

EAST HANOVER BOARD OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

East Hanover, New Jersey

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

of the

East Hanover Board of Education

East Hanover, New Jersey

For The Fiscal Year Ended June 30, 2010

Prepared by

Business Office

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INTRODUCTORY SECTION

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

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

Katine Slunt
Business Administrator

Joseph Ricca, Ed.D
Superintendent

December 5, 2010

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

Dear Board of Education Members:

The Comprehensive Annual Financial Report of the East Hanover Township School District for the fiscal year ended June 30, 2010, and is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the East Hanover Township Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical, and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act, as amended, and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Nonprofit Organizations", and the State Treasury Circular Letter 04-04-OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid payments". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES:

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

1. REPORTING ENTITY AND ITS SERVICES: (Continued)

The District provides a full range of educational services appropriate to grades Pre-K through eighth grade for the students residing in East Hanover Township. These include regular as well as special services for children with learning disabilities. The District's average enrollment for the 2009-10 fiscal year was 1,149 students, which is a decrease of 1 student from the previous year's average enrollment.

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

<u>Fiscal Year</u>	<u>Average Daily Enrollment</u>	
	<u>Student Enrollment</u>	<u>Percent Change</u>
2009-10	1,149	(0.05%)
2008-09	1,150	2.59%
2007-08	1,121	(3.94%)
2006-07	1,167	0.34%
2005-06	1,163	2.74%
2004-05	1,132	0.0%
2003-04	1,133	3.28%
2002-03	1,097	3.59%
2001-02	1,059	3.62%
2000-01	1,022	0.10%

2. ECONOMIC CONDITION AND OUTLOOK:

The Township of East Hanover continues to undergo a period of growth. Construction of both commercial and residential units continues at a steady rate.

This continued growth will continue to effect the taxes due to an increase in the tax base. It is expected that the increase will continue for the next several years.

The student population is expected to remain fairly consistent over the next three to five years. The Board of Education, through its Long Range Facilities Plan, developed a building plan to address enrollment and ADA compliance issues and a referendum was approved by the legally qualified voters of the District at a special election held on December 10, 2002.

3. MAJOR INITIATIVES:

During the 2009-2010 academic year the district continued to build upon its technological infrastructure. Additional computers were ordered and deployed throughout the district's schools both and replacements for obsolete models and additions to the district's current computer laboratories and classrooms. The district continued to invest in training and hardware to support the installation of Smartboards throughout the district's schools.

3. MAJOR INITIATIVES: (Continued)

New classroom furniture was purchased and deployed at both the East Hanover Middle School and Central Elementary School to replace worn desks and chairs. The Boys' Washroom was refurbished at Central Elementary School. The security system (closed circuit video cameras) at Central Elementary School was greatly updated through the installation of new cameras throughout the school. A new fire resistant curtain was also installed in the Central Elementary School auditorium. The HVAC system at East Hanover Middle School was updated to provide air conditioning throughout the building. The front parking lot at Frank J. Smith School was redesigned to increase safety during pick-up and drop-off as well as expanded parking opportunities for district employees. The district purchased needed maintenance tools and supplies including two snow blowers and a new plow.

The guided reading instructional model was strengthened through additional professional training and the purchase of needed classroom materials at Frank J. Smith School and Central Elementary School. Textbooks throughout the district were replaced as needed in an effort to insure that each child in the district has access to his/her own textbooks. A fully functional life skills classrooms for students with disabilities at the middle school level was created and opened in the 2009-2010 academic year.

4. INTERNAL ACCOUNTING CONTROLS:

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

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

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

5. BUDGETARY CONTROLS:

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is 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 debt service fund. The final budget amount, as amended for the fiscal year, is reflected in the financial section.

5. **BUDGETARY CONTROLS: (Continued)**

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

6. **ACCOUNTING SYSTEM AND REPORTS:**

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

7. **DEBT ADMINISTRATION:**

As of June 30, 2010, the District's outstanding bonded debt totals \$7,177,000.

8. **CASH MANAGEMENT:**

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

9. **RISK MANAGEMENT:**

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

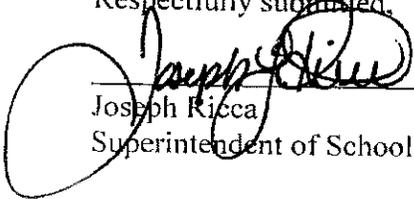
10. **OTHER INFORMATION:**

Independent Audit - State Statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Lerch, Vinci & Higgins, LLP was selected by the Board's Finance Committee. In addition to meeting the requirements set forth in State Statutes, the audit also was designed to meet the requirements of the Single Audit Act as amended, and the related Federal OMB Circular A-133 and State Treasury Circular Letter 04-04-OMB. The auditor's report on the basic financial statements and combining, and individual, fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

11. **ACKNOWLEDGEMENT:**

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

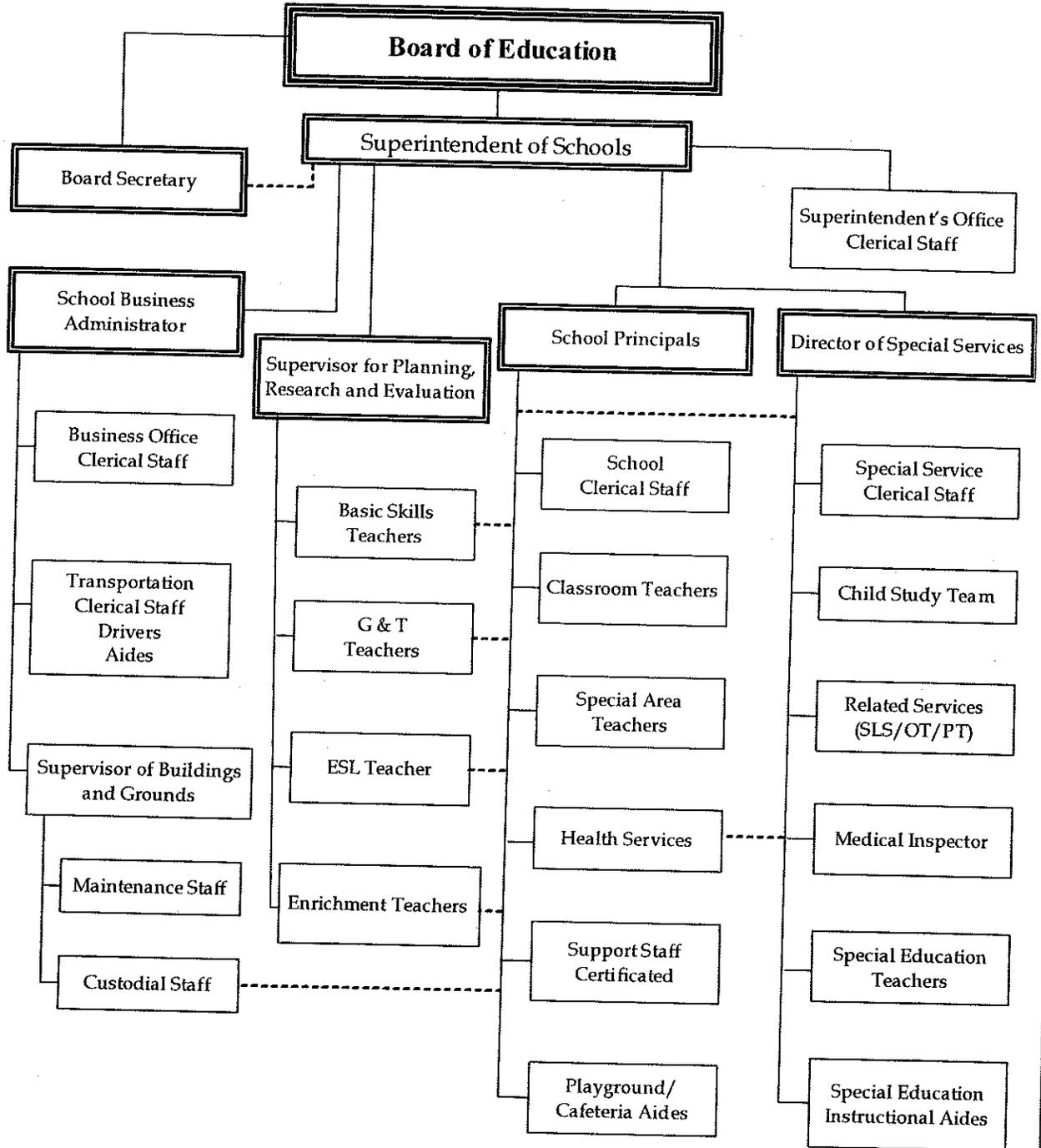
Respectfully submitted,



Joseph Ricca
Superintendent of Schools

Administration
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ORGANIZATIONAL CHART

1110 ORGANIZATIONAL CHART



Adopted: 29 April 2004



**EAST HANOVER TOWNSHIP SCHOOL DISTRICT
EAST HANOVER, NEW JERSEY**

ROSTER OF OFFICIALS

JUNE 30, 2010

Members of the Board of Education

Term Expires

Sean Sullivan, President

2012

Catherine Pfund-Olsen, Vice-President

2013

Anthony Barisciano

2013

Bruno K. Brunini

2011

Kenneth Hadley, Jr.

2012

Mary Powers

2013

Joseph Troise

2011

Other Officials

Joseph Ricca, Ed.D., Superintendent of Schools

Katine Slunt, Board Secretary/School Business Administrator

Kenneth Huelbig, Treasurer of School Monies

EAST HANOVER TOWNSHIP SCHOOL DISTRICT

CONSULTANTS AND ADVISORS

Architects

Feitlowitz & Kosten
5 North Regent Street, Suite 501
Livingston, New Jersey 07039

Parett Somjen Architects, Inc.
439 Route 46 East
Rockaway, New Jersey 07866

Attorney

Schwartz, Simon, Edelstein, Celso & Kessler
Suite 210
P.O. Box 2355
Morristown, NJ 07962

Audit Firm

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

Official Depository

TD Bank
50 River Road
East Hanover, New Jersey

FINANCIAL SECTION

LERCH, VINCI & HIGGINS, LLP

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REGISTERED MUNICIPAL ACCOUNTANTS

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

ELIZABETH A. SHICK, CPA, RMA, PSA
ANDREW PARENTE, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH KOZAK, CPA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
RALPH M. PICONE, CPA, RMA, PSA

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Hanover Board of Education as of and for the fiscal year ended June 30, 2010, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

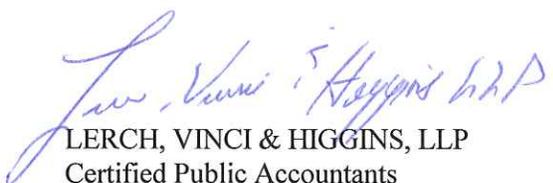
We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the East Hanover Board of Education's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Hanover Board of Education as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 5, 2010 on our consideration of the East Hanover Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Hanover Board of Education's basic financial statements. The accompanying introductory section, combining and individual nonmajor fund financial statements, financial schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and New Jersey OMB's Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid", and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules of expenditures of federal awards and state financial assistance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



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



Paul J. Lerch
Public School Accountant
PSA Number CS01118

Fair Lawn, New Jersey
December 5, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

EAST HANOVER BOARD OF EDUCATION

Management's Discussion and Analysis Year Ended June 30, 2010

This section of East Hanover Board of Education's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2010. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2010 are as follows:

- District-Wide - Overall revenues were \$20,401,405. General revenues accounted for \$17,359,944 or 85 percent of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,041,461 or 15 percent of total revenues of \$20,401,405.
- District-Wide - The School District had \$19,550,292 in expenses; only \$3,041,461 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$17,359,944 were adequate to provide for these programs.
- Fund Financials – As of the close of the current fiscal year, the East Hanover Board of Education's governmental funds reported combined ending fund balances of \$1,457,517, an increase of \$52,015 in comparison with the prior year.
- Fund Financials - At the end of June 30, 2010, unreserved, undesignated fund balance (budgetary basis) for the General Fund was \$555,617, an increase of \$47,886.

EAST HANOVER BOARD OF EDUCATION

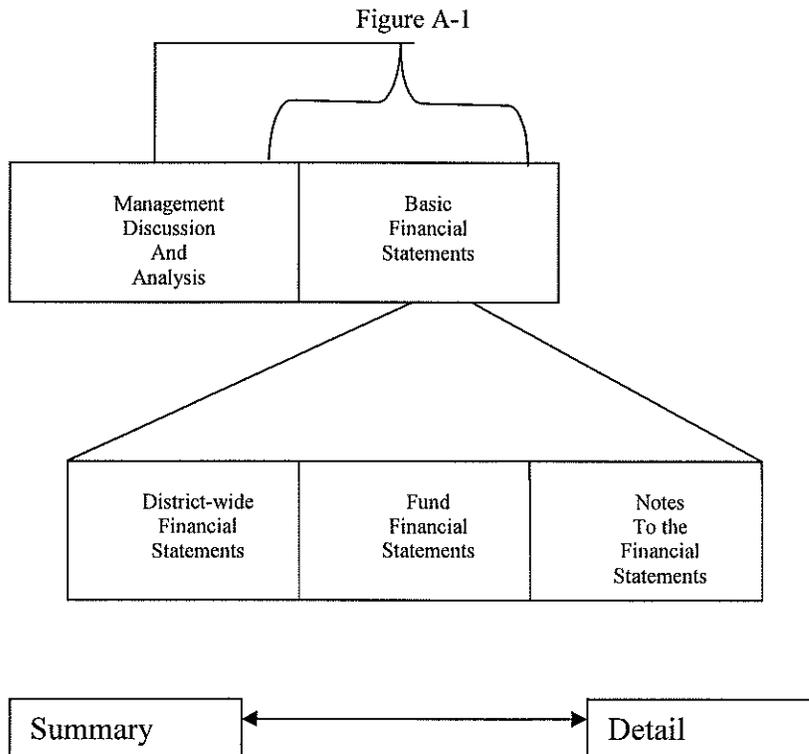
Management's Discussion and Analysis
Year Ended June 30, 2010

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



EAST HANOVER BOARD OF EDUCATION

Management’s Discussion and Analysis
Year Ended June 30, 2010

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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

District-wide Statements

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

EAST HANOVER BOARD OF EDUCATION

Management's Discussion and Analysis Year Ended June 30, 2010

District-wide Statements (Continued)

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

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

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

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

Fund Financial Statements

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

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

EAST HANOVER BOARD OF EDUCATION

Management's Discussion and Analysis Year Ended June 30, 2010

Fund Financial Statements (Continued)

The District has three kinds of funds:

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

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

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

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

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

EAST HANOVER BOARD OF EDUCATION

Management's Discussion and Analysis
Year Ended June 30, 2010

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

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

Table A-1 provides a summary of the school district's net assets for fiscal years 2010 and 2009 which for 2010 and 2009 were \$7,958,338 and \$7,107,225, respectively (see Table A-1).

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

Table A-1
Statement of Net Assets
as of June 30, 2010 and 2009

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and Other Assets	\$ 1,688,065	\$ 1,496,149	\$ 122,481	\$ 20,021	\$ 1,810,546	\$ 1,516,170
Capital Assets	14,270,310	14,054,650	-	-	14,270,310	14,054,650
Total Assets	<u>15,958,375</u>	<u>15,550,799</u>	<u>122,481</u>	<u>20,021</u>	<u>16,080,856</u>	<u>15,570,820</u>
Current Liabilities	365,457	235,077	94,844	1,111	460,301	236,188
Noncurrent Liabilities	7,662,217	8,227,407	-	-	7,662,217	8,227,407
Total Liabilities	<u>8,027,674</u>	<u>8,462,484</u>	<u>94,844</u>	<u>1,111</u>	<u>8,122,518</u>	<u>8,463,595</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	7,448,345	7,088,183			7,448,345	7,088,183
Restricted	414,508	263,799			414,508	263,799
Unrestricted	67,848	(263,667)	27,637	18,910	95,485	(244,757)
Total Net Assets	<u>\$ 7,930,701</u>	<u>\$ 7,088,315</u>	<u>\$ 27,637</u>	<u>\$ 18,910</u>	<u>\$ 7,958,338</u>	<u>\$ 7,107,225</u>

Governmental activities. Governmental activities increased the District's net assets by \$842,386. Key elements of this increase are as follows: (see Table A-2).

