-	692,573	-	-	-	(692,573)	-	-	-	
Total U.S. Department of Agriculture																
84.041	S041B143114	Impact Aid - 8003(b)	N/A - Direct	9,797,963	various	5,690,976	-	4,136,661	(9,797,963)	-	(29,674)	-	-	-	-	
84.041	S041B143114	Impact Aid - 8007(a)	N/A - Direct	168,983	various	-	-	168,983	(168,983)	-	-	-	-	-	-	
84.041	S041B143114	Impact Aid - Department of Defense (DoD)	N/A - Direct	247,821	various	-	-	247,821	(247,821)	-	-	-	-	-	-	
84.041	S041B143114	Impact Aid - Severe Disability	N/A - Direct	114,816	various	-	-	114,816	(114,816)	-	-	-	-	-	-	
Total U.S. Department of Education																
84.077	H027A160100	Passed Through New Jersey Department of Education:	100-044-5065-016	324,543	7/1/16-6/30/17	-	-	299,175	(324,491)	-	-	(25,316)	-	-	-	
84.027	H027A150100	ID, EA, Part B (Special Education Cluster)	100-044-5065-016	311,744	7/1/15-6/30/16	692,573	-	692,573	-	-	-	(692,573)	-	-	-	
84.173	H173A160114	Preschool	100-044-5065-020	21,031	7/1/16-6/30/17	-	-	20,258	(21,031)	-	-	-	-	-	-	
84.173	H173A150114	Preschool	100-044-5065-020	15,345	7/1/15-6/30/16	(1,180)	-	1,180	-	-	-	(773)	-	-	-	
Total Special Education Cluster																
84.010	S010A160030	No Child Left Behind (NCLB):	100-044-5064-194	146,038	7/1/16-6/30/17	-	-	130,823	(146,007)	-	-	(9,184)	-	-	-	
84.010	S010A150030	Title I - Part A	100-044-5064-194	129,823	7/1/15-6/30/16	(14,300)	-	14,300	-	-	-	(9,184)	-	-	-	
84.365	S166A160030	Title III, English Language Acquisition	unavailable	14,046	7/1/16-6/30/17	(14,300)	-	145,125	(146,007)	-	-	(9,184)	-	-	-	
84.367	S367A160029	Title II - Part A, Supporting Effective Instruction	100-044-5065-290	56,130	7/1/16-6/30/17	-	-	25,421	(45,557)	-	-	(20,136)	-	-	-	
84.367	S367A150029	Title II - Part A, Supporting Effective Instruction	100-044-5065-290	49,290	7/1/15-6/30/16	(40,251)	-	40,251	-	-	400	(20,136)	-	-	-	
Total U.S. Department of Education																
Total Expenditures of Federal Awards																
							\$ 5,569,672	\$ 5,521,656	(10,864,948)	-	(29,274)	(57,294)	\$ 400	\$ 8,421		
							\$ 5,569,297	\$ 5,524,047	(11,112,543)	-	(29,274)	(57,294)	\$ 400	\$ 8,421		