EAST HANOVER BOARD OF EDUCATION

Management's Discussion and Analysis
Year Ended June 30, 2010

Table A-2
Change in Net Assets
For The Fiscal Years Ended June 30, 2010 and 2009

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues						
Program Revenues						
Charges for Services			\$ 15,612	\$ 17,258	\$ 15,612	\$ 17,258
Operating Grants and Contributions	\$ 3,022,004	\$ 2,522,100	3,845	5,210	3,025,849	2,527,310
General Revenues						
Property Taxes	17,278,431	16,677,739			17,278,431	16,677,739
Unrestricted State Aid	21,922	133,679			21,922	133,679
Other	59,527	279,023	64	22	59,591	279,045
Total Revenues	20,381,884	19,612,541	19,521	22,490	20,401,405	19,635,031
Expenses						
Instruction						
Regular	7,335,791	7,242,000			7,335,791	7,242,000
Special Education	4,105,242	3,921,340			4,105,242	3,921,340
Other Instruction	535,460	515,643			535,460	515,643
School Sponsored Activities and Athletics	153,907	156,545			153,907	156,545
Support Services						
Student and Instruction Related Services	2,164,484	2,183,912			2,164,484	2,183,912
General Administrative Services	600,557	739,616			600,557	739,616
School Administrative Services	1,216,253	1,046,552			1,216,253	1,046,552
Plant Operations and Maintenance	1,648,716	1,601,921			1,648,716	1,601,921
Pupil Transportation	1,022,589	1,042,949			1,022,589	1,042,949
Central Services	454,181	584,705			454,181	584,705
Interest on Long Term Debt	302,318	300,734			302,318	300,734
Food Services			10,794	15,979	10,794	15,979
Summer Program	-	-	-	1,200	-	1,200
Total Expenses	19,539,498	19,335,917	10,794	17,179	19,550,292	19,353,096
Change in Net Assets	842,386	276,624	8,727	5,311	851,113	281,935
Net Assets, Beginning of Year	7,088,315	6,811,691	18,910	13,599	7,107,225	6,825,290
Net Assets, End of Year	\$ 7,930,701	\$ 7,088,315	\$ 27,637	\$ 18,910	\$ 7,958,338	\$ 7,107,225

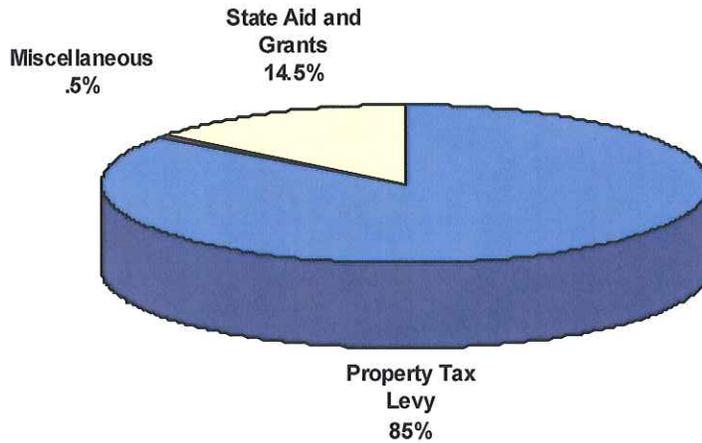
EAST HANOVER BOARD OF EDUCATION

Management's Discussion and Analysis Year Ended June 30, 2010

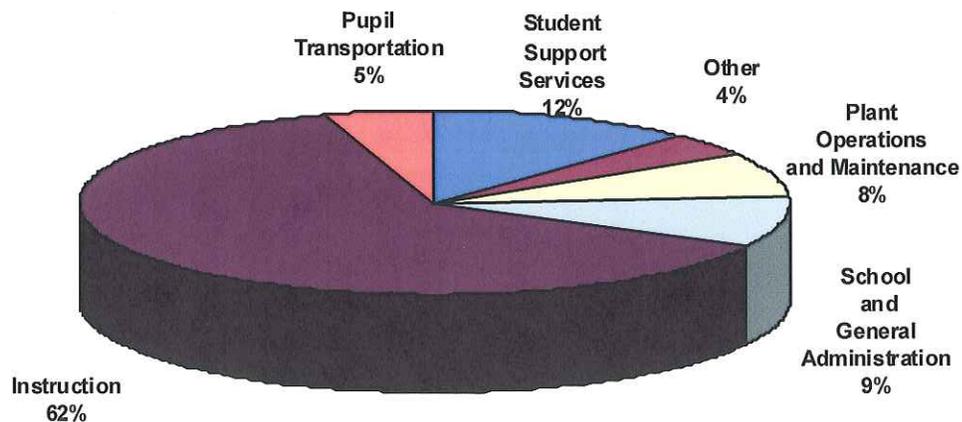
Governmental activities. The District's total governmental revenues were \$20,381,884. The local share of the revenues, that included property taxes, interest and miscellaneous revenue, amounted to \$17,337,958 or 85% of total revenues. Funding from state and federal sources amounted to \$3,043,926 or 15%. (see Table A-2)

The District's governmental expenses are predominantly related to instruction and support services. Instruction totaled \$12,130,400 (62%), support services totaled \$7,106,780 (36%). (See Table A-3.)

Revenues by Sources – Governmental Activities
For Fiscal Year 2010



Expenses by Type – Governmental Activities
For Fiscal Year 2010



EAST HANOVER BOARD OF EDUCATION

Management's Discussion and Analysis
Year Ended June 30, 2010

Table A-3
Total and Net Cost of Governmental Activities
For the Fiscal Years Ended June 30, 2010 and 2009

<u>Functions/Programs</u>	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Governmental Activities				
Instruction				
Regular	\$ 7,335,791	\$ 7,242,000	\$ 6,615,820	\$ 6,542,854
Special Education	4,105,242	3,921,340	2,458,667	2,707,803
Other Instruction	535,460	515,643	476,764	454,596
School Sponsored Activities and Athletics	153,907	156,545	139,657	142,454
Support Services				
Student and Instruction Related Services	2,164,484	2,183,912	1,933,829	1,975,257
General Administrative Services	600,557	739,616	556,849	703,985
School Administrative Services	1,216,253	1,046,552	1,149,964	981,828
Plant Operations and Maintenance	1,648,716	1,601,921	1,596,010	1,579,158
Pupil Transportation	1,022,589	1,042,949	833,435	840,443
Central Services	454,181	584,705	454,181	584,705
Interest on Debt	302,318	300,734	302,318	300,734
Total	<u>\$ 19,539,498</u>	<u>\$ 19,335,917</u>	<u>\$ 16,517,494</u>	<u>\$ 16,813,817</u>

Business-Type Activities – The District's total business-type activities revenues were \$19,521 for the year ended June 30, 2010. Charges for services accounted for 80% of total revenues. Operating grants and contributions accounted for 20% of total revenue for the year.

Total cost of all business-type activities programs and services was \$10,794. The District's expenses are related to the milk and the after school child care program began in July 2010.

Total business-type activities revenues surpassed expenses, increasing net assets \$8,727 in comparison to the last year.

EAST HANOVER BOARD OF EDUCATION

Management's Discussion and Analysis
Year Ended June 30, 2010

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

As the District completed the year, its governmental funds reported a combined fund balance of \$1,457,517. At June 30, 2009, the fund balance was \$1,405,502.

The District's Funds

All governmental funds (i.e., general fund, special revenue fund, capital projects fund and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$20,381,884 and expenditures were \$20,329,869.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound fiscal management. The following schedule presents a summary of the governmental fund revenues for the fiscal years ended June 30, 2010 and 2009.

Governmental Funds Revenues

	Year Ended 6/30/2010	Year Ended 6/30/2009	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local Sources:				
Property Taxes	\$ 17,278,431	\$ 16,677,739	\$ 600,692	4%
Other	59,527	279,023	(219,496)	(79%)
Federal Sources	543,179	302,673	240,506	79%
State Sources	<u>2,500,747</u>	<u>2,353,107</u>	<u>147,640</u>	6%
 Total Revenues	 <u>\$ 20,381,884</u>	 <u>\$ 19,612,542</u>	 <u>\$ 769,342</u>	 4%

EAST HANOVER BOARD OF EDUCATION

Management's Discussion and Analysis
Year Ended June 30, 2010

The following schedule represents a summary of governmental fund expenditures for the fiscal years ended June 30, 2010 and 2009.

Governmental Funds Expenditures

	Year Ended <u>6/30/2010</u>	Year Ended <u>6/30/2009</u>	Amount of Increase <u>(Decrease)</u>	Percent Increase <u>(Decrease)</u>
Instruction	\$ 11,995,796	\$ 11,670,906	\$ 324,890	3%
Support Services	7,024,649	7,096,850	(72,201)	(1%)
Debt Service	846,839	964,168	(117,329)	(12%)
Capital Outlay	<u>462,585</u>	<u>397,853</u>	<u>64,732</u>	16%
 Total Expenditures	 <u>\$ 20,329,869</u>	 <u>\$ 20,129,777</u>	 <u>\$ 200,092</u>	 1%

General Fund Budgetary Highlights

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

- Implementing budgets for specially funded projects, which include both federal and state grants, reinstating prior year purchase orders being carried over, and budgeting for clearing, resale, and gifts. In addition the budget was amended by appropriating additional surplus of which the District obtained County approval.
- Increases in appropriations for significant unbudgeted costs.

Capital Assets. At the end of the fiscal years 2010 and 2009, the school district had invested in land, land improvements, construction in progress, buildings, furniture, machinery and equipment as stated in Table A-4 as follows:

EAST HANOVER BOARD OF EDUCATION

Management's Discussion and Analysis
Year Ended June 30, 2010

Table A-4

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Land	\$ 139,675	\$ 139,675
Land Improvements	53,954	53,954
Construction in Progress	58,424	21,555
Building and Building Improvements	17,213,079	16,841,178
Machinery and Equipment	<u>914,989</u>	<u>861,174</u>
 Total	 18,380,121	 17,917,536
 Less: Accumulated Depreciation	 <u>(4,109,811)</u>	 <u>(3,862,886)</u>
 Total	 <u>\$ 14,270,310</u>	 <u>\$ 14,054,650</u>

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

Debt Administration. As of June 30, 2010 and 2009, the School District had outstanding long-term liabilities as stated in Table A-5 as follows:

Long-Term Liabilities

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

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
General Obligation Bonds	\$ 7,177,000	\$ 7,712,000
Compensated Absences Payable	<u>485,217</u>	<u>515,407</u>
 Total	 <u>\$ 7,662,217</u>	 <u>\$ 8,227,407</u>

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

EAST HANOVER BOARD OF EDUCATION

Management's Discussion and Analysis
Year Ended June 30, 2010

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

Many factors were considered by the District's administration during the process of developing the fiscal year 2010-2011 budget. The primary factors were the District's projected student population, anticipated state and federal aid, as well, as increasing salaries and related benefit costs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

**EAST HANOVER BOARD OF EDUCATION
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,331,252	\$ 109,727	\$ 1,440,979
Receivables, net			
Receivables from Other Governments	346,802	643	347,445
Other Receivables	8,362		8,362
Prepaid Expense		13,760	13,760
Internal Balances	1,649	(1,649)	-
Capital Assets, net			
Not Being Depreciated	198,099		198,099
Being Depreciated, Net	<u>14,072,211</u>	<u>-</u>	<u>14,072,211</u>
Total Assets	<u>15,958,375</u>	<u>122,481</u>	<u>16,080,856</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	112,701	1,990	114,691
Payable to Other Governments	32,680	78	32,758
Accrued Interest Payable	134,909		134,909
Unearned Revenue	85,167	92,776	177,943
Noncurrent Liabilities			
Due within one year	652,689		652,689
Due beyond one year	<u>7,009,528</u>	<u>-</u>	<u>7,009,528</u>
Total Liabilities	<u>8,027,674</u>	<u>94,844</u>	<u>8,122,518</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	7,448,345		7,448,345
Restricted for			
Capital Projects	264,507		264,507
Facility Maintenance	150,000		150,000
Debt Service	1		1
Unrestricted	<u>67,848</u>	<u>27,637</u>	<u>95,485</u>
Total Net Assets	<u>\$ 7,930,701</u>	<u>\$ 27,637</u>	<u>\$ 7,958,338</u>

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

EAST HANOVER BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction							
Regular	\$ 7,335,791		\$ 719,971		\$ (6,615,820)		\$ (6,615,820)
Special Education	4,105,242		1,646,575		(2,458,667)		(2,458,667)
Other Instruction	535,460		58,696		(476,764)		(476,764)
School Sponsored Activities and Athletics	153,907		14,250		(139,657)		(139,657)
Support Services							
Student and Instruction Related Services	2,164,484		230,655		(1,933,829)		(1,933,829)
General Administrative Services	600,557		43,708		(556,849)		(556,849)
School Administrative Services	1,216,253		66,289		(1,149,964)		(1,149,964)
Plant Operations and Maintenance	1,648,716		52,706		(1,596,010)		(1,596,010)
Pupil Transportation	1,022,589		189,154		(833,435)		(833,435)
Central Services	454,181				(454,181)		(454,181)
Interest on Debt	302,318				(302,318)		(302,318)
Total Governmental Activities	19,539,498	-	3,022,004	-	(16,517,494)	-	(16,517,494)
Business-Type Activities							
Food Service - Non-Major	10,794	\$ 15,612	3,845			\$ 8,663	8,663
After School Child Care - Non-Major							
Total Business-Type Activities	10,794	15,612	3,845	-	-	8,663	8,663
Total Primary Government	\$ 19,550,292	\$ 15,612	\$ 3,025,849	\$ -	(16,517,494)	8,663	(16,508,831)
General Revenues							
General Revenues							
Taxes:							
Property Taxes, levied for general purposes, net					16,431,592		16,431,592
Property Taxes, levied for debt service					846,839		846,839
Unrestricted State Aid					21,922		21,922
Miscellaneous Income					59,527	64	59,591
Total General Revenues					17,359,880	64	17,359,944
Change in Net Assets					842,386	8,727	851,113
Net Assets, Beginning of Year					7,088,315	18,910	7,107,225
Net Assets, End of Year					\$ 7,930,701	\$ 27,637	\$ 7,958,338

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

FUND FINANCIAL STATEMENTS

EAST HANOVER BOARD OF EDUCATION
 GOVERNMENTAL FUNDS
 BALANCE SHEET
 AS OF JUNE 30, 2010

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 556,356		\$ 774,895	\$ 1	\$ 1,331,252
Due from Other Funds	500,167				500,167
Receivables, Net					
Receivables From Other Governments	10,776	\$ 336,026			346,802
Other Receivables	-	1,354	-	-	1,354
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,067,299</u>	<u>\$ 337,380</u>	<u>\$ 774,895</u>	<u>\$ 1</u>	<u>\$ 2,179,575</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 106,118	\$ 2,583			\$ 108,701
Due to Other Funds	8,700	216,950	\$ 269,860		495,510
Payable to State Governments		26,245			26,245
Payable to Federal Governments		6,435			6,435
Deferred Revenue	-	85,167	-	-	85,167
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>114,818</u>	<u>337,380</u>	<u>269,860</u>	<u>-</u>	<u>722,058</u>
Fund Balances					
Reserved for					
Encumbrances	304,399		25,100		329,499
Capital Reserve	4,507				4,507
Capital Reserve-Designated for Subsequent Year's Expenditures	260,000				260,000
Maintenance Reserve	50,000				50,000
Maintenance Reserve - Designated for Subsequent Year's Expenditures	100,000				100,000
Excess Surplus- Designated for Subsequent Year's Expenditures	166,798				166,798
Excess Surplus	30,713				30,713
Unreserved					
Designated for Subsequent Year's Expenditures				\$ 1	1
Undesignated, Reported in General Fund	36,064				36,064
Capital Projects Fund	-	-	479,935	-	479,935
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>952,481</u>	<u>-</u>	<u>505,035</u>	<u>1</u>	<u>1,457,517</u>
Total Liabilities and Fund Balances	<u>\$ 1,067,299</u>	<u>\$ 337,380</u>	<u>\$ 774,895</u>	<u>\$ 1</u>	

Amounts reported for *governmental activities* in the statement of net assets (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 \$18,380,121 and the accumulated depreciation is \$4,109,811 14,270,310

The District has financed capital assets through the issuance of serial bonds. The interest accrual at year end is: (134,909)

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

Bonds Payable	\$ (7,177,000)	
Compensated Absences	(485,217)	
		<u>(7,662,217)</u>

Net assets of governmental activities \$ 7,930,701

**EAST HANOVER BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local Sources					
Property Tax Levy	\$ 16,431,592			\$ 846,839	\$ 17,278,431
Miscellaneous	57,449	-	\$ 2,078	-	59,527
Total - Local Sources	16,489,041	-	2,078	846,839	17,337,958
Intergovernmental					
State Sources	2,431,202	\$ 69,545			2,500,747
Federal Sources	-	543,179	-	-	543,179
Total Revenues	18,920,243	612,724	2,078	846,839	20,381,884
EXPENDITURES					
Current					
Instruction					
Regular Instruction	7,224,272	30,529			7,254,801
Special Education Instruction	3,704,145	353,249			4,057,394
Other Instruction	514,051	15,355			529,406
School-Sponsored Activities and Athletics	154,195				154,195
Support Services					
Student and Instruction Related Services	2,095,352	43,188			2,138,540
General Administrative Services	593,669				593,669
School Administrative Services	1,204,492				1,204,492
Plant Operations and Maintenance	1,629,523				1,629,523
Pupil Transportation	1,009,733				1,009,733
Central Services	448,692				448,692
Debt Service					
Principal				535,000	535,000
Interest and Other Charges				311,839	311,839
Capital Outlay	51,684	170,403	240,498	-	462,585
Total Expenditures	18,629,808	612,724	240,498	846,839	20,329,869
Excess (Deficiency) of Revenues Over (Under) Expenditures	290,435	-	(238,420)	-	52,015
OTHER FINANCING SOURCES (USES)					
Transfers In	2,078				2,078
Transfers Out	-	-	(2,078)	-	(2,078)
Total Other Financing Sources and Uses	2,078	-	(2,078)	-	-
Net Change in Fund Balances	292,513	-	(240,498)	-	52,015
Fund Balance, Beginning of Year	659,968	-	745,533	1	1,405,502
Fund Balance, End of Year	\$ 952,481	\$ -	\$ 505,035	\$ 1	\$ 1,457,517

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

**EAST HANOVER BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE DISTRICT-WIDE STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Total net change in fund balances - governmental funds (Exhibit B-2) \$ 52,015

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

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

Capital Outlay	\$ 462,585	
Depreciation Expense	<u>(246,925)</u>	
		215,660

In the statement of activities, certain operating expenses - compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid):

Compensated Absences	30,190
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The issuance of long-term debt (e.g., bonds, leases) provided current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net assets.

Reduction of Long-Term Debt	535,000
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

Decrease in Accrued Interest	<u>9,521</u>
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Change in net assets of governmental activities	<u>\$ 842,386</u>
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**EAST HANOVER BOARD OF EDUCATION
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 AS OF JUNE 30, 2010**

**Business-Type
 Activities
 Non-Major
Enterprise Funds**

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 109,727
Intergovernmental Receivable	
Federal	643
Prepaid Expense	13,760
Due from Other Funds	<u>8,700</u>
Total Current Assets	<u>132,830</u>
Noncurrent Assets	
Equipment	66,762
Less: Accumulated Depreciation	<u>(66,762)</u>
Total Noncurrent Assets	<u>-</u>
Total Assets	<u>132,830</u>

LIABILITIES

Current Liabilities	
Intergovernmental Payable	78
Due to Other Funds	10,349
Accounts Payable	1,990
Unearned Revenue	<u>92,776</u>
Total Current Liabilities	<u>105,193</u>

NET ASSETS

Unrestricted	<u>27,637</u>
Total Net Assets	<u>\$ 27,637</u>

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

**EAST HANOVER BOARD OF EDUCATION
 PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Business-Type Activities Non-Major Enterprise Funds</u>
OPERATING REVENUES	
Charges for Services	
Daily Sales	\$ 15,612
Total Operating Revenues	<u>15,612</u>
OPERATING EXPENSES	
Cost of Sales	<u>10,794</u>
Total Operating Expenses	<u>10,794</u>
Operating Income	<u>4,818</u>
NONOPERATING REVENUES	
Interest Earnings	64
Federal Sources	
National School Milk Program	<u>3,845</u>
Total Nonoperating Revenues	<u>3,909</u>
Change in Net Assets	8,727
Total Net Assets, Beginning of Year	<u>18,910</u>
Total Net Assets, End of Year	<u>\$ 27,637</u>

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

**EAST HANOVER BOARD OF EDUCATION
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

EXHIBIT B-6

	Business-Type Activities Non-Major Enterprise Funds
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 108,388
Cash Payments to Suppliers for Goods and Services	<u>(13,248)</u>
Net Cash Provided by Operating Activities	<u>95,140</u>
Cash Flows from Noncapital Financing Activities	
Cash Received from Other Funds	<u>-</u>
Net Cash Provided by Noncapital Financing Activities	<u>-</u>
Cash Flows from Investing Activities	
Interest Earnings	<u>64</u>
Net Cash Provided by Investing Activities	<u>64</u>
Net Increase in Cash and Cash Equivalents	95,204
Cash and Cash Equivalents, Beginning of Year	<u>14,523</u>
Cash and Cash Equivalents, End of Year	<u>\$ 109,727</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ 4,818
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Change in Assets and Liabilities	
(Increase)/Decrease in Prepaid Expense	(13,760)
Increase/(Decrease) in Unearned Revenue	92,776
Increase/(Decrease) in Interfund	10,349
Increase/(Decrease) in Accounts Payable	<u>957</u>
Total Adjustments	<u>90,322</u>
Net Cash Provided by Operating Activities	<u>\$ 95,140</u>

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

**EAST HANOVER BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
AS OF JUNE 30, 2010**

	Unemployment Compensation <u>Trust Fund</u>	<u>Agency Fund</u>
ASSETS		
Cash	\$ 95,207	\$ 84,393
Due from Other Funds	<u>28,608</u>	<u>4,000</u>
 Total Assets	 <u>123,815</u>	 <u>\$ 88,393</u>
LIABILITIES		
Payroll Deductions and Withholdings		\$ 1,145
Accounts Payable		1,117
Intergovernmental Payable	7,751	
Due to Other Funds	1,730	33,886
Due to Student Groups	<u>-</u>	<u>52,245</u>
 Total Liabilities	 <u>9,481</u>	 <u>\$ 88,393</u>
NET ASSETS		
Held In Trust For Unemployment Claims	 <u>\$ 114,334</u>	

**EAST HANOVER BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Unemployment Compensation <u>Trust Fund</u>
ADDITIONS	
Contributions	
District	\$ 64,818
Employees	21,474
Interest	<u>151</u>
Total Additions	<u>86,443</u>
DEDUCTIONS	
Unemployment Claims	<u>54,004</u>
Total Deductions	<u>54,004</u>
Change in Net Assets	32,439
Net Assets, Beginning of Year	<u>81,895</u>
Net Assets, End of Year	<u>\$ 114,334</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST HANOVER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

B. District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Board of Education. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

**EAST HANOVER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. District-wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The District considers all of its governmental funds to be major funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Property taxes, tuition, unrestricted state aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

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

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

The *capital projects fund* accounts for the proceeds from the sale of bonds, lease purchases and other revenues used for the acquisition or construction of major capital facilities and other capital assets.

The *debt service fund* accounts for the accumulation of resources for and the payment of principal and interest on long-term general obligation debt of governmental funds.

**EAST HANOVER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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

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

The *after school child care program fund* accounts for the activities of the District's enrichment based child care programs that provide high quality services to the students and parents of the East Hanover Township School District.

Additionally, the government reports the following fund type:

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

Private-sector standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) prior to December 1, 1989, generally are followed in both the district-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Board has elected not to follow FASB guidance issued subsequent to December 1, 1989.

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

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

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

**EAST HANOVER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

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

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

2. Receivables and Payables

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

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

Tuition Expenditures - Tuition charges for the fiscal years 2008-2009 and 2009-2010 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

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

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements.

4. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or estimated historical cost if constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**EAST HANOVER BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

4. *Capital Assets (Continued)*

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Building Improvements	50
Food Service Equipment	7-20
Office Equipment and Computer Equipment	5-10
Grounds Equipment	15
Vehicles	8
Instructional Equipment	10
Land Improvements	20

5. *Compensated Absences*

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused sick leave benefits and sabbatical leave. A long-term liability of accumulated sick leave, sabbatical leave and salary related payments has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. Proprietary Funds accrue accumulated sick leave, sabbatical leave and salary related payments in the period that they are earned. A liability is reported in the governmental funds only to the amount actually due at year end as a result of employee resignations and retirements.

6. *Long-term obligations*

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

7. *Fund Equity*

Reservations of fund balances of governmental funds are created to either (1) satisfy legal covenants that require a portion of the fund balance to be segregated or (2) identify the portion of the fund balance that is appropriated for future expenditures.

Reserved for Encumbrances - This reserve was created to represent encumbrances outstanding at the end of the year based on purchase orders and contracts awarded for which the goods or services have not yet been received at June 30.

**EAST HANOVER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

7. Fund Equity (Continued)

Reserved for Capital Reserve – Designated for Subsequent Year’s Expenditures - This reserve was created to represent the portion of capital reserve appropriated to fund expenditures in the adopted 2010/2011 budget.

Reserved for Capital Reserve – This reserve was created by the District in accordance with NJAC 6A:23A-14.1 to fund future capital expenditures (See Note 2.)

Reserved for Maintenance Reserve – Designated for Subsequent Year’s Expenditures – This reserve was created to represent the portion of maintenance reserve appropriated to fund expenditures in the adopted 2010/2011 budget.

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

Reserved for Excess Surplus – Designated for Subsequent Year’s Expenditures - This reserve was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2009 audited excess surplus that was appropriated in the 2010/2011 original budget certified for taxes.

Reserved for Excess Surplus – This reserve was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2010 audited excess surplus that is required to be appropriated in the 2011/2012 original budget certified for taxes.

Designations of fund balance represent tentative management plans that are subject to change.

Designated for Subsequent Year’s Budget – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2010/2011 District budget certified for taxes.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent and is voted upon at the annual school election on the third Tuesday in April. Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2009/2010. During 2009/2010 the Board increased the original budget by \$581,023. The increase was funded by additional surplus appropriated, grant awards and the reappropriation of prior year general fund encumbrances.

**EAST HANOVER BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

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

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

B. Capital Reserve Account

A capital reserve account was established by the District on September 28, 2000. The accumulation of funds will be used for capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

The activity of the capital reserve for the fiscal year ended June 30, 2010 is as follows:

Balance, July 1, 2009	\$ 263,798
Interest Earnings	<u>709</u>
Balance, June 30, 2010	<u>\$ 264,507</u>

C. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2010 is \$197,511. Of this amount, \$166,978 was designated and appropriated in the 2010/2011 original budget certified for taxes and the remaining amount of \$30,713 will be appropriated in the 2011/2012 original budget certified for taxes.

**EAST HANOVER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2010, the book value of the Board's deposits was \$1,620,579 and bank balances of the Board's cash and deposits amounted to \$2,071,284. The Board's deposits which are displayed on the balance sheets and statement of net assets as "cash and cash equivalents" are categorized as:

Depository Account

Insured	<u>\$ 2,071,284</u>
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Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2010 the Board's bank balances were not exposed to custodial credit risk.

Investments

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

As of June 30, 2010, the Board had no outstanding investments.

Interest earnings in the Capital Projects Fund are assigned to the General Fund in accordance with Board policy.

**EAST HANOVER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 3 DETAILED NOTES ON ALL FUNDS

B. Receivables

Receivables as of year-end for the district’s individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Total</u>
Receivables:				
Intergovernmental	\$ 10,776	\$ 336,026	\$ 643	\$ 347,445
Other	-	1,354	-	1,354
	<hr/>	<hr/>	<hr/>	<hr/>
Gross Receivables	10,776	337,380	643	348,799
Less: Allowance for Uncollectibles	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net Total Receivables	<u>\$ 10,776</u>	<u>\$ 337,380</u>	<u>\$ 643</u>	<u>\$ 348,799</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unearned</u>
Special Revenue Fund	
Grant Draw Downs Reserved to Encumbrances	\$ 18,788
Unencumbered Grant Draw Downs	<hr/> 66,379
Total Deferred Revenue for Governmental Funds	 <u>\$ 85,167</u>

**EAST HANOVER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance, <u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases/ Adjustments</u>	Balance <u>June 30, 2010</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 139,675			\$ 139,675
Construction in Progress	<u>21,555</u>	\$ 58,424	\$ (21,555)	<u>58,424</u>
Total Capital Assets, Not Being Depreciated	<u>161,230</u>	<u>58,424</u>	<u>(21,555)</u>	<u>198,099</u>
Capital Assets, Being Depreciated:				
Land Improvements	53,954			53,954
Building and Building Improvements	16,841,178	350,346	21,555	17,213,079
Machinery and Equipment	<u>861,174</u>	<u>53,815</u>	<u>-</u>	<u>914,989</u>
Total Capital Assets Being Depreciated	<u>17,756,306</u>	<u>404,161</u>	<u>21,555</u>	<u>18,182,022</u>
Less Accumulated Depreciation for:				
Land Improvements	(43,426)	(1,663)		(45,089)
Building and Building Improvements	(3,126,794)	(189,588)		(3,316,382)
Machinery and Equipment	<u>(692,666)</u>	<u>(55,674)</u>	<u>-</u>	<u>(748,340)</u>
Total Accumulated Depreciation	<u>(3,862,886)</u>	<u>(246,925)</u>	<u>-</u>	<u>(4,109,811)</u>
Total Capital Assets, Being Depreciated, Net	<u>13,893,420</u>	<u>157,236</u>	<u>21,555</u>	<u>14,072,211</u>
Government Activities Capital Assets, Net	<u>\$ 14,054,650</u>	<u>\$ 215,660</u>	<u>\$ -</u>	<u>\$ 14,270,310</u>
Business-Type Activities:				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 66,762	-	-	\$ 66,762
Total Capital Assets Being Depreciated	<u>66,762</u>	<u>-</u>	<u>-</u>	<u>66,762</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	<u>(66,762)</u>	<u>-</u>	<u>-</u>	<u>(66,762)</u>
Total Accumulated Depreciation	<u>(66,762)</u>	<u>-</u>	<u>-</u>	<u>(66,762)</u>
Total Capital Assets, Being Depreciated, Net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-Type Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**EAST HANOVER BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

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

Governmental Activities:

Instruction	
Regular	\$ 94,958
Special	53,107
Other Instruction	<u>6,929</u>
 Total Instruction	 <u>154,994</u>
 Support Services	
Student and Instruction Related Services	29,879
General Administration	7,771
School Administration	13,863
Operations and Maintenance of Plant	21,329
Student Transportation	13,216
Central Services	<u>5,873</u>
 Total Support Services	 <u>91,931</u>
 Total Governmental Funds	 <u>246,925</u>
 Total Depreciation Expense - Governmental Activities	 <u>\$ 246,925</u>

Construction commitments

The District has the following active construction projects as of June 30, 2010:

<u>Project</u>	<u>Remaining Commitment</u>
Additions and Renovations to Central School, Frank J. Smith School and Middle School	<u>\$ 25,100</u>

**EAST HANOVER BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2010, is as follows:

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 212,950
General Fund	Payroll Agency Fund	5,278
General Fund	Unemployment Fund	1,730
General Fund	Capital Projects Fund	269,860
General Fund	After School Child Care	10,349
Student Activity Fund	Special Revenue Fund	4,000
Enterprise Fund	General Fund	8,700
Unemployment Fund	Payroll Agency Fund	<u>28,608</u>
		<u>\$ 541,475</u>

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

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

Interfund transfers

	<u>Transfer In:</u>	
	<u>General</u>	<u>Total</u>
Transfer Out:		
Capital Projects Fund	\$ <u>2,078</u>	\$ <u>2,078</u>
 Total Transfers Out	 \$ <u>2,078</u>	 \$ <u>2,078</u>

The above transfers are the result of revenues earned in one fund to finance expenditures in another fund.

**EAST HANOVER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-Term Debt

General Obligation Bonds

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

Bonds payable at June 30, 2010 are comprised of the following issues:

\$8,839,000, 2003 Bonds, due in annual installments of \$385,000 to \$590,000 through January 15, 2023, interest at 3.70%	\$6,514,000
\$953,000, 2007 Bonds, due in annual installments of \$190,000 to \$253,000 through August 1, 2012, interest at 4.10%	<u>663,000</u>
Grand Total	<u>\$7,177,000</u>

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

Governmental Activities:

Year Ending June 30,	Serial Bonds		Total
	Principal	Interest	
2011	\$ 575,000	\$ 290,414	\$ 865,414
2012	620,000	267,379	887,379
2013	678,000	242,482	920,482
2014	440,000	221,146	661,146
2015	460,000	204,426	664,426
2016-2020	2,635,000	730,235	3,365,235
2021-2023	<u>1,769,000</u>	<u>156,218</u>	<u>1,925,218</u>
	<u>\$ 7,177,000</u>	<u>\$ 2,112,300</u>	<u>\$ 9,289,300</u>

**EAST HANOVER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-Term Debt (Continued)

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2010 was as follows:

3% of Equalized Valuation Basis (Municipal)	\$ 113,820,788
Less: Net Debt	<u>7,177,000</u>
Remaining Borrowing Power	<u>\$ 106,643,788</u>

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

	<u>Balance, July 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2010</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable	\$ 7,712,000		\$ 535,000	\$ 7,177,000	\$ 575,000
Compensated Absences	<u>515,407</u>	<u>\$ 14,356</u>	<u>44,546</u>	<u>485,217</u>	<u>77,689</u>
Governmental Activity Long-Term Liabilities	<u>\$ 8,227,407</u>	<u>\$ 14,356</u>	<u>\$ 579,546</u>	<u>\$ 7,662,217</u>	<u>\$ 652,689</u>

The governmental activities, compensated absences are generally liquidated by the general fund.