The accompanying Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

**NORTH HANOVER TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

GRANT OR STATE PROJECT NUMBER	STATE GRANTOR PROGRAM TITLE	AWARD AMOUNT	GRANT PERIOD	BALANCE JUNE 30, 2016	CARRYOVER (WALKOVER) AMOUNT	CASH RECEIVED	BUDGETARY EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS	BALANCE, JUNE 30, 2017		MEMO																																																																																												
									ACCOUNTS RECEIVABLE	UNEARNED REVENUE	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPENDITURES																																																																																											
General Fund:																																																																																																							
State Aid Public:																																																																																																							
495-034-5120-078	Equalization Aid	\$ 9,729,390	7/1/16-6/30/17	-	-	\$ 9,729,390	\$ (9,729,390)	\$ -	\$ -	\$ -	\$ 960,399	\$ 9,729,390																																																																																											
495-034-5120-084	Security Aid	192,147	7/1/16-6/30/17	-	-	192,147	(192,147)	-	-	-	18,967	192,147																																																																																											
495-034-5120-085	Adjustment Aid	403,273	7/1/16-6/30/17	-	-	403,273	(403,273)	-	-	-	39,808	403,273																																																																																											
495-034-5120-089	Special Education Categorical Aid	599,422	7/1/16-6/30/17	-	-	599,422	(599,422)	-	-	-	59,170	599,422																																																																																											
495-034-5120-096	Under Adequacy Aid	145,182	7/1/16-6/30/17	-	-	145,182	(145,182)	-	-	-	14,331	145,182																																																																																											
495-034-5120-097	Per Pupil Growth Aid	11,980	7/1/16-6/30/17	-	-	11,980	(11,980)	-	-	-	1,183	11,980																																																																																											
495-034-5120-098	PARCC Readiness	11,980	7/1/16-6/30/17	-	-	11,980	(11,980)	-	-	-	1,183	11,980																																																																																											
495-034-5120-101	Professional Learning Community Aid	10,670	7/1/16-6/30/17	-	-	10,670	(10,670)	-	-	-	1,053	10,670																																																																																											
Total State Aid Public																																																																																																							
495-034-5120-014	Transportation Aid	427,515	7/1/16-6/30/17	-	-	427,515	(427,515)	-	-	-	42,200	427,515																																																																																											
495-034-5120-014	Additional Nonpublic School Transportation Aid	2,262	7/1/16-6/30/17	-	-	-	(2,262)	-	-	-	-	2,262																																																																																											
495-034-5120-014	Additional Nonpublic School Transportation Aid	3,306	7/1/15-6/30/16	(3,306)	-	3,306	-	-	-	-	-	3,306																																																																																											
495-034-5120-044	Extraordinary Aid	136,883	7/1/16-6/30/17	-	-	-	(136,883)	-	-	-	-	136,883																																																																																											
495-034-5120-044	Extraordinary Aid	140,489	7/1/15-6/30/16	(140,489)	-	140,489	-	-	-	-	-	140,489																																																																																											
100-034-5094-003	Reimbursed TPAF Social Security Contributions	688,034	7/1/16-6/30/17	-	-	688,034	(688,034)	-	-	-	-	688,034																																																																																											
TPAF - Post Retirement																																																																																																							
495-034-5094-001	Medical (Noncash Assistance)	879,323	7/1/16-6/30/17	-	-	879,323	(879,323)	-	-	-	-	879,323																																																																																											
TPAF - Pension																																																																																																							
495-034-5094-002	Contributions (Noncash Assistance)	1,055,322	7/1/16-6/30/17	-	-	1,055,322	(1,055,322)	-	-	-	-	1,055,322																																																																																											
TPAF - Long-Term Disability Insurance (Noncash Assistance)																																																																																																							
495-034-5094-004	Insurance (Noncash Assistance)	2,262	7/1/16-6/30/17	-	-	2,262	(2,262)	-	-	-	-	2,262																																																																																											
Total General Fund																																																																																																							
495-034-5120-005	Special Revenue Fund:	1,560	Unavailable	1,560	-	-	-	-	1,560	-	-	-																																																																																											
Mentor Training																																																																																																							
Total Special Revenue Fund																																																																																																							
New Jersey Department of Agriculture:																																																																																																							
100-010-3350-023	National School Lunch Program	4,731	7/1/16-6/30/17	-	-	4,731	(4,731)	-	-	-	-	4,731																																																																																											
Total Enterprise Fund																																																																																																							
Total State Financial Assistance																																																																																																							
State Financial Assistance Programs not subject to Calculation for Major Program Determination:																																																																																																							
TPAF - Post Retirement																																																																																																							
495-034-5094-001	Medical (Noncash Assistance)	\$ 879,323	7/1/16-6/30/17	-	-	-	-	-	-	-	-	879,323																																																																																											
TPAF - Pension																																																																																																							
495-034-5094-002	Contributions (Noncash Assistance)	1,055,322.00	7/1/16-6/30/17	-	-	-	-	-	-	-	-	1,055,322																																																																																											
TPAF - Long-Term Disability Insurance (Noncash Assistance)																																																																																																							
495-034-5094-004	Insurance (Noncash Assistance)	2,262.00	7/1/16-6/30/17	-	-	-	-	-	-	-	-	2,262																																																																																											
Total State Financial Assistance subject to Calculation for Major Program Determination																																																																																																							
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 5%;"></td> <td style="width: 5%;"></td> <td style="width: 5%;"></td> <td style="width: 5%;"></td> <td style="width: 5%;"></td> <td style="width: 5%;"></td> <td style="width: 5%;"></td> <td style="width: 5%;"></td> <td style="width: 5%;"></td> <td style="width: 5%;"></td> <td style="width: 5%;"></td> <td style="width: 5%;"></td> <td style="width: 5%;"></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">\$</td> <td></td> <td style="text-align: right;">\$</td> <td></td> <td style="text-align: right;">\$</td> <td style="text-align: right;">\$</td> <td></td> <td style="text-align: right;">\$</td> <td></td> <td style="text-align: right;">\$</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">(142,235)</td> <td></td> <td style="text-align: right;">14,305,026</td> <td></td> <td style="text-align: right;">(14,300,376)</td> <td style="text-align: right;">1,560</td> <td></td> <td style="text-align: right;">(139,145)</td> <td></td> <td style="text-align: right;">1,560</td> <td style="text-align: right;">14,444,171</td> </tr> <tr> <td colspan="12"></td> <td style="text-align: right; border-top: 1px solid black;">4,731</td> </tr> <tr> <td colspan="12"></td> <td style="text-align: right; border-top: 1px solid black;">4,731</td> </tr> <tr> <td colspan="12"></td> <td style="text-align: right; border-top: 1px solid black;">1,138,293</td> </tr> <tr> <td colspan="12"></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">14,439,440</td> </tr> </table>																												\$		\$		\$	\$		\$		\$				(142,235)		14,305,026		(14,300,376)	1,560		(139,145)		1,560	14,444,171													4,731													4,731													1,138,293													14,439,440
		\$		\$		\$	\$		\$		\$																																																																																												
		(142,235)		14,305,026		(14,300,376)	1,560		(139,145)		1,560	14,444,171																																																																																											
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The accompanying Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