NOTE 4 OTHER INFORMATION

A. Risk Management

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

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

**EAST HANOVER BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 4 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

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

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

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

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

<u>Year Ended June 30,</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2010	\$ 64,818	\$ 21,474	\$ 54,004	\$ 114,334
2009		22,700	32,542	81,895
2008	50,000	26,280	33,278	91,563

B. Contingent Liabilities

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

Federal and State Awards – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2010, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

**EAST HANOVER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 4 OTHER INFORMATION (Continued)

C. Federal Arbitrage Regulations

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2010, the District had no estimated arbitrage earnings due to the IRS.

D. Employee Retirement Systems and Pension Plans

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

Public Employees' Retirement System (PERS) – Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

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

Other Pension Funds

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

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required State contribution for the system.

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

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

**EAST HANOVER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Basis of Accounting

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

Investment Valuation

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

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

Significant Legislation

P.L. 2009, c. 19, effective March 17, 2009 provided an option for local employers to contribute 50 percent of the normal and accrued liability contribution amounts certified by the PERS for payments due in State fiscal year 2009. This law also provided that a local employer may pay 100 percent of the required contribution. Such an employer was credited with the full payment and any such amounts were not to be included in their unfunded liability. The actuaries for PERS 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 State fiscal year ending June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

P.L. 2008, c. 89, effective November 1, 2008, increased the TPAF and PERS eligibility age for unreduced benefits from age 60 to age 62 for members hired on or after November 1, 2008; changed the early retirement provisions; increased the minimum annual compensation required for membership eligibility for new members on or after the effective date of this law.

P.L. 2007, c. 103, certain parts effective July 1, 2007, provided for the following: changed contribution rates of TPAF, PERS, and Defined Contribution Retirement Program (DCRP) to 5.5 percent of annual compensation; imposed an annual maximum wage contribution base and a new retirement age to new employees; implemented changes to State Health Benefits Program (SHBP) which included the creation of the School Employees' Health Benefit Program (SEHBP) and established an employee contribution of 1.5 percent of the employee's base salary.

**EAST HANOVER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Funding Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 72.6 percent with an unfunded actuarial accrued liability of \$34.4 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 69.6 percent and \$23.0 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 77.2 percent and \$11.4 billion.

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

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

Actuarial Methods and Assumptions

In the June 30, 2008 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 8.25 percent for investment rate of return for the retirement systems and (2) 5.45 percent for projected salary increases for the PERS and 5.74 percent for TPAF.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 5.5% for PERS and 5.5% for TPAF of the employee's annual compensation.

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2010 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997.

**EAST HANOVER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Annual Pension Costs (APC) (Continued)

During the years ended June 30, 2010, 2009 and 2008 the Board was required to contribute for PERS and the State of New Jersey was required to contribute for TPAF for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Year Ended June 30,	<u>PERS</u>	On-behalf <u>TPAF</u>
2010	\$ 172,584	\$ 30,103
2009	135,537	26,367
2008	113,198	583,799

During 2009/2010 and 2008/2009 school years, the State of New Jersey did not contribute to the TPAF for normal cost and accrued liability. The State only contributed \$30,103 and \$26,367 during 2009/2010 and 2008/2009, respectively, for the NCGI premium.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$644,829 during the year ended June 30, 2010 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount, along with the on-behalf TPAF pension contribution, has been included in the district-wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

E. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for school districts. The Plans are cost sharing multiple employer defined benefit plans.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 484 state and local participating employers and contributing entities for Fiscal Year 2009.

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

**EAST HANOVER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

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

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

Basis of Accounting

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

Investment Valuation

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

Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the State had a \$55.9 billion unfunded actuarial accrued liability for other postemployment benefits (OPEB) which is made up to \$19.8 billion for state active and retired members and \$36.1 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

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

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

**EAST HANOVER BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Actuarial Methods and Assumptions

In the June 30, 2008, actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included 4.50 percent for investment rate of return for the OPEB.

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2009, there were 84,590 retirees receiving post-retirement medical benefits and the State contributed \$837.7 million on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education with 25 years of service. The State paid \$116.9 million toward Chapter 126 benefits for 13,320 eligible retired members in fiscal year 2009.

The State sets the contribution rate based on a pay as you go basis and not on the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the years ended June 30, 2010, 2009 and 2008 were \$565,372, \$503,022 and \$698,971, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

NOTE 5 SUBSEQUENT EVENTS

Current Refundings of Debt

On October 20, 2010, the District issued \$6,355,000 in School District Refunding Bonds having an interest rate of 1.50% to 3.00%. These bonds were issued in order to currently refund certain principal maturities and certain interest payments of various School District Bonds of the District. The total bond principal currently refunded was \$6,129,000. The reacquisition price exceeded the net carrying amount of the old debt by \$123,310. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This current refunding was undertaken to reduce total debt service payments over the next 13 years by \$574,225 and resulted in an economic gain of \$503,201.

BUDGETARY COMPARISON SCHEDULES

**EAST HANOVER BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
REVENUES					
Local Sources					
Local Tax Levy	\$ 16,431,592		\$ 16,431,592	\$ 16,431,592	
Interest on Capital Reserve	100		100	709	\$ 609
Miscellaneous	30,100	-	30,100	56,740	26,640
Total Local Sources	<u>16,461,792</u>	<u>-</u>	<u>16,461,792</u>	<u>16,489,041</u>	<u>27,249</u>
State Sources					
Special Education Aid	658,619		658,619	518,459	(140,160)
Transportation Aid	270,341		270,341	175,722	(94,619)
Security Aid	85,825		85,825	55,786	(30,039)
Adjustment Aid	37,353		37,353	24,279	(13,074)
Extraordinary Aid	247,344		247,344	444,395	197,051
Nonpublic School Transportation Aid				10,776	10,776
On-behalf TPAF Pension Payments - NCGI Premium (Non-Budget)				30,103	30,103
On-behalf TPAF Pension Payments - Post Retirement Medical (Non-Budget)				565,372	565,372
On-behalf TPAF Social Security Payments (Non-Budget)	-	-	-	644,829	644,829
Total State Sources	<u>1,299,482</u>	<u>-</u>	<u>1,299,482</u>	<u>2,469,721</u>	<u>1,170,239</u>
Total Revenues	<u>17,761,274</u>	<u>-</u>	<u>17,761,274</u>	<u>18,958,762</u>	<u>1,197,488</u>
Instruction - Regular Programs					
Salaries of Teachers					
Kindergarten	186,755	\$ 222	186,977	186,977	
Grades 1-5	2,904,602	(3,130)	2,901,472	2,881,467	20,005
Grades 6-8	2,011,649	(16,373)	1,995,276	1,995,276	
Regular Program - Home Instruction					
Salaries of Teachers	1,000	-	1,000	788	212
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	16,860	-	16,860	16,775	85
Purchased Professional-Educational Services	1,500	-	1,500	1,149	351
Other Purchased Services	1,300	-	1,300	86	1,214
General Supplies	179,732	24,502	204,234	165,948	38,286
Textbooks	33,050	107,182	140,232	22,701	117,531
Other Objects	93,679	-	93,679	79,116	14,563
Total Regular Programs	<u>5,430,127</u>	<u>112,403</u>	<u>5,542,530</u>	<u>5,350,283</u>	<u>192,247</u>

**EAST HANOVER BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Special Education (Continued)					
Resource Room					
Salaries of Teachers	\$ 1,352,160	\$ (25,351)	\$ 1,326,809	\$ 1,326,809	
Other Salaries for Instruction	417,106	(5,426)	411,680	404,860	\$ 6,820
General Supplies	10,400	-	10,400	10,331	69
Total Resource Room	<u>1,779,666</u>	<u>(30,777)</u>	<u>1,748,889</u>	<u>1,742,000</u>	<u>6,889</u>
Preschool Disabilities - Part-Time					
Salaries of Teachers	111,480	70	111,550	111,550	
Other Salaries for Instruction	72,036	317	72,353	69,815	2,538
General Supplies	3,000	-	3,000	2,962	38
Total Preschool Disabilities - Part-Time	<u>186,516</u>	<u>387</u>	<u>186,903</u>	<u>184,327</u>	<u>2,576</u>
Total Special Education	<u>1,966,182</u>	<u>(30,390)</u>	<u>1,935,792</u>	<u>1,926,327</u>	<u>9,465</u>
Basic Skills/Remedial					
Salaries of Teachers	225,005	134	225,139	225,139	-
Total Basic Skills/Remedial	<u>225,005</u>	<u>134</u>	<u>225,139</u>	<u>225,139</u>	<u>-</u>
Bilingual Education					
Salaries of Teachers	93,135	100	93,235	93,235	-
Total Bilingual Education	<u>93,135</u>	<u>100</u>	<u>93,235</u>	<u>93,235</u>	<u>-</u>
School Sponsored Cocurricular Activities					
Salaries	19,200	13,609	32,809	32,809	
Supplies and Materials	6,185	922	7,107	812	6,295
Total School Sponsored Cocurricular Activities	<u>25,385</u>	<u>14,531</u>	<u>39,916</u>	<u>33,621</u>	<u>6,295</u>
School Sponsored Athletics					
Salaries	82,655		82,655	71,868	10,787
Purchased Services	8,000		8,000	7,982	18
Supplies and Materials	2,900	-	2,900	2,900	-
Total School Sponsored Cocurricular Activities	<u>93,555</u>	<u>-</u>	<u>93,555</u>	<u>82,750</u>	<u>10,805</u>
Total Instruction	<u>7,833,389</u>	<u>96,778</u>	<u>7,930,167</u>	<u>7,711,355</u>	<u>218,812</u>
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs Within the State-Special	90,400	75,100	165,500	165,500	
Tuition to Priv. Sch. for the Disabled- Within the State	893,808	13,319	907,127	889,968	17,159
Total Undistributed Expenditures - Instruction	<u>984,208</u>	<u>88,419</u>	<u>1,072,627</u>	<u>1,055,468</u>	<u>17,159</u>

**EAST HANOVER BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Health Services					
Salaries	\$ 191,275	\$ (12,820)	\$ 178,455	\$ 178,455	
Other Purchased Services	200	(64)	136	136	
Supplies and Materials	3,200	849	4,049	4,049	-
Total Health Services	<u>194,675</u>	<u>(12,035)</u>	<u>182,640</u>	<u>182,640</u>	<u>-</u>
Speech, OT, PT and Related Services					
Salaries	317,030	77,974	395,004	395,004	
Purchased Professional-Educational Services	7,100	-	7,100	3,900	\$ 3,200
Supplies and Materials	7,066	(1,344)	5,722	5,722	-
Total OT, PT and Related Services	<u>331,196</u>	<u>76,630</u>	<u>407,826</u>	<u>404,626</u>	<u>3,200</u>
Guidance					
Salaries of Other Professional Staff	119,150	1,675	120,825	120,825	
Supplies and Materials	7,315	(62)	7,253	5,367	1,886
Total Guidance	<u>126,465</u>	<u>1,613</u>	<u>128,078</u>	<u>126,192</u>	<u>1,886</u>
Child Study Teams					
Salaries of Other Professional Staff	292,976	2,041	295,017	295,017	
Salaries of Secretarial and Clerical Assistants	43,605	100	43,705	43,705	
Other Salaries	15,224	(4,561)	10,663	10,663	
Purchased Professional-Educational Services	354,704	(97,280)	257,424	238,201	19,223
Other Purchased Services	2,850	(854)	1,996	1,975	21
Supplies and Materials	4,850	(1,104)	3,746	3,746	
Other Objects	5,200	822	6,022	6,022	-
Total Child Study Teams	<u>719,409</u>	<u>(100,836)</u>	<u>618,573</u>	<u>599,329</u>	<u>19,244</u>
Improvement of Instr. Serv/Other Supp Serv.-Inst. Staff					
Salaries of Other Professional Staff	250,004	(145,751)	104,253	104,253	-
Total Impvmt of Instr. Serv/Other Supp Serv.-Inst. Staff	<u>250,004</u>	<u>(145,751)</u>	<u>104,253</u>	<u>104,253</u>	<u>-</u>
Educational Media Services/School Library					
Salaries	138,735	(536)	138,199	138,199	
Supplies and Materials	13,600	(1,231)	12,369	12,369	-
Total Educational Media Serv./School Library	<u>152,335</u>	<u>(1,767)</u>	<u>150,568</u>	<u>150,568</u>	<u>-</u>
Instructional Staff Training Services					
Purchased Professional-Educational Services	5,054	(3,868)	1,186	1,186	
Supplies and Materials	1,000	2,063	3,063	3,063	
Other Objects	3,070	(381)	2,689	2,689	-
Total Instructional Staff Training Services	<u>9,124</u>	<u>(2,186)</u>	<u>6,938</u>	<u>6,938</u>	<u>-</u>

**EAST HANOVER BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Support Services General Administration					
Salaries	\$ 310,209	\$ 10,860	\$ 321,069	\$ 321,069	
Legal Services	20,000	21,826	41,826	41,826	
Audit Fees	29,000	25,528	54,528	26,087	\$ 28,441
Communications/Telephone	30,000	1,467	31,467	31,467	
BOE Other Purchased Services	2,000	569	2,569	2,569	
Miscellaneous Purchased Services	32,228	(11,642)	20,586	20,586	
General Supplies	4,400	(166)	4,234	4,234	
Miscellaneous Expenditures	22,230	(2,579)	19,651	19,650	1
BOE Membership Dues and Fees	10,414	(248)	10,166	10,166	-
Total Support Services General Administration	<u>460,481</u>	<u>45,615</u>	<u>506,096</u>	<u>477,654</u>	<u>28,442</u>
Support Services School Administration					
Salaries of Principal/Asst. Principals	391,800	131,080	522,880	522,880	
Salaries Other Prof. Staff	109,407	-	109,407	109,407	
Salaries of Secretarial and Clerical Assistants	278,190	(478)	277,712	277,712	-
Total Support Services School Administration	<u>779,397</u>	<u>130,602</u>	<u>909,999</u>	<u>909,999</u>	<u>-</u>
Central Services					
Salaries	94,300	(1,759)	92,541	92,541	
Purchased Professional Services	120,500	7,466	127,966	127,966	
Purchased Technical Services	8,200	(3,800)	4,400	4,400	
Supplies and Materials	7,700	5,751	13,451	12,623	828
Other Objects	300	178	478	478	-
Total Central Services	<u>231,000</u>	<u>7,836</u>	<u>238,836</u>	<u>238,008</u>	<u>828</u>
Admin. Info. Tech.					
Salaries	48,822	(1,797)	47,025	47,025	
Purchased Technical Services	82,160	3,210	85,370	85,370	
Supplies and Materials	12,910	67,503	80,413	18,715	61,698
Other Objects	2,625	(2,625)	-	-	-
Total Admin. Info. Tech.	<u>146,517</u>	<u>66,291</u>	<u>212,808</u>	<u>151,110</u>	<u>61,698</u>
Required Maintenance for School Facilities					
Salaries	247,680	5,153	252,833	252,833	
Cleaning, Repair and Maintenance	43,000	(21,289)	21,711	21,711	
General Supplies	16,000	8,309	24,309	24,015	294
Other Objects	500	(500)	-	-	-
Total Required Maintenance for School Fac.	<u>307,180</u>	<u>(8,327)</u>	<u>298,853</u>	<u>298,559</u>	<u>294</u>

**EAST HANOVER BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Custodial Services					
Salaries	\$ 509,380	\$ 14,750	\$ 524,130	\$ 524,130	
Purchased Prof. And Technical Serv.	5,000	15,583	20,583	20,583	
Cleaning, Repair and Maint. Serv.	33,900	(5,481)	28,419	28,419	
Insurance	50,702	(1,681)	49,021	49,021	
General Supplies	33,900	19,845	53,745	49,410	\$ 4,335
Energy (Heat and Electricity)	392,700	(67,399)	325,301	325,301	
Other Objects	2,600	(147)	2,453	2,453	-
	<u>1,028,182</u>	<u>(24,530)</u>	<u>1,003,652</u>	<u>999,317</u>	<u>4,335</u>
Total Custodial Services					
Student Transportation Services					
Salaries - Pupil Transportation (Between Home & School) - Regular	131,180	(330)	130,850	130,850	
Cleaning, Repair & Maint. Svc.	3,500	(1,434)	2,066	2,066	
Contracted Services - Aid in Lieu of Payments - Non-Public Schools	52,098	(3,673)	48,425	47,889	536
Contracted Services-Vendors (Between Home and School - Joint Agreements)	548,000	(13,251)	534,749	534,749	
Contracted Service (Spl. Ed.) - ESCs	275,812	(59,409)	216,403	216,403	
Misc. Purchased Svc. - Transportation	13,804	3,173	16,977	16,977	
Supplies and Materials	7,000	(2,054)	4,946	4,946	-
	<u>1,031,394</u>	<u>(76,978)</u>	<u>954,416</u>	<u>953,880</u>	<u>536</u>
Total Student Transportation Services					
Unallocated Benefits - Employee Benefits					
Social Security Contributions	184,777	20,858	205,635	204,671	964
Other Retirement Contributions - PERS	120,000	52,584	172,584	172,584	
Unemployment		64,818	64,818	64,818	
Workmen's Compensation	105,534	(1,566)	103,968	103,968	
Health Benefits	2,646,639	(189,552)	2,457,087	2,304,425	152,662
Tuition Reimbursement	40,000	-	40,000	36,821	3,179
	<u>3,096,950</u>	<u>(52,858)</u>	<u>3,044,092</u>	<u>2,887,287</u>	<u>156,805</u>
Total Unallocated Benefits - Employee Benefits					
On-behalf TPAF Pension Payments - NCGI Premium (Non-Budget)					
				30,103	(30,103)
On-behalf TPAF Pension Payments - Post Retirement Medical (Non-Budget)					
				565,372	(565,372)
On-behalf TPAF Social Security Payments (Non-Budget)					
	-	-	-	644,829	(644,829)
	<u>9,848,517</u>	<u>(8,262)</u>	<u>9,840,255</u>	<u>10,786,132</u>	<u>(945,877)</u>
Total Undistributed Expenditures					
Total Expenditures - Current Expenditures					
	<u>17,681,906</u>	<u>88,516</u>	<u>17,770,422</u>	<u>18,497,487</u>	<u>(727,065)</u>

**EAST HANOVER BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
CAPITAL OUTLAY					
Interest in Maintenance Reserve	\$ 100	-	\$ 100	-	\$ 100
Total Interest in Maintenance Reserve	100	-	100	-	100
Undistributed Expenditures:					
Required Maintenance for School Facilities Architectural/Engineering Services	-	\$ 6,760 3,131	6,760 3,131	\$ 6,760 3,131	-
Total Equipment	-	9,891	9,891	9,891	-
Facilities Acquisition and Construction Services					
Construction Services	-	116,013	116,013	41,793	74,220
Total Facilities Acquisition and Construction Services	-	116,013	116,013	41,793	74,220
Total Capital Outlay	100	125,904	126,004	51,684	74,320
Summer School - Instruction					
Salaries of Teachers	34,628	250	34,878	34,871	7
Other Salaries for Instruction	20,160	-	20,160	20,076	84
Purchased Prof. & Tech. Services	22,980	1,231	24,211	24,211	-
General Supplies	1,500	-	1,500	1,479	21
Total Summer School	79,268	1,481	80,749	80,637	112
Total Expenditures	17,761,274	215,901	17,977,175	18,629,808	(652,633)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	-	(215,901)	(215,901)	328,954	544,855
Other Financing Sources					
Transfer In	-	-	-	2,078	2,078
Total Other Financing Sources	-	-	-	2,078	2,078
Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Sources	-	(215,901)	(215,901)	331,032	546,933
Fund Balance, Beginning of Year	1,141,002	-	1,141,002	1,141,002	-
Fund Balance, End of Year	\$ 1,141,002	\$ (215,901)	\$ 925,101	\$ 1,472,034	\$ 546,933

EAST HANOVER BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Recapitulation of Fund Balance

Reserved For:	
Encumbrances	\$ 304,399
Maintenance Reserve	50,000
Maintenance Reserve - Designated for Subsequent Year's Expenditures	100,000
Capital Reserve	4,507
Capital Reserve - Designated for Subsequent Year's Expenditures	260,000
Excess Surplus - Designated for Subsequent Year's Expenditures	166,798
Excess Surplus	30,713
Unreserved:	
Undesignated	<u>555,617</u>
Reconciliation to Governmental Funds Statements (GAAP):	1,472,034
Less: State Aid Revenue Not Recognized on GAAP Basis	<u>(519,553)</u>
Fund Balance Per Governmental Funds (GAAP)	<u>\$ 952,481</u>

**EAST HANOVER BOARD OF EDUCATION
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
BUDGET (NON-GAAP) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Intergovernmental					
Local		\$ 16,042	\$ 16,042		\$ (16,042)
State	\$ 109,737	(10,313)	99,424	\$ 69,545	(29,879)
Federal	256,765	359,393	616,158	561,659	(54,499)
Total Revenues	<u>366,502</u>	<u>365,122</u>	<u>731,624</u>	<u>631,204</u>	<u>(100,420)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	1,774	9,351	11,125	885	10,240
Purchased Professional Educational Services	20,413	(3,846)	16,567	13,258	3,309
Purchased Professional and Technical Services	15,652	5,595	21,247	13,047	8,200
Other Purchased Services	201,042	67,485	268,527	259,488	9,039
General Supplies	8,857	28,087	36,944	9,632	27,312
Other Objects		481	481		481
Textbooks	13,228	(2,226)	11,002	11,002	-
Total Instruction	<u>260,966</u>	<u>104,927</u>	<u>365,893</u>	<u>307,312</u>	<u>58,581</u>
Support Services					
Personal Services-Employee Benefits	266	(137)	129	129	-
Purchased Professional/Educational Services	5,989	(5,963)	26		26
Purchased Professional and Technical Services	7,575	51,484	59,059	47,090	11,969
Other Purchased Services		10,384	10,384	10,384	
Tuition	72,425	(4,276)	68,149	45,496	22,653
Supplies and Materials	-	33,793	33,793	31,602	2,191
Total Support Services	<u>86,255</u>	<u>85,285</u>	<u>171,540</u>	<u>134,701</u>	<u>36,839</u>
Facilities Acquisition and Construction Services					
Buildings		160,000	160,000	160,000	
Non Instructional Equipment	19,281	14,910	34,191	29,191	5,000
Total Facilities Acquisition and Construction	<u>19,281</u>	<u>174,910</u>	<u>194,191</u>	<u>189,191</u>	<u>5,000</u>
Total Expenditures	<u>366,502</u>	<u>365,122</u>	<u>731,624</u>	<u>631,204</u>	<u>100,420</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	-	-	-	-	-
Fund Balances, Beginning of Year	-	-	-	-	-
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**EAST HANOVER BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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

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

		General Fund		Special Revenue Fund
Sources/inflows of resources				
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	(C-1)	\$ 18,958,762	(C-2)	\$ 631,204
Difference - Budget to GAAP:				
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and the related revenue is recognized (2009/2010)				(18,788)
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and the related revenue is recognized (2008/2009)				308
State Aid payment recognized for GAAP purposes, not recognized for Budgetary statements (2009/2010 State Aid)		(519,553)		
State Aid payment recognized for budgetary purposes, not recognized for GAAP statements (2008/2009 State Aid)		<u>481,034</u>		<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	(B-2)	<u>\$ 18,920,243</u>	(B-2)	<u>\$ 612,724</u>
Uses/outflows of resources				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	(C-1)	\$ 18,629,808	(C-2)	\$ 631,204
Differences - Budget to GAAP				
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes but in the year the supplies are received for financial reporting purposes		<u>-</u>		<u>(18,480)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	(B-2)	<u>\$ 18,629,808</u>	(B-2)	<u>\$ 612,724</u>

SCHOOL LEVEL SCHEDULES

(General Fund)

NOT APPLICABLE

SPECIAL REVENUE FUND

**EAST HANOVER BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Nonpublic Chapter 192			Nonpublic Chapter 193			Page Total
	Nonpublic Textbooks	Nonpublic Nursing	Compensatory Education	ESL	Corrective Speech	Examination & Classification	
REVENUES							
Intergovernmental							
State	\$ 11,002	\$ 13,047	\$ 15,355	\$ 1,762	\$ 9,236	\$ 9,825	\$ 69,545
Federal	-	-	-	-	-	-	-
Total Revenues	\$ 11,002	\$ 13,047	\$ 15,355	\$ 1,762	\$ 9,236	\$ 9,825	\$ 69,545
EXPENDITURES							
Instruction							
Purchased Professional and Technical Services	\$ 11,002	\$ 13,047	-	-	-	-	\$ 13,047
Textbooks	-	-	-	-	-	-	11,002
Total Instruction	11,002	13,047	-	-	-	-	24,049
Support Services							
Tuition	-	-	\$ 15,355	\$ 1,762	\$ 9,236	\$ 9,825	45,496
Supplies and Materials	-	-	-	-	-	-	-
Total Support Services	-	-	15,355	1,762	9,236	9,825	45,496
Facilities Acquisition and Construction Services							
Construction Services	-	-	-	-	-	-	-
Total Facilities Acquisition and Const. Svc	-	-	-	-	-	-	-
Total Expenditures	\$ 11,002	\$ 13,047	\$ 15,355	\$ 1,762	\$ 9,236	\$ 9,825	\$ 69,545

**EAST HANOVER BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Total Page 1	Title IIA	Title V	I.D.E.L.A. Part B Basic	I.D.E.L.A. Preschool	I.D.E.L.A. Basic ARRA	I.D.E.L.A. Preschool ARRA	Total
REVENUES								
Intergovernmental								
State	\$ 69,545	\$ 19,361	\$ 166	\$ 259,488	\$ 13,258	\$ 266,564	\$ 2,822	\$ 69,545
Federal	-	-	-	-	-	-	-	561,659
Total Revenues	\$ 69,545	\$ 19,361	\$ 166	\$ 259,488	\$ 13,258	\$ 266,564	\$ 2,822	\$ 631,204
EXPENDITURES								
Instruction								
Salaries of Teachers	\$ 13,047	\$ 885	-	-	-	-	-	\$ 885
Purchased Professional and Technical Services								13,047
Purchased Professional Educational Services				\$ 259,488	\$ 13,258			13,258
Other Purchased Services		6,644	166	-	-		2,822	259,488
General Supplies	11,002	-	-	-	-	-	-	9,632
Textbooks								11,002
Total Instruction	24,049	7,529	166	259,488	13,258	-	2,822	307,312
Support Services								
Purchased Professional and Technical Services		1,248				45,842		47,090
Personal Services - Employee Benefits		129						129
Other Purchased Services		10,384						10,384
Tuition	45,496							45,496
Supplies and Materials		71				31,531		31,602
Total Support Services	45,496	11,832				77,373		134,701
Facilities Acquisition and Construction Services								
Buildings						160,000		160,000
Non Instructional Equipment						29,191		29,191
Total Facilities Acquisition and Const. Svc						189,191		189,191
Total Expenditures	\$ 69,545	\$ 19,361	\$ 166	\$ 259,488	\$ 13,258	\$ 266,564	\$ 2,822	\$ 631,204

**EAST HANOVER BOARD OF EDUCATION
SPECIAL REVENUE FUND
SCHEDULE OF PRESCHOOL EDUCATION AID EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOT APPLICABLE

CAPITAL PROJECTS FUND

**EAST HANOVER BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<u>Project</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance, June 30, 2010</u>
		<u>Prior Year</u>	<u>Current Year</u>	
Additions and Renovations to Central School, Frank J. Smith School and Middle School	\$ 14,540,955	\$ 13,795,422	\$ 240,498	\$ 505,035
Total Referendum Project	<u>\$ 14,540,955</u>	<u>\$ 13,795,422</u>	<u>\$ 240,498</u>	505,035
		Fund Balance, June 30, 2010		<u>\$ 505,035</u>

Analysis of Appropriations:

Additions and Renovations to Central School	
Facilities Grant	\$ 1,827,494
Bond Proceeds	3,072,000
Capital Reserve	<u>10</u>
	<u>4,899,504</u>
Additions and Renovations to Frank J. Smith School	
Facilities Grant	2,016,063
Bond Proceeds	5,364,000
Capital Reserve	<u>175</u>
	<u>7,380,238</u>
Additions and Renovations to Middle School	
Facilities Grant	904,485
Bond Proceeds	1,356,000
Capital Reserve	<u>728</u>
	<u>2,261,213</u>
Total Appropriations	<u>\$ 14,540,955</u>

**EAST HANOVER BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Revenues and Other Financing Sources	
Interest Earned	\$ <u>2,078</u>
Total Revenues and Other Financing Sources	<u>2,078</u>
Expenditures and Other Financing Uses	
Construction Services	141,507
Purchased Professional and Technical Services	13,500
Equipment	85,491
Transfer to General Fund	<u>2,078</u>
Total Expenditures and Other Financing Uses	<u>242,576</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(240,498)
Fund Balance- Beginning of Year	<u>745,533</u>
Fund Balance- End of Year	<u>\$ 505,035</u>

**EAST HANOVER BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
ADDITIONS AND RENOVATIONS TO MIDDLE, CENTRAL & FRANK J. SMITH SCHOOLS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Transfer</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources					
State Sources- SCC Grant					
Bond Proceeds					
Transfer from Other Projects	\$ 767,088			\$ 767,088	
Transfer from Capital Reserve	-	-	-	-	-
	<u>767,088</u>	<u>-</u>	<u>-</u>	<u>767,088</u>	<u>-</u>
Total Revenues and Other Financing Sources	<u>767,088</u>	<u>-</u>	<u>-</u>	<u>767,088</u>	<u>-</u>
Expenditures and Other Financing Uses					
Construction Services	14,019	\$ 141,507		155,526	
Purchased Professional Services	7,536	13,500		21,036	-
Equipment	-	85,491	-	85,491	-
	<u>21,555</u>	<u>240,498</u>	<u>-</u>	<u>262,053</u>	<u>-</u>
Total Expenditures and Other Financing Uses	<u>21,555</u>	<u>240,498</u>	<u>-</u>	<u>262,053</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ 745,533</u>	<u>\$ (240,498)</u>	<u>\$ -</u>	<u>\$ 505,035</u>	<u>\$ -</u>
Additional Project Information:					
Project Number	FKA #0540				
Grant Date					
Bond Authorization Date					
Bonds Authorized					
Bonds Issued					
Original Authorized Cost	767,088				
Additional Authorized Cost	-				
Revised Authorized Cost	767,088				
Percentage Increase(Decrease) Over Original Authorized Cost	0.00%				
Percentage Completion	34.16%				
Original Target Completion Date	Aug-04				
Revised Target Completion Date	June-10				

ENTERPRISE FUND

**EAST HANOVER BOARD OF EDUCATION
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2010**

	<u>Food Service Fund</u>	<u>After School Child Care Program Fund</u>	<u>Total Non-Major Enterprise Fund</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 17,383	\$ 92,344	\$ 109,727
Intergovernmental Receivable			
Federal	643		643
Prepaid Expenses		13,760	13,760
Due from General Fund	8,700	-	8,700
	<u>26,726</u>	<u>106,104</u>	<u>132,830</u>
Total Current Assets			
Noncurrent Assets			
Equipment	66,762		66,762
Less: Accumulated Depreciation	(66,762)	-	(66,762)
	<u>-</u>	<u>-</u>	<u>-</u>
Total Noncurrent Assets			
Total Assets	<u>26,726</u>	<u>106,104</u>	<u>132,830</u>
LIABILITIES			
Current Liabilities			
Intergovernmental Payable	78		78
Due to General Fund		10,349	10,349
Accounts Payable	1,990		1,990
Unearned Revenue	-	92,776	92,776
	<u>2,068</u>	<u>103,125</u>	<u>105,193</u>
Total Current Liabilities			
NET ASSETS			
Unrestricted	<u>24,658</u>	<u>2,979</u>	<u>27,637</u>
Total Net Assets	<u>\$ 24,658</u>	<u>\$ 2,979</u>	<u>\$ 27,637</u>

**EAST HANOVER BOARD OF EDUCATION
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Food Service Fund</u>	<u>After School Child Care Program Fund</u>	<u>Total Non-Major Enterprise Fund</u>
OPERATING REVENUES			
Charges for Services			
Daily Sales	\$ 15,612	-	\$ 15,612
Total Operating Revenues	<u>15,612</u>	<u>-</u>	<u>15,612</u>
OPERATING EXPENSES			
Cost of Sales	<u>10,794</u>	<u>-</u>	<u>10,794</u>
Total Operating Expenses	<u>10,794</u>	<u>-</u>	<u>10,794</u>
Operating Income (Loss)	<u>4,818</u>	<u>-</u>	<u>4,818</u>
NONOPERATING REVENUES			
Interest Earnings	38	\$ 26	64
Federal Sources			
National School Milk Program	<u>3,845</u>	<u>-</u>	<u>3,845</u>
Total Nonoperating Revenues	<u>3,883</u>	<u>26</u>	<u>3,909</u>
Change in Net Assets	8,701	26	8,727
Total Net Assets, Beginning of Year	<u>15,957</u>	<u>2,953</u>	<u>18,910</u>
Total Net Assets, End of Year	<u>\$ 24,658</u>	<u>\$ 2,979</u>	<u>\$ 27,637</u>