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

Note 1. Basis of Presentation

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all federal awards and state financial assistance programs of the North Hanover Township School District. The School District is defined in Note 1 of the basic financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

Note 2. Summary of Significant Accounting Policies

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the budgetary basis of accounting with the following exception: programs recorded in the enterprise fund are presented using the accrual basis of accounting and programs recorded in the capital projects fund are presented using the modified accrual basis of accounting. These bases of accounting are described in Note 1 to the School District's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The School District did not elect the 10-percent de minimis indirect cost rate as discussed in 2 CFR 200.414.

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the School District for the year ended June 30, 2017. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2017.

Note 3. Relationship to Basic Financial Statements

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

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

Note 3. Relationship to Basic Financial Statements (continued)

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(16,051) for the general fund and \$11,602 for the special revenue fund. See Exhibit C-3 Notes to RSI – Part II of the basic financial statements, for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance expenditures reported in the School District’s basic financial statements on a GAAP basis are presented as follows:

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 9,924,089	\$ 14,279,594	\$ 24,228,683
Special Revenue Fund	546,967	-	546,967
Food Service Fund	653,089	4,731	657,820
	<hr/>	<hr/>	<hr/>
Total Awards & Financial Assistance	<u>\$ 11,124,145</u>	<u>\$ 14,284,325</u>	<u>\$ 25,433,470</u>

Note 4. Relationship to Federal and State Financial Reports

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

Note 5. Federal and State Loans Outstanding

The North Hanover Township School District had no loan balances outstanding at June 30, 2017.

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

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

2) Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

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

2) Significant deficiency(ies) identified? yes X none reported

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

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR 200 section .516(a) of Uniform Guidance? yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>FAIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.041	S041B143114	Impact Aid
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Dollar threshold used to determine Type A programs \$750,000.00

Auditee qualified as low-risk auditee? X yes no

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

Section I - Summary of Auditor's Results (continued)

State Financial Assistance

Dollar threshold used to determine Type A programs \$750,000.00

Auditee qualified as low-risk auditee? X yes no

Internal control over major programs:

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

2) Significant deficiency(ies) identified? yes X no

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

Any audit findings disclosed that are required to be reported
in accordance with New Jersey OMB's Circular 15-08? yes X no

Identification of major programs:

State Grant/Project Number(s)

Name of State Program

495-034-5120-078

495-034-5120-084

495-034-5120-085

495-034-5120-089

495-034-5120-096

495-034-5120-097

495-034-5120-098

495-034-5120-101

State Aid Public:

Equalization Aid

Security Aid

Adjustment Aid

Special Education Categorical Aid

Under Adequacy Aid

Per Pupil Growth Aid

PARCC Readiness Aid

Professional Learning Community Aid

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

Section II – Financial Statement Findings

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

None.

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

Section III – Federal Awards & State Financial Assistance Findings & Questioned Costs

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB's Circular 15-08.

FEDERAL AWARDS

None.

STATE FINANCIAL ASSISTANCE

None

**NORTH HANOVER TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

This section identifies the status of prior year findings related to the financial statements, federal awards and state financial assistance that are required to be reported in accordance with *Government Auditing Standards*, Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and New Jersey OMB's Circular 15-08.

Financial Statement Findings

No Prior Year Findings.

Federal Awards

No Prior Year Findings.

State Financial Assistance

No Prior Year Findings.