**EAST HANOVER BOARD OF EDUCATION
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Food Service Fund</u>	<u>After School Child Care Program Fund</u>	<u>Total Non-Major Enterprise Fund</u>
Cash Flows from Operating Activities			
Cash Received from Customers	\$ 15,612	\$ 92,776	\$ 108,388
Cash Payments to Suppliers for Goods and Services	<u>(9,837)</u>	<u>(3,411)</u>	<u>(13,248)</u>
Net Cash Provided by Operating Activities	<u>5,775</u>	<u>89,365</u>	<u>95,140</u>
Cash Flows from Noncapital Financing Activities			
Cash Received from Other Funds	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities			
Interest Earnings	<u>38</u>	<u>26</u>	<u>64</u>
Net Cash Provided by Investing Activities	<u>38</u>	<u>26</u>	<u>64</u>
Net Increase in Cash and Cash Equivalents	5,813	89,391	95,204
Cash and Cash Equivalents, Beginning of Year	<u>11,570</u>	<u>2,953</u>	<u>14,523</u>
Cash and Cash Equivalents, End of Year	<u>\$ 17,383</u>	<u>\$ 92,344</u>	<u>\$ 109,727</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	<u>\$ 4,818</u>	<u>-</u>	<u>\$ 4,818</u>
Adjustments to Reconcile Operating Income (Loss to) Net Cash Provided by Operating Activities			
Change in Assets and Liabilities			
(Increase)/Decrease in Prepaid Expense		\$ (13,760)	\$ (13,760)
Increase (Decrease) in Unearned Revenue		92,776	92,776
Increase/(Decrease) in Interfund		10,349	10,349
Increase/(Decrease) in Accounts Payable	<u>957</u>	<u>-</u>	<u>957</u>
Total Adjustments	<u>957</u>	<u>89,365</u>	<u>90,322</u>
Net Cash Provided by Operating Activities	<u>\$ 5,775</u>	<u>\$ 89,365</u>	<u>\$ 95,140</u>

FIDUCIARY FUNDS

**EAST HANOVER BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
ASSETS			
Cash	\$ 49,362	\$ 35,031	\$ 84,393
Due from Other Funds	<u>4,000</u>	<u>-</u>	<u>4,000</u>
Total Assets	<u>\$ 53,362</u>	<u>\$ 35,031</u>	<u>\$ 88,393</u>
LIABILITIES			
Due to Student Groups	\$ 52,245		\$ 52,245
Accounts Payable	1,117		1,117
Due to Other Funds		\$ 33,886	33,886
Payroll Deductions and Withholdings	<u>-</u>	<u>1,145</u>	<u>1,145</u>
Total Liabilities	<u>\$ 53,362</u>	<u>\$ 35,031</u>	<u>\$ 88,393</u>

**FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

**STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Balance, July 1, 2009</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance, June 30, 2010</u>
<u>Elementary Schools:</u>				
Frank J. Smith	\$ 3,804	\$ 19,586	\$ 14,008	\$ 9,382
Central School	4,039	25,330	26,095	3,274
Middle School	<u>37,293</u>	<u>156,709</u>	<u>157,296</u>	<u>36,706</u>
 Total All Schools	 <u>\$ 45,136</u>	 <u>\$ 201,625</u>	 <u>\$ 197,399</u>	 <u>\$ 49,362</u>

**PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Balance, July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2010</u>
LIABILITIES				
Payroll Deductions and Withholdings	\$ 1,385	\$ 4,664,974	\$ 4,665,214	\$ 1,145
Accrued Salaries and Wages		7,281,780	7,281,780	
Due to/(from) Other Funds	<u>13,386</u>	<u>22,951</u>	<u>2,451</u>	<u>33,886</u>
 Total	 <u>\$ 14,771</u>	 <u>\$ 11,969,705</u>	 <u>\$ 11,949,445</u>	 <u>\$ 35,031</u>

LONG-TERM DEBT

**EAST HANOVER BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities Date</u>	<u>Annual Maturities Amount</u>	<u>Interest Rate</u>	<u>Balance, July 1, 2009</u>	<u>Matured</u>	<u>Balance, June 30, 2010</u>
Various Improvements	1/15/2003	\$ 8,839,000	1/15/2011	\$ 385,000				
			1/15/2012	400,000				
			1/15/2013	425,000				
			1/15/2014	440,000				
			1/15/2015	460,000				
			1/15/2016	475,000				
			1/15/2017	500,000				
			1/15/2018	530,000				
			1/15/2019	555,000				
			1/15/2020	575,000				
			1/15/2021	590,000				
			1/15/2022	590,000				
			1/15/2023	589,000		3.70%	\$ 6,889,000	\$ 375,000
Various Improvements	8/1/2007	953,000	8/1/2010	190,000				
			8/1/2011	220,000				
			8/1/2012	253,000	4.10%	823,000	160,000	663,000
						\$ 7,712,000	\$ 535,000	\$ 7,177,000

**EAST HANOVER BOARD OF EDUCATION
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Local Sources					
Local Tax Levy	\$ 846,839	-	\$ 846,839	\$ 846,839	-
Total Revenues	<u>846,839</u>	<u>-</u>	<u>846,839</u>	<u>846,839</u>	<u>-</u>
EXPENDITURES					
Regular Debt Service					
Redemption of Principal	535,000		535,000	535,000	
Interest on Bonds	311,839	-	311,839	311,839	-
Total Expenditures	<u>846,839</u>	<u>-</u>	<u>846,839</u>	<u>846,839</u>	<u>-</u>
Excess of Revenues Over Expenditures	-	-	-	-	-
Fund Balance, Beginning of Year	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ -</u>

STATISTICAL SECTION

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

Contents

Exhibits

Financial Trends

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

J-1 to J-5

Revenue Capacity

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

J-6 to J-9

Debt Capacity

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

J-10 to J-13

Demographic and Economic Information

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

J-14 and J-15

Operating Information

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

J-16 to J-20

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

EAST HANOVER BOARD OF EDUCATION
NET ASSETS BY COMPONENT
LAST EIGHT FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
Governmental Activities					(Restated)			
Invested in Capital Assets, Net of Related Debt	\$ (7,640,642)	\$ 1,420,033	\$ 532,421	\$ 106,529	\$ 6,588,286	\$ 6,893,035	\$ 7,088,183	\$ 7,448,345
Restricted	9,907,689	6,160,846	1,990,118	251,656	261,133	263,053	263,799	414,508
Unrestricted	118,457	(558,319)	(229,834)	106,529	(275,424)	(344,397)	(263,667)	67,848
Total Governmental Activities Net Assets	\$ 2,385,504	\$ 7,023,560	\$ 2,292,705	\$ 464,714	\$ 6,573,995	\$ 6,811,691	\$ 7,088,315	\$ 7,930,701
Business-Type Activities								
Invested in Capital Assets	\$ 2,385	\$ 1,075	\$ (1,317)	\$ 616	\$ 6,372	\$ 13,599	\$ 18,910	\$ 27,637
Unrestricted		(615)						
Total Business-Type Activities Net Assets	\$ 2,385	\$ 460	\$ (1,317)	\$ 616	\$ 6,372	\$ 13,599	\$ 18,910	\$ 27,637
District-Wide								
Invested in Capital Assets, Net of Related Debt	\$ (7,640,642)	\$ 1,421,108	\$ 532,421	\$ 6,254,970	\$ 6,588,286	\$ 6,893,035	\$ 7,088,183	\$ 7,448,345
Restricted	9,907,689	6,160,846	1,990,118	251,656	261,133	263,053	263,799	414,508
Unrestricted	120,842	(558,934)	(231,151)	107,145	(269,052)	(330,798)	(244,757)	95,485
Total District Net Assets	\$ 2,387,889	\$ 7,023,020	\$ 2,291,388	\$ 6,613,771	\$ 6,580,367	\$ 6,825,290	\$ 7,107,225	\$ 7,958,338

Source: District's Financial Records

Note:

GASB requires that ten years of statistical data be presented. However, since the District implemented the new reporting model contained in GASB No. 34 in fiscal year 2003 only eight years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

EAST HANOVER BOARD OF EDUCATION
CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
Expenses								
Governmental Activities								
Instruction								
Regular	\$ 6,589,094	\$ 7,126,757	\$ 7,007,276	\$ 7,234,255	\$ 7,316,648	\$ 7,375,642	\$ 7,242,000	\$ 7,335,791
Special Education	2,477,123	2,190,943	2,930,407	3,377,757	3,900,588	4,114,560	3,921,340	4,105,242
Other Special Education	207,860	215,164	357,627	304,639	482,462	501,997	515,645	535,460
Other Instruction	75,016	105,771	111,493	112,825	133,753	138,141	156,545	153,907
Support Services:								
Student & Instruction Related Services	1,567,295	1,655,862	1,645,379	1,772,106	1,992,862	2,123,891	2,183,912	2,164,484
General Administration	453,077	487,008	576,433	511,748	1,049,983	1,033,427	739,616	600,557
School Administrative Services	665,605	631,913	714,268	894,622	508,755	584,160	1,046,552	1,216,253
Plant Operations And Maintenance	1,303,753	1,507,703	1,418,677	1,537,161	1,456,878	1,488,315	1,601,921	1,648,716
Pupil Transportation	636,876	731,224	884,907	990,168	977,532	974,757	1,042,949	1,022,589
Central Services	359,936	394,801	443,641	448,225	507,052	588,070	584,705	454,181
Special Schools	24,020	45,752	40,307					
Charter Schools	7,478	8,280						
Interest On Long-Term Debt	162,033	545,018	154,748	325,875	325,677	367,679	300,734	302,318
Retirement of Fixed Assets		576,501						
Bond Issue Costs		45,154						
Unallocated Depreciation	86,052	75,117	323,560					
Total Governmental Activities Expenses	<u>14,615,218</u>	<u>16,322,968</u>	<u>16,617,108</u>	<u>17,509,361</u>	<u>18,654,190</u>	<u>19,290,639</u>	<u>19,335,917</u>	<u>19,539,498</u>
Business-Type Activities:								
Food Service	14,136	21,440	16,846	15,733	14,606	15,205	15,979	10,794
Summer Program						2,363	1,200	
Total Business-Type Activities Expense	<u>14,136</u>	<u>21,440</u>	<u>16,846</u>	<u>15,733</u>	<u>14,606</u>	<u>17,568</u>	<u>17,179</u>	<u>10,794</u>
Total District Expenses	<u>\$ 14,629,354</u>	<u>\$ 16,344,408</u>	<u>\$ 16,633,954</u>	<u>\$ 17,525,094</u>	<u>\$ 18,668,796</u>	<u>\$ 19,308,207</u>	<u>\$ 19,553,096</u>	<u>\$ 19,550,292</u>
Program Revenues								
Governmental Activities:								
Operating Grants And Contributions	\$ 2,444,256	\$ 1,407,637	\$ 1,474,363	\$ 2,612,953	\$ 3,283,268	\$ 3,341,698	\$ 2,522,100	\$ 3,022,004
Capital Grants And Contributions	51,133							
Total Governmental Activities Program Revenues	<u>2,495,389</u>	<u>1,407,637</u>	<u>1,474,363</u>	<u>2,612,953</u>	<u>3,283,268</u>	<u>3,341,698</u>	<u>2,522,100</u>	<u>3,022,004</u>

EAST HANOVER BOARD OF EDUCATION
CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
Business-Type Activities:								
Charges For Services	\$ 10,976	\$ 16,290	\$ 15,069	\$ 13,571	\$ 14,126	\$ 15,044	\$ 17,258	\$ 15,612
Food Service						5,145		
Summer Program	2,931	-	-	4,095	4,888	4,515	5,210	3,845
* Operating Grants And Contributions								
Total Business Type Activities Program Revenues	15,907	16,290	15,069	17,666	19,014	24,704	22,468	19,457
Total District Program Revenues	2,509,296	1,423,927	1,489,432	2,630,619	3,302,282	3,366,402	2,544,568	3,041,461
Net (Expense)/Revenue								
Governmental Activities	\$ (12,119,829)	\$ (14,915,331)	\$ (15,142,745)	\$ (14,896,408)	\$ (15,370,922)	\$ (15,948,941)	\$ (16,813,817)	\$ (16,517,494)
Business-Type Activities	(229)	(5,150)	(1,777)	1,933	4,408	7,136	5,289	8,665
Total District-Wide Net Expense	(12,120,058)	(14,920,481)	(15,144,522)	(14,894,475)	(15,366,514)	(15,941,805)	(16,808,528)	(16,508,829)
General Revenues and Other Changes in Net Assets								
Governmental Activities:								
Property Taxes Levied For General Purposes, Net	\$ 12,260,541	\$ 12,847,842	\$ 12,937,127	\$ 13,466,716	\$ 14,218,199	\$ 15,228,543	\$ 15,837,685	\$ 16,431,592
Taxes Levied For Debt Service		648,526	647,610	651,326	649,486	652,276	840,054	846,839
Restricted Grants And Contributions		4,696,909						
Unrestricted Grants And Contributions		1,205,872	1,340,991	155,602	155,557	188,951	133,679	21,922
Tuition Received		8,615	4,845					
Investment Earnings	80,131			128,128				
Miscellaneous Income	35,878	147,848	230,559	84,150	308,478	116,867	279,023	59,527
Gain on Disposal of Capital Assets				6,555				
Transfers				99	42			
Total Governmental Activities	12,376,550	19,555,612	15,160,932	14,492,556	15,331,762	16,186,637	17,090,441	17,359,880
Business-Type Activities:								
Miscellaneous Income				99	88	91	22	64
Transfers				(99)	(42)			
Total Business-Type Activities	-	-	-	-	46	91	22	64
Total District-Wide	12,376,550	19,555,612	15,160,932	14,492,556	15,331,808	16,186,728	17,090,463	17,359,944
Change in Net Assets								
Governmental Activities	\$ 256,721	\$ 4,640,281	\$ 18,187	\$ (403,852)	\$ (39,160)	\$ 237,696	\$ 276,624	\$ 842,386
Business-Type Activities	(229)	(5,150)	(1,777)	1,933	4,454	7,227	5,311	8,727
Total District	256,492	4,635,131	16,410	(401,919)	(34,706)	244,923	281,935	851,113

Source: District's Financial Records

Note:
 GASB requires that ten years of statistical data be presented. However, since the District implemented the new reporting model contained in GASB No. 34 in fiscal year 2005 only eight years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

**EAST HANOVER BOARD OF EDUCATION
FUND BALANCES - GOVERNMENTAL FUNDS
LAST EIGHT FISCAL YEARS**

(Unaudited)
(modified accrual basis of accounting)

	Fiscal Year Ended June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
General Fund								
Reserved	\$ 1,100,298	\$ 1,847,295	\$ 1,365,464	\$ 697,486	\$ 378,277	\$ 520,308	\$ 633,271	\$ 916,417
Unreserved	729,906	260,812	345,994	354,188	261,092	127,910	26,697	36,064
Total General Fund	\$ 1,830,204	\$ 2,108,107	\$ 1,711,458	\$ 1,051,674	\$ 639,369	\$ 648,218	\$ 659,968	\$ 952,481
All Other Governmental Funds								
Reserved	\$ 4,798,815	\$ 8,133,677	\$ 562,918	\$ 562,918	\$ 4,023,445	\$ 470,976	\$ 47,347	\$ 25,100
Unreserved	8,762,235	8,058,737	1,560,033	5,261,558	108,690	803,543	698,186	479,936
Total All Other Governmental Funds	\$ 8,762,235	\$ 12,857,552	\$ 9,693,710	\$ 5,824,476	\$ 4,132,135	\$ 1,274,519	\$ 745,533	\$ 505,036

Source: District's Financial Records

Note:

GASB requires that ten years of statistical data be presented. However, since the District implemented the new reporting model contained in GASB No. 34 in fiscal year 2003 only eight years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

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

	Fiscal Year Ended June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
Revenues								
Tax Levy	\$ 12,260,541	\$ 13,496,368	\$ 13,584,737	\$ 14,118,042	\$ 14,867,685	\$ 15,880,819	\$ 16,677,739	\$ 17,278,431
Tuition Charges		8,615	4,845					
Interest Earnings	80,131			128,128				
Miscellaneous	34,998	147,848	230,359	84,130	308,478	116,867	279,023	59,527
State Sources	2,050,588	7,039,546	2,500,482	2,487,407	3,150,311	3,248,426	2,353,107	2,500,747
Federal Sources	444,801	270,373	289,131	281,148	288,514	282,223	302,673	543,179
Private Sources	-	500	2,000	-	-	-	-	-
Total Revenue	14,871,059	20,963,250	16,611,554	17,098,855	18,614,988	19,528,335	19,612,542	20,381,884
Expenditures								
Instruction								
Regular Instruction	5,119,968	5,433,883	5,382,266	7,154,513	7,294,219	7,309,836	7,140,499	7,254,801
Special Education Instruction	2,098,319	1,770,758	2,427,038	3,354,462	3,879,284	4,090,088	3,865,377	4,057,394
Other Special Instruction	158,806	159,486	267,191					
Other Instruction	60,138	82,597	86,687	301,495	478,930	498,001	508,351	529,406
School Sponsored Activities and Athletics				111,757	135,753	138,001	156,679	154,195
Support Services:								
Student and Inst. Related Services	1,259,986	1,296,168	1,316,410	1,738,801	1,980,936	2,110,042	2,153,061	2,138,540
General Administration	379,229	402,901	489,264	508,351	505,863	580,840	728,956	593,669
School Administrative Services	504,197	509,724	580,372	884,851	1,040,978	1,023,231	1,031,935	1,204,492
Central Services	300,795	324,464	374,685	445,555	504,118	584,651	576,272	448,692
Plant Operations And Maintenance	1,084,576	1,281,561	1,176,083	1,524,612	1,448,718	1,479,030	1,579,028	1,629,523
Pupil Transportation	579,384	677,506	826,223	955,105	975,012	971,890	1,027,598	1,009,733
Employee Benefits	2,692,104	3,137,926	3,290,070					
Special Schools	19,549	35,494	32,109					
Charter Schools	7,478	8,280	8,385					
Capital Outlay	274,118	820,756	3,303,844	3,889,234	2,737,221	2,861,252	397,853	462,585
Debt Service								
Principal		295,000	305,000	414,130	404,506	421,259	607,051	535,000
Interest and Other Charges	-	353,526	342,611	345,107	329,994	308,981	357,117	311,839
Total Expenditures	14,538,647	16,590,030	20,208,238	21,627,973	21,715,532	22,377,102	20,129,777	20,329,869
Excess (Deficiency) of Revenues								
Over (Under) Expenditures	332,412	4,373,220	(3,596,684)	(4,529,118)	(3,100,544)	(2,848,767)	(517,235)	52,015
Other Financing Sources (Uses)								
Bond Proceeds	8,839,000				953,000			
Premium on Bond Proceeds	880							
Capital Leases (Non-Budgeted)			36,194		42,856			
Transfers In	58,261	117,199	155,877	74,623	138,289	1,208	6,154	2,078
Transfers Out	(58,261)	(117,199)	(155,877)	(74,524)	(138,247)	(1,208)	(6,154)	(2,078)
Total Other Financing Sources (Uses)	8,839,880	-	36,194	99	995,898	-	-	-
Net Change in Fund Balances	\$ 9,172,292	\$ 4,373,220	\$ (3,560,490)	\$ (4,529,019)	\$ (2,104,646)	\$ (2,848,767)	\$ (517,235)	\$ 52,015
Debt Service as a Percentage of								
Noncapital Expenditures	0.00%	4.11%	3.83%	4.28%	3.87%	3.74%	4.89%	4.26%

Source: District's Financial Records

* Noncapital expenditures are total expenditures less capital outlay.

Note:

GASB requires that ten years of statistical data be presented. However, since the District implemented the new reporting model contained in GASB No. 34 in fiscal year 2003 only eight years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

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

Fiscal Year Ended June 30,	<u>Interest on Investments</u>	<u>Sale of Assets</u>	<u>Miscellaneous</u>	<u>Total</u>
2001	\$ 156,869		\$ 25,731	\$ 182,600
2002	61,452		54,134	115,586
2003	34,998		23,663	58,661
2004	29,785		864	30,649
2005	30,861		43,620	74,481
2006	53,604		84,130	137,734
2007	55,463		114,699	170,162
2008	54,610		61,048	115,658
2009	30,257	\$ 130,400	112,212	272,869
2010	8,431		49,018	57,449

Source: District's Financial Records

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

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^a
2001	\$ 16,524,800	\$ 716,823,700			\$ 434,915,000	\$ 105,184,900		\$ 1,273,448,400	\$ 2,044,213	\$ 1,275,492,613	\$ 2,032,898,003	\$ 0.850
* 2002	36,839,700	1,365,457,900			822,104,400	170,817,700		2,395,219,700	3,298,920	2,398,518,620	2,204,160,914	0.490
2003	32,439,300	1,364,694,600			901,204,500	169,952,300		2,468,290,700	3,294,957	2,471,585,657	2,468,290,700	0.530
2004	33,857,800	1,365,638,900			907,849,900	166,239,500		2,473,606,100	3,057,155	2,476,663,255	2,473,606,100	0.520
2005	30,941,400	1,373,868,900			891,080,700	161,390,200		2,457,281,200	2,498,689	2,459,779,889	3,012,237,212	0.462
2006	27,842,000	1,392,164,500			860,768,600	158,651,300		2,439,426,400	2,204,322	2,441,630,722	3,263,474,645	0.489
2007	28,357,400	1,398,387,900			858,164,200	159,026,300		2,443,933,800	2,450,212	2,446,386,012	3,451,954,019	0.610
2008	25,273,000	1,412,610,900			903,419,300	158,521,600		2,499,824,800	2,382,719	2,502,207,519	3,734,169,526	0.648
2009	23,661,400	1,413,759,500			832,574,597	200,519,200		2,470,514,697	2,650,113	2,473,164,810	3,678,662,516	0.693
2010	22,852,400	1,417,254,300			820,763,797	200,142,200	224,300	2,461,236,997		2,461,236,997	4,044,758,170	0.714

Source: County Abstract of Ratables

N/A - Information is not available.

^a Tax rates are per \$100

**EAST HANOVER BOARD OF EDUCATION
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS**

(Unaudited)

(rate per \$100 of assessed value)

Assessment Year	Hanover Park Regional District	East Hanover School District	East Hanover Township	Morris County	Total
2001	\$ 0.50	\$ 0.85	\$ 0.63	\$ 0.47	\$ 2.45
* 2002	0.26	0.49	0.38	0.24	1.37
2003	0.25	0.53	0.38	0.29	1.45
2004	0.27	0.52	0.42	0.30	1.51
2005	0.31	0.57	0.46	0.33	1.68
2006	0.35	0.60	0.49	0.34	1.78
2007	0.39	0.61	0.51	0.34	1.85
2008	0.38	0.65	0.52	0.34	1.89
2009	0.39	0.69	0.59	0.29	1.96
2010	0.42	0.71	0.56	0.38	2.07

Source: County Abstract of Ratables

* Note - The District had a revaluation of property values which became effective in 2002.

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

Taxpayer	2010		2001	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Novartis	\$ 353,910,100	14%	Not Available	
Kraft Foods N. America	71,962,600	2.92%		
New Hanover L.L.C.	24,917,000	1.01%		
Castle Ridge Plaza	22,000,000	0.89%		
Givaudan Flavors Corp	21,400,000	0.87%		
Paradigm Eash Hanover LLC	21,303,497	0.87%		
Eagle Rock Executive C/O Wells	20,000,000	0.81%		
Givaudan Flavors Corp	19,991,300	0.81%		
Eric Reichard D.R. Company LLC	15,500,000	0.63%		
Cosctco Wholesale Corp	14,000,000	0.57%		
	<u>\$ 584,984,497</u>	<u>23.77%</u>	<u>\$</u>	<u>- 0.00%</u>

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2001	\$ 10,492,604	\$ 10,492,604	100.00%	N/A
2002	11,076,556	11,076,556	100.00%	N/A
2003	12,260,541	12,260,541	100.00%	N/A
2004	13,496,368	13,496,368	100.00%	N/A
2005	13,584,737	13,584,737	100.00%	N/A
2006	14,118,042	14,118,042	100.00%	N/A
2007	14,867,685	14,867,685	100.00%	N/A
2008	15,880,819	15,880,819	100.00%	N/A
2009	16,677,739	16,677,739	100.00%	N/A
2010	17,278,431	17,278,431	100.00%	N/A

Source: District Financial Records

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

Fiscal Year Ended June 30,	<u>Governmental Activities</u>		Total District	Population	Per Capita
	General Obligation Bonds	Capital Leases			
2005	\$ 8,239,000	\$ 324,090	\$ 8,563,090	11,438	\$ 749
2006	7,919,000	229,960	8,148,960	11,455	711
2007	8,542,000	198,310	8,740,310	11,375	768
2008	8,197,000	122,051	8,319,051	11,396	730
2009	7,712,000		7,712,000	11,396 *	677
2010	7,177,000		7,177,000	11,372	631

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

Note:

GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2007 only six years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

*Estimated

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions			
2005	\$ 8,239,000		\$ 8,239,000	0.33%	\$ 749
2006	7,919,000		7,919,000	0.32%	711
2007	8,542,000		8,542,000	0.35%	768
2008	8,197,000		8,197,000	0.33%	730
2009	7,712,000		7,712,000	0.31%	677
2010	7,177,000		7,177,000	0.29%	631

Source: District Financial Records and Abstract of Ratables

Notes:

a See Exhibit J-6 for property tax data.

b See Exhibit J-14 for population data.

Note:

GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2006 only six years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

**EAST HANOVER BOARD OF EDUCATION
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
DECEMBER 31, 2009
(Unaudited)**

	<u>Total Debt</u>
Municipal Debt: (1)	
East Hanover Township Board of Education	\$ 7,552,000
Regional High School - Township's Share	12,126,561
Township of East Hanover	<u>22,506,010</u>
	42,184,571
Overlapping Debt Apportioned to the Municipality:	
Morris County:	
County of Morris (A)	<u>9,100,501</u>
Total Direct and Overlapping Debt	<u>\$ 51,285,072</u>

Source:

(1) Township's 2009 Annual Debt Statement

(A) The debt for this entity was apportioned to East Hanover by dividing the municipality's 2009 equalized value by the total 2009 equalized value for Morris County.

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

Legal Debt Margin Calculation for Fiscal Year 2010

Equalized Valuation Basis	
2009	\$ 4,036,129,222
2008	3,718,317,418
2007	<u>3,627,632,181</u>
	<u>\$ 11,382,078,821</u>
 Average Equalized Valuation Of Taxable Property	 <u>\$ 3,794,026,274</u>
Debt Limit (3% of Average Equalization)	\$ 113,820,788
Total Net Debt Applicable to Limit	<u>7,177,000</u>
 Legal Debt Margin	 <u>\$ 106,643,788</u>

	Fiscal Year					
	2005	2006	2007	2008	2009	2010
Debt Limit	\$ 79,586,780	\$ 88,423,662	\$ 96,972,895	\$ 103,145,699	\$ 104,722,629	\$ 113,820,788
Total Net Debt Applicable To Limit	<u>8,239,000</u>	<u>7,919,000</u>	<u>8,542,000</u>	<u>8,197,000</u>	<u>7,712,000</u>	<u>7,177,000</u>
Legal Debt Margin	<u>\$ 71,347,780</u>	<u>\$ 80,504,662</u>	<u>\$ 88,430,895</u>	<u>\$ 94,948,699</u>	<u>\$ 97,010,629</u>	<u>\$ 106,643,788</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	10.35%	8.96%	8.81%	7.94%	7.36%	6.31%

Source: Annual Debt Statements

Note:
GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2006 only six years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

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

<u>Year</u>	<u>Population</u>	<u>County Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2000	11,403	\$ 56,172	2.0%
2001	11,376	56,551	2.5%
2002	11,392	55,984	3.8%
2003	11,376	56,415	3.8%
2004	11,407	60,823	3.0%
2005	11,438	63,605	3.5%
2006	11,455	67,788	3.5%
2007	11,375	71,713	3.2%
2008	11,396	71,812	4.2%
2009	11,372	N/A	7.2%

Source: New Jersey State Department of Education

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

<u>Employer</u>	<u>2010</u>		<u>2001</u>	
	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>

INFORMATION NOT AVAILABLE

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

Function/Program	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Instruction										
Regular										
Special Education										
Other Special Education										
Vocational										
Other Instruction										
Nonpublic School Programs										
Adult/Continuing Education Programs										
Support Services:										
Student and Instruction Related Services										
General Administration										
School Administrative Services										
Other Administrative Services										
Central Services										
Administrative Information Technology										
Plant Operations And Maintenance										
Pupil Transportation										
Other Support Services										
Special Schools										
Food Service										
Child Care										
Total										

INFORMATION NOT AVAILABLE

Source: District Personnel Records

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

Fiscal Year	Enrollment ^a	Operating Expenditures ^b	Cost Per Pupil ^c	Percentage Change	Teaching Staff	Pupil/Teacher Ratio		Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School				
2001	1,022	\$ 12,360,146	\$ 12,094	5.32%	N/A	N/A	N/A	1,022	980	0.10%	95.89%
2002	1,059	13,193,306	12,458	3.01%	N/A	N/A	N/A	1,059	1,012	3.62%	95.56%
2003	1,097	14,300,627	13,036	4.64%	N/A	N/A	N/A	1,097	1,047	3.59%	95.44%
2004	1,133	15,120,748	13,346	2.38%	N/A	N/A	N/A	1,133	1,084	3.28%	95.68%
2005	1,139	16,256,783	14,273	6.95%	N/A	N/A	N/A	1,139	1,083	0.53%	95.08%
2006	1,163	16,987,707	14,607	2.34%	N/A	N/A	N/A	1,163	1,123	2.11%	96.56%
2007	1,167	18,243,811	15,653	7.03%	N/A	N/A	N/A	1,167	1,110	0.34%	95.12%
2008	1,121	18,785,610	16,758	7.20%	N/A	N/A	N/A	1,121	1,079	-3.94%	96.25%
2009	1,150	18,767,756	16,320	-2.61%	N/A	N/A	N/A	1,150	1,107	2.59%	96.26%
2010	1,149	19,020,445	16,554	1.43%	N/A	N/A	N/A	1,149		-0.09%	0.00%

Sources: District Financial Records and Personnel Records

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

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

	2006	2007	2008	2009	2010
<u>District Building</u>					
<u>Elementary</u>					
Central School					
Square Feet	48,369	48,369	58,328	58,328	58,328
Capacity (students)					
Enrollment	373	373	394	394	394
Frank J. Smith School					
Square Feet	29,830	29,830	39,197	39,197	39,197
Capacity (students)					
Enrollment	355	355	344	344	344
<u>Middle School</u>					
Square Feet	59,688	59,688	60,502	60,502	60,502
Capacity (students)					
Enrollment	402	402	384	384	384
<u>Other</u>					
Board of Education Offices					
Square Feet	7,083	7,083	7,083	7,083	7,083

Number of Schools at June 30, 2010

Elementary = 2

Middle School = 1

Other = 1

Source: District Records

Note:

GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2006 only five years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

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

UNDISTRIBUTED EXPENDITURES - REQUIRED
MAINTENANCE FOR SCHOOL FACILITIES
11-000-261-XXX

	<u>Project # (s)</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
School Facilities										
Frank J. Smith School	N/A	\$ 91,579	\$ 73,717	\$ 81,318	\$ 72,838	\$ 62,735	\$ 74,505	\$ 48,966	\$ 65,512	\$ 59,770
Central School	N/A	122,064	94,283	107,191	127,466	109,785	130,384	85,690	114,645	104,599
Middle School	N/A	175,619	142,098	158,939	145,676	125,470	149,010	97,932	131,023	119,241
Administration Building	N/A	20,487	18,406	22,178	18,210	15,684	18,626	12,242	16,378	14,949
Total School Facilities		<u>\$ 409,749</u>	<u>\$ 328,504</u>	<u>\$ 369,626</u>	<u>\$ 364,190</u>	<u>\$ 313,674</u>	<u>\$ 372,525</u>	<u>\$ 244,830</u>	<u>\$ 327,558</u>	<u>\$ 298,559</u>

Source: District Records

Note:

Beginning in fiscal year 2002, the New Jersey State Department of Education required Districts to report maintenance expenditures by location, therefore, ten years of data is not required or available.

**EAST HANOVER BOARD OF EDUCATION
INSURANCE SCHEDULE
JUNE 30, 2010
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - NJSBAIG		
Property:		
Blanket Building and Content	\$ 17,681,899	\$ 5,000
Boiler and Machinery	100,000,000	5,000
Flood and Earthquake	5,000,000	500,000
Computer Equipment	88,000	1,000
Comprehensive General Liability	1,000,000	1,000
Comprehensive Automotive Liability	1,000,000	1,000
 Umbrella Liability - NJSBAIG		
Umbrella Policy	10,000,000	N/A
 Workers' Compensation - NJSBAIG	2,000,000	N/A
 School Board Legal Liability - NJBAIG		
Director's and Officer's Policy	6,000,000	N/A
 Public Employees' Faithful Performance Blanket		
Position Bond:		
NJSBAIG		
Board Secretary/School Business Administrator	250,000	1,000
Treasurer	200,000	1,000
General Employees	25,000	500
 Catastrophic Umbrella Liability	50,000,000	N/A

Source: District records

SINGLE AUDIT SECTION

LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

17 - 17 ROUTE 208
FAIR LAWN, NJ 07410
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Hanover Board of Education as of and for the fiscal year ended June 30, 2010, which collectively comprise the East Hanover Board of Education's basic financial statements and have issued our report thereon dated December 5, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the East Hanover Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the East Hanover Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the East Hanover Board of Education's internal control over financial reporting.

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 East Hanover Board of Education's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

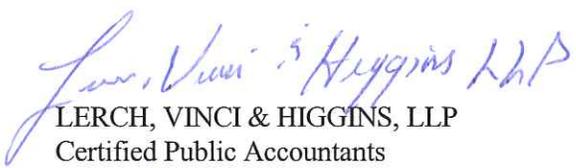
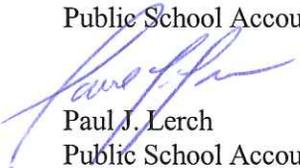
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the East Hanover Board of Education’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and audit requirements as prescribed by Division of Finance, Department of Education, State of New Jersey and which is described in the accompanying schedule of findings and questioned costs as item 2010-1.

We also noted certain matters that we reported to management of the East Hanover Board of Education in a separate report entitled, Auditors’ Management Report on Administrative Findings – Financial, Compliance and Performance” dated December 5, 2010.

East Hanover Board of Education’s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit East Hanover Board of Education’s response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the Board of Trustees, management, the New Jersey State Department of Education and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


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

Paul J. Lerch
Public School Accountant
PSA Number CS01118

Fair Lawn, New Jersey
December 5, 2010

LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-2

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04

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

Compliance

We have audited the East Hanover Board of Education's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the New Jersey OMB Circular 04-04 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of East Hanover Board of Education's major federal and state programs for the fiscal year ended June 30, 2010. East Hanover Board of Education's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirement of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the East Hanover Board of Education's management. Our responsibility is to express an opinion on East Hanover Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and circulars 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 East Hanover Board of Education's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on East Hanover Board of Education's compliance with those requirements.

In our opinion, East Hanover Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04 and which is described in the accompanying schedule of findings and questioned costs as item 2010-2.

Internal Control Over Compliance

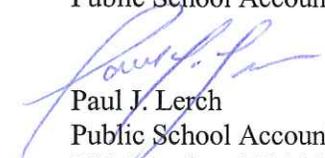
Management of East Hanover Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered East Hanover Board of Education’s internal control over compliance with requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board’s internal control over compliance.

A deficiency in internal control over compliance 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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Board of Education’s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Board of Education’s response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the Board of Trustees, management, the New Jersey State Department of Education and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


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

 Paul J. Lerch
 Public School Accountant
 PSA Number CS01118

Fair Lawn, New Jersey
 December 5, 2010

**EAST HANOVER BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2009	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustment	Refund of Prior Years Balances	(Account Receivable)	Balance, June 30, 2010 Deferred Revenue	Due to Grantor
		7/1/09-6/30/10	\$ 3,845			\$ 3,202	\$ 3,845			\$ (643)		
		7/1/08-6/30/09	5,210	\$ (965)		965						
				(965)		4,167	3,845			(643)		
Total U.S. Department of Education												
U.S. Department of Education												
Passed-through State Department of Education												
NCLB												
		9/1/09-8/31/10	22,358		\$ 4,227		19,361			(33,878)	\$ 15,276	\$ 3,468
84.168A	NCLB119010	9/1/08-8/31/09	10,622	4,227	(4,227)					(1,883)	6,403	925
84.168A	NCLB119009	9/1/09-8/31/10	1,883	3,508	(3,508)			\$ 1,937		(13,981)	13,704	2,042
84.186A	NCLB119009	9/1/08-8/31/09	5,508	3,508	(3,508)		166			(267,477)	913	
84.298A	NCLB119010	9/1/09-8/31/10	111	1,931	(1,931)		266,564			(9,683)	6,861	
84.391	NCLB119009	9/1/08-8/31/09	267,477	1,931	(1,931)		2,822			(8,107)	6,207	
84.392	NCLB119010	9/1/09-8/31/10	9,683				259,488			(947)		
84.027	FT-1190-10	9/1/09-8/31/10	261,951	1,625	(1,625)	255,963				(70)		
84.027	FT-1190-09	9/1/08-8/31/09	256,742	1,625	(1,625)		13,258				947	
84.173	PS-1190-10	9/1/09-8/31/10	14,205	(13,762)		13,692						
84.173	PS-1190-09	9/1/08-8/31/09	14,182									
Total U.S. Department of Education												
Total Federal Awards												
			\$ 287,080	\$ (3,436)	\$ -	\$ 282,913	\$ 561,659	\$ 1,937	\$ -	\$ (336,026)	\$ 50,311	\$ 6,435
			\$ 287,080	\$ (3,436)	\$ -	\$ 287,080	\$ 565,504	\$ 1,937	\$ -	\$ (336,669)	\$ 50,311	\$ 6,435

EAST HANOVER BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

State, Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2009	Carryover Amount	Cash Received	Budgetary Expenditures	Refund of Prior Years' Balances	Adjustment	Balances, June 30, 2010 (Accounts Receivable)	Deferred Revenue	Due to Grantor	Memo	
													GAAP Receivable	Cumulative Total Expenditures
State Department of Education														
General Fund:														
Special Education Aid	10-495-034-5120-089	7/1/09-6/30/10	\$ 518,459	\$	\$	\$ 468,131	\$ 518,459			\$ (50,328)			\$	\$ 518,459
Special Education Aid	09-495-034-5120-089	7/1/08-6/30/09	631,522	(58,761)		58,761	175,722			(17,058)				175,722
Special Education Aid	10-495-034-5120-014	7/1/09-6/30/10	175,722			19,714	175,722							175,722
Transportation Aid	09-495-034-5120-014	7/1/08-6/30/09	211,874	(19,714)		19,714	55,786			(5,415)				55,786
Security Aid	10-495-034-5120-084	7/1/09-6/30/10	55,786			50,371	55,786							55,786
Security Aid	09-495-034-5120-084	7/1/08-6/30/09	25,098	(2,335)		2,335	24,279			(2,357)				24,279
Adjustment Aid	10-495-034-5120-085	7/1/09-6/30/10	24,279			21,922	444,395			(444,395)				444,395
Extraordinary Aid	10-100-034-5120-473	7/1/09-6/30/10	444,395			400,224	10,776			(10,776)			\$ (10,776)	10,776
Extraordinary Aid	09-100-034-5120-473	7/1/08-6/30/09	526,120	(400,224)		400,224								
Nonpublic School Transportation Aid	N/A	7/1/09-6/30/10	10,776											
Nonpublic School Transportation Aid	N/A	7/1/08-6/30/09	10,346	(10,346)		10,346								
Reimbursed TPAF Social Security Contribution	10-495-034-5095-002	7/1/09-6/30/10	644,829			644,829	644,829							644,829
On-Behalf TPAF Pension Contribution	10-495-034-5095-006	7/1/09-6/30/10	30,103			30,103	30,103							30,103
On-Behalf TPAF Post Retirement Medical Contribution	10-495-034-5095-001	7/1/09-6/30/10	565,372			565,372	565,372							565,372
Total General Fund			3,874,681	(491,380)		2,430,772	2,469,721			(530,329)			(10,776)	2,469,721
New Jersey Nonpublic Aid														
Textbook Aid	10-100-034-5120-064	7/1/09-6/30/10	11,002			11,002	11,002							11,002
Technology Aid	09-100-034-5120-373	7/1/08-6/30/09	7,200	124		\$ 124								
Nursing Services	10-100-034-5120-070	7/1/09-6/30/10	13,047			13,047	13,047							13,047
Auxiliary Services														
Compensatory Education	10-100-034-5120-067	7/1/09-6/30/10	26,872			26,872	15,355				\$ 11,517			15,355
Compensatory Education	09-100-034-5120-067	7/1/08-6/30/09	32,846	28,161		4,404	1,762				2,642			1,762
English as a Second Language Transportation	10-101-034-5120-067	7/1/09-6/30/10	4,404			4,404	1,762							1,762
Handicapped Services	09-100-034-5120-067	7/1/08-6/30/09	11,908	11,908			11,908							
Examination and Classification Initial	10-100-034-5120-066	7/1/09-6/30/10	16,623			16,623	7,993					8,630		7,993
Examination and Classification Initial	09-100-034-5120-066	7/1/08-6/30/09	19,140	2,001		2,001								
Examination and Classification Annual	10-100-034-5120-066	7/1/09-6/30/10	1,832			1,832	1,832							1,832
Corrective Speech	10-100-034-5120-066	7/1/09-6/30/10	11,657			11,657	9,236					2,421		9,236
Supplementary Instruction	10-100-034-5120-066	7/1/09-6/30/10	10,353	6,490		6,490	9,318					1,035		9,318
Supplementary Instruction	09-100-034-5120-066	7/1/08-6/30/09	12,390	6,195		6,195								
Supplementary Instruction	10-100-034-5120-066	7/1/09-6/30/10	2,465	2,465							\$ 2,231			
Hurricane Relief Aid	06-100-034-5120-072	7/1/06-6/30/06	2,346	4,576							4,811			
Character Education	06-495-034-5120-053	7/1/05-6/30/06	4,000	27							27			
Total Special Revenue Fund			61,947	(95,790)		95,790	69,545				7,069	26,245		69,545
Total State Awards			(429,433)			2,526,562	2,539,266			(530,329)	7,069	26,245	(10,776)	2,539,266
Less: Amounts not Utilized in Single Audit and Major Program Determination														
Total Subject to Single Audit			(429,433)			1,931,087	1,943,791			(530,329)	7,069	26,245	(10,776)	1,943,791

b=Current Year paid to Grantor

**EAST HANOVER BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes 1(C) to the Board's basic financial statements.

NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is a decrease of \$38,519 for the general fund and a decrease of \$18,480 for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 2,431,202	\$ 2,431,202
Special Revenue Fund	\$ 543,179	69,545	612,724
Food Service Fund	3,845	-	3,845
	<u> </u>	<u> </u>	<u> </u>
Total Financial Assistance	<u>\$ 547,024</u>	<u>\$ 2,500,747</u>	<u>\$ 3,047,771</u>

**EAST HANOVER BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5 OTHER INFORMATION

TPAF Social Security contributions in the amount of \$644,829 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, 2010. The amount reported as TPAF Pension System Contributions NCGI Premium in the amount of \$30,103 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$565,372 represents the amount paid by the State on behalf of the District for the year ended June 30, 2010.

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

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

**EAST HANOVER BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Part I – Summary of Auditor’s Results

Financial Statement Section

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

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

Noncompliance material to the basic financial statements noted? X yes no

Federal Awards Section

Internal Control over compliance:

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

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

Type of auditors' report on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, as amended? yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027/84.173</u>	<u>IDEA Part B/Preschool</u>
<u>84.391/84.392</u>	<u>ARRA IDEA Part B/Preschool</u>

Dollar threshold used to determine Type A programs: \$ 300,000

Auditee qualified as low-risk auditee? yes X no

**EAST HANOVER BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Part 2 - Schedule of 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 Chapter 5.18 of *Government Auditing Standards*.

Finding 2010-01

Our audit of salaries (test of transactions) revealed that the salary of the Director of Curriculum was allocated to the Improvement of Instructional Services functions and should have been allocated to school administration functions. The expenditure and the related appropriation were reclassified to "school administration" for financial statement presentation purposes.

Criteria or Specific Requirement

The Uniform Minimum Chart of Accounts for New Jersey Public Schools, 2008 Edition and Budget Guidelines

Condition

The salary of the Director of Curriculum was incorrectly budgeted and charged to the child study functions.

Questioned Costs

Not Applicable

Context

The district was not in compliance with the uniform chart of accounts.

Effect

The administrative cost functions were understated by \$145,344 and the and the Improvement of Instructional Services functions were overstated by \$145,344.

Cause

Unknown

Recommendation

The district should reference the Uniform Minimum Chart of Accounts for New Jersey Public Schools, 2008 Edition and other available reference materials, such as the Budget Guidelines for the proper classifications required to be in compliance with N.J.A.C. 6A:23-2.2(f).

View of Responsible Officials and Planned Corrective Action

Management has reviewed this finding and has indicated that the Director of Curriculum is no longer with the District.

**EAST HANOVER BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04.

CURRENT YEAR FEDERAL AWARDS

There are none.

**EAST HANOVER BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04.

CURRENT YEAR STATE AWARDS

Finding 2010-2

Our audit of salaries (test of transactions) revealed that the salary of the Director of Curriculum was allocated to the Improvement of Instructional Services functions and should have been allocated to school administration functions. The expenditure and the related appropriation were reclassified to "school administration" for financial statement presentation purposes.

Information of the State Program

State Aid - Public	
Special Education Aid Categorical	495-034-5120-089
Security Aid	495-034-5120-084
Adjustment Aid	495-034-5095-002

Criteria or Specific Requirement

N.J. Department of Education - Specific Grant Compliance for State Aid - Public
The Uniform Minimum Chart of Accounts for New Jersey Public Schools, 2008 Edition and Budget Guidelines

Condition

The salary of the Director of Curriculum was incorrectly budgeted and charged to the Improvement of Instructional Services.

Questioned Costs

Not Applicable

Context

The district was not in compliance with the uniform chart of accounts.

Effect

The administrative cost functions were understated by \$145,344 and the and the Improvement of Instructional Services functions were overstated by \$145,344.

Cause

Unknown

Recommendation

The district should reference the Uniform Minimum Chart of Accounts for New Jersey Public Schools, 2008 Edition and other available reference materials, such as the Budget Guidelines for the proper classifications required to be in compliance with N.J.A.C. 6A:23-2.2(f).

View of Responsible Officials and Planned Corrective Action

Management has reviewed this finding and has indicated that the Director of Curriculum is no longer with the District.

**EAST HANOVER BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

This section identifies the status of prior-year findings related to the general-purpose financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (section .315(a)(b)) and New Jersey OMB's Circular 04-04.

STATUS OF PRIOR YEAR FINDINGS

Finding 2009-1

Our audit of salaries (test of transactions) revealed that the salary of the Director of Curriculum was allocated to the Improvement of Instructional Services functions and should have been allocated to school administration functions. The expenditure and the related appropriation were reclassified to "school administration" for financial statement presentation purposes.

Current Status

See current year finding 2010-1.

Finding 2009-2

The District recorded unbudgeted miscellaneous revenue and subsequently appropriated \$176,500 of additional funds without department approval. Miscellaneous revenue is not one of the revenue sources pursuant to N.J.A.C. 6A:23A-13.3(d) for which department approval is not required.

Current Status

Corrective action has been taken.

Finding 2009-3

Our audit revealed that the District transferred \$75,000 to the maintenance reserve as part of a monthly transfer resolution approved by the Board N.J.A.C. 6A:23A-14.3 requires a separate resolution to transfer such funds.

Current Status

Corrective action has been taken.

Finding 2009-04

Our audit of salaries (test of transactions) revealed that the salary of the Director of Curriculum was allocated to the Improvement of Instructional Services functions and should have been allocated to school administration functions. The expenditure and the related appropriation were reclassified to "school administration" for financial statement presentation purposes.

Current Status

See current year Finding 2010-2.

**EAST HANOVER BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

This section identifies the status of prior-year findings related to the general-purpose financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (section .315(a)(b)) and New Jersey OMB's Circular 04-04.

STATUS OF PRIOR YEAR FINDINGS (Continued)

Finding 2009-05

The District recorded unbudgeted miscellaneous revenue and subsequently appropriated \$176,500 of additional funds without department approval. Miscellaneous revenue is not one of the revenue sources pursuant to N.J.A.C. 6A:23A-13.3(d) for which department approval is not required.

Current Status

Corrective action has been taken.

Finding 2009-06

Our audit revealed that the District transferred \$75,000 to the maintenance reserve as part of a monthly transfer resolution approved by the Board N.J.A.C. 6A:23A-14.3 requires a separate resolution to transfer such funds.

Current Status

Corrective action has been taken